

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.

**OFFERING MEMORANDUM
ADVENTUS MUTUAL FUND ULC**

Dated: June 28, 2019

The Issuer

| | |
|-----------------------------|--|
| Name | Adventus Mutual Fund ULC (“MFC”) |
| Head Office | 1660 – 999 West Hastings Street, Vancouver, British Columbia V6C 2W2 phone: (604) 336-1226 e-mail: dmcfarlane@adventusrealty.com |
| Currently listed or quoted? | No. These Securities do not trade on any exchange or market. |
| Reporting issuer? | No. |
| SEDAR filer? | Yes. |
| Business of the Issuer | MFC does not currently have any business. MFC’s intended business is to acquire units of Adventus Realty Trust (“ART”). |

The Offering

| | |
|-----------------------------|--|
| Securities offered | We are offering to sell (“Offering”) non-voting participating capital shares of MFC (“MFC Capital Shares” or “Securities”). See ITEM 5: DESCRIPTION OF SECURITIES. |
| Price per security | The price for an MFC Capital Share is US\$4.54 (or Cdn\$6.00 per MFC Capital Share at a fixed exchange rate equal to US\$1.00: Cdn\$1.3216) (the “Subscription Price”). |
| Minimum/Maximum offering | The minimum offering of MFC Capital Shares is US\$68,100 (the “Minimum Offering”). The maximum Offering of MFC Capital Shares is US\$81,720 (the “Maximum Offering”). Funds available under the Offering may not be sufficient to accomplish our proposed objectives. |
| Minimum subscription amount | US\$454 or Cdn\$600 (100 MFC Capital Shares), unless otherwise accepted. |
| Payment terms | The Subscription Price, as defined herein, must be paid by separate certified cheque, bank draft, or other method of payment in a form acceptable to MFC, to Adventus Mutual Fund ULC, Attn: Michael Iannacone, 1660 – 999 West Hastings Street, Vancouver, British Columbia V6C 2W2 or to Farris LLP, Attn: Bo Rothstein, at 25 th Floor, 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3 before the closing of a subscription. |
| Proposed closing date | We will complete the sale of MFC Capital Shares (each a “Closing”) from time to time as we receive subscriptions and as MFC determines in its sole discretion. |
| Use of Proceeds | The proceeds will be used to acquire units of ART at US\$18.16 per unit of ART (each, an “ART Unit”). The minimum subscription amount is the equivalent of twenty-five ART Units at US\$18.16 per unit. |
| Currency | All “\$” amounts are expressed in United States dollars, except as otherwise indicated. |
| Income tax consequences | There are important tax consequences to these Securities. See ITEM 6: CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS. |
| Selling agent | No. |

Resale Restrictions

You will be restricted from selling any securities acquired pursuant to this Offering for an indefinite period. See ITEM 10: RESALE RESTRICTIONS.

Purchasers’ Rights

You have two (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 subscription. See ITEM 11: PURCHASERS’ RIGHTS.

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FORWARD-LOOKING STATEMENTS

Appendix B hereto contains a summary of, and a cautionary note regarding, the “Forward Looking Statements” used in this Offering Memorandum. See: Appendix B – *Forward-Looking Statements*.

CURRENCY CONVERSION

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for US\$1.00, expressed in Canadian dollars, published by the Bank of Canada:

| | Year Ended December 31 | | |
|--------------------------------|------------------------|-----------------|-----------------|
| | 2018 (Cdn\$) | 2017 (Cdn\$) | 2016 (Cdn\$) |
| Highest rate during the period | 1.3727 | 1.3743 | 1.4593 |
| Lowest rate during the period | 1.2886 | 1.2127 | 1.2527 |
| Average rate for the period | 1.2967 | 1.2977 | 1.3253 |
| Rate at the end of the period | 1.3642 | 1.2573 | 1.3439 |

Where there is a conversion of United States dollars to Canadian dollars in this Offering Memorandum, the conversion was based on a rate of exchange of US\$1.00 equals Cdn\$1.3216, unless otherwise noted. On June 27, 2019, the noon rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals Cdn\$1.3111.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 FUNDS

The following table sets forth the anticipated net proceeds of the Offering:⁽²⁾

| | <u>Minimum Offering</u> | <u>Maximum Offering⁽¹⁾</u> |
|---|-------------------------|---------------------------------------|
| A. Amount to be raised by this Offering | US\$68,100 | US\$81,720 |
| B. Selling commissions and fees | nil | nil |
| C. Estimated Offering costs (including legal, accounting, audit, securities filings etc.) | nil | nil |
| D. Available funds: D = A - (B+C) | US\$68,100 | US\$81,720 |
| E. Additional sources of funding required | nil | nil |
| F. Working capital deficiency | nil | nil |
| G. Total: G = (D+E) – F | US\$68,100 | US\$81,720 |

Note:

(1) MFC may complete one or more Closings, at the times determined by MFC, in its sole discretion.

1.2 USE OF AVAILABLE FUNDS

We will use our available funds as follows:

| | <u>Minimum Offering</u> | <u>Maximum Offering</u> |
|------------------------------|-------------------------|-------------------------|
| To Purchase ART Units | US\$68,100 | US\$81,720 |
| TOTAL | US\$68,100 | US\$81,720 |

1.3 REALLOCATION

We intend to spend the available funds as stated.

ITEM 2 - BUSINESS OF ADVENTUS

2.1 STRUCTURE

Adventus Parties

Adventus Capital Partners Ltd. (“ACP”)

ACP is a corporation governed by the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the “CBCA”). ACP holds all of the issued and outstanding shares of Adventus Realty Services Inc. (“ARS”), the trustee of ART and general partner of ARLP and of Adventus Opportunity Services Inc. (“AOS”), the trustee of Adventus AOF.

Adventus Opportunity Fund (“AOF”)

AOF is an unincorporated, open-ended trust established under the laws of the Province of British Columbia.

Adventus Realty Limited Partnership (“ARLP”)

ARLP is a limited partnership formed under the laws of British Columbia and governed by the ARLP Partnership Agreement. ARS is the general partner of ARLP.

Adventus Realty Trust (“ART”)

ART is an unincorporated, open-ended trust established under the laws of the Province of British Columbia.

Adventus Mutual Fund ULC (“MFC”)

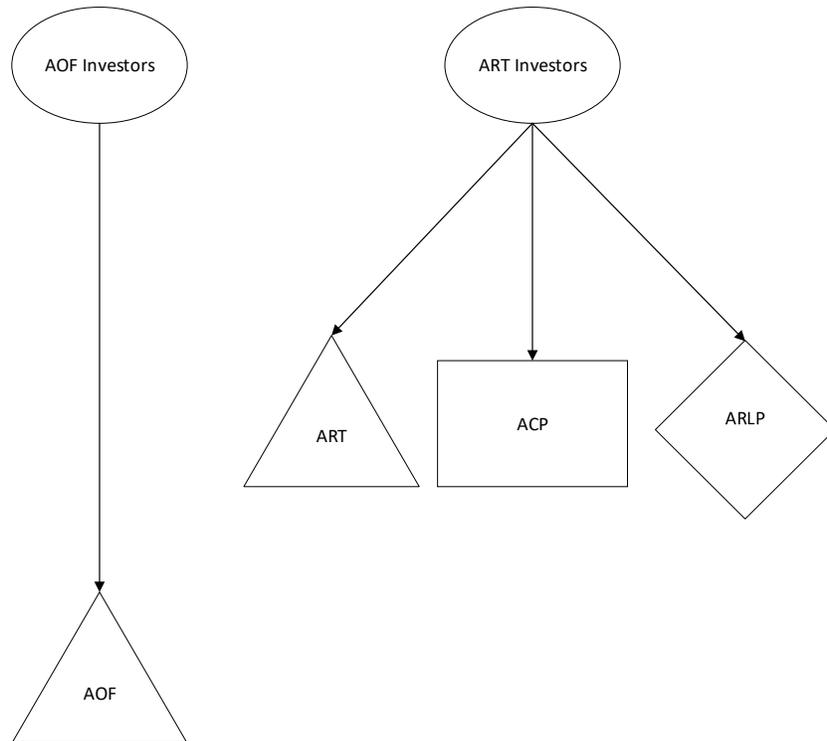
MFC is an unlimited liability company governed by the British Columbia *Business Corporations Act*, SBC 2002, c.57 (the “BCBCA”).

The head office of each of ACP, AOF, ARLP, ART and MFC is at 1660, 999 West Hastings Street, Vancouver, BC, V6C 2W2.

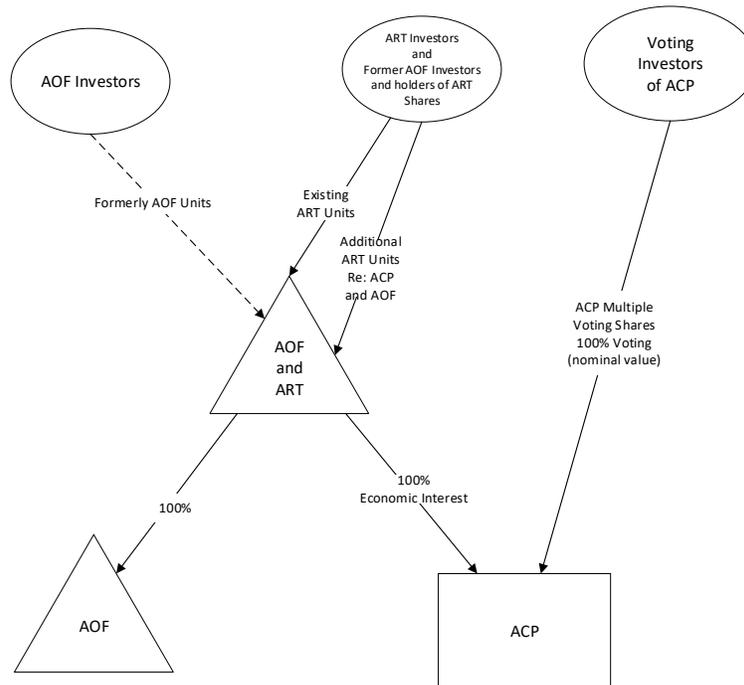
The following table shows the number of issued and outstanding shares or units of each of ACP, AOF, ARLP, ART and MFC at the date hereof:

| Name | Number of Shares or Units |
|-------------------------------------|---|
| Adventus Capital Partners Ltd. | 775,236 ACP Non Voting Shares 27,410 ACP Voting Shares |
| Adventus Opportunity Fund | 3,269,328 units |
| Adventus Realty Limited Partnership | 804,459 units |
| Adventus Realty Trust | 16,145,517 units |
| Adventus Mutual Fund ULC | 2 MFC Voting Shares |

The following is a diagram of the current structure of the Adventus Parties:



The following is a diagram of the proposed structure of the Adventus Parties following the completion of the Arrangement:



2.2 OUR BUSINESS

The Adventus Parties commenced business in 2012 with the formation of ART. AOF is the Adventus Parties' second portfolio which was formed in 2018 to take advantage of market knowledge and expertise of ART. Investors in MFC will, if the Arrangement is completed, ultimately become holders of units ART, and ART will become the holder of AOF. The business of ART and AOF is further described below.

Adventus Realty Trust

Founded in 2012 in Vancouver, BC, ART acquires, owns and manages (via ACP) income producing office properties in Chicago and Atlanta. ART has acquired a strong, well-diversified portfolio of office properties in the Chicago and Atlanta suburban markets through an ability to close quickly on both on- and off-market acquisition opportunities. The markets have a concentration of Fortune 500 headquarters, strong employment statistics, and transportation hubs with easy access. Office properties owned have strong tenant covenants and long term leases with large and credit worthy corporations.

ART's portfolio of 11 office properties contains an aggregate of approximately four million square feet of net leasable space and, at March 31, 2019 had a value (as reflected on its consolidated financial statements at that date) at approximately \$743 million. ART's strategy has been to purchase stabilized properties, with value-add/accretive opportunities, while minimizing financial and operational risk. ART's diversified portfolio has incremental operational opportunities and provides stable, growing cash flows.

ART's senior management team is experienced in real estate, debt and equity capital markets, with combined relevant experience of over 130 years. Management regularly and proactively reviews opportunities for partial to full liquidity, including recapitalization with institutional investors, opportunistic sale of seasoned assets, and other means to return capital and profits to investors. ACP works closely with third party advisors (Cushman & Wakefield in Chicago and Dallas; Avison Young in Atlanta) on behalf of ART (and AOF).

Adventus Opportunity Fund

AOF was formed in 2018 (also in Vancouver) with a view to replicating the success and proven investment platform of ART. AOF acquires, owns and manages (via ACP) commercial real estate in the suburban markets of Atlanta, Georgia.

AOF capitalizes on the existing property management and administrative efficiencies of ACP, which leads to reduced operating costs (compared to operating as an independent investment fund). There are no markups on overhead costs charged by ACP.

The Board of Trustees of AOF includes one Independent Director.

AOF portfolio of two office properties contain an aggregate of approximately six hundred thousand square feet and, at March 31, 2019 had a value (as reflected on its consolidated financial statements at that date) at approximately \$106 million.

Investment Opportunity

Equity investors from each round of financing have seen significant returns. Positive total returns are the result of the ART's proven investment platform:

- Acquiring on- and off-market properties at significant discount to replacement value with a thorough understanding of future market potential;
- Increasing stabilized net operating income with favorable leasing activities and cost control improvements; and
- Growing the portfolio in suburban office markets with strong fundamentals.

Directors of the Boards of Trustees

The following table states the name of each individual who is a director of the Board of Trustees, the municipality in which he or she is ordinarily resident, all offices of the Adventus Parties now held by him, his principal occupation of the past five years, the period of time for which he has been a director of the Board of Trustees, and the number of ACP Shares and ART or AOF Units beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

| Name, Province or State, and Country of Residence | Period of Service as a Director | Principal Occupation and, if not Previously Elected as a Director, Occupation During the Past Five Years | Number of ACP Shares and AOF or ART Units Owned or Controlled |
|--|--|---|--|
| Rodney B. Johnston, CPA, FCPA, FCA British Columbia, Canada | Since March, 2011 | Director of each of the Boards of the Trustees, President and Secretary | 8,500 ⁽¹⁾ Voting Common Shares of ACP 2,669 ACP Non-Voting Shares 98,659 ART Units 34,966 AOF Units |
| Gerald G. (Greg) Cameron, CPA, FCPA, FCA Alberta, Canada | Since September 2012 | Director of each of the Boards of the Trustees, Chief Executive Officer of Noralta Lodge Ltd. from 2008 to 2014 | 5,035 ⁽²⁾ Voting Common Shares of ACP 6,755 ACP Non-Voting Shares 169,563 ART Units |

| <u>Name, Province or State, and Country of Residence</u> | <u>Period of Service as a Director</u> | <u>Principal Occupation and, if not Previously Elected as a Director, Occupation During the Past Five Years</u> | <u>Number of ACP Shares and AOF or ART Units Owned or Controlled</u> |
|---|--|---|---|
| | | | 30,300 AOF Units |
| Brian G. Kenning, MBA British Columbia, Canada | Since June, 2013 | Director of each of the Boards of the Trustees, Director of multiple companies including MacDonald, Dettwiler and Associates Ltd., British Columbia Railway Company, British Columbia Ferry Authority, FT Capital, Royal Oak Ventures Inc., West Fraser Timber Co. Ltd. and Catalyst Paper Corporation. | 2,050 Non-Voting ACP Shares 38,500 ART Units 25,000 AOF Units |
| Ronald B. M. Anderson, CPA, CGA British Columbia, Canada | Since June, 2013 | Director of each of the Boards of the Trustees, President and founder of Tallinn Capital Corp., director of Mainstreet Equity Corp. | 4,659 Non-Voting ACP Shares 88,501 ART Units 7,200 AOF Units |
| Ian MacIntosh ⁽⁴⁾ , B.Comm, LL.B. British Columbia, Canada | Since April, 2018 | Director of the ART Board of the Trustee, President and Director of Loch Moigh Holdings Inc., a strategic investment company, former partner of Blake, Cassels, & Graydon LLP | 6,448 Non Voting ACP Shares ⁽³⁾ 127,608 ART Units ⁽³⁾ 35,000 AOF Units ⁽³⁾ |
| Randy Waites ⁽⁵⁾ , MBA, CPA (Illinois) Illinois, United States | Since April, 2018 | Director of the AOF Board of the Trustee, Chair of Investment Committee, Principal and Managing Director at Avison Young in Chicago, Senior Managing Director with Cushman & Wakefield, COO of John Buck International Properties, board member of Marshall Bennett Institute of Real Estate | Nil ACP Shares Nil ART Units Nil AOF Units |

Notes:

- (1) These securities are held by RBJ Investments Ltd., which is controlled by Mr. Johnston
- (2) These securities are held by 1143742 Alberta Ltd., which is controlled by Mr. Cameron.
- (3) These securities are held by Loch Moigh Holdings Inc., which is controlled by Mr. MacIntosh.
- (4) Mr. MacIntosh serves as the Independent Director on the ART Board of the Trustee.
- (5) Mr. Waites serves as the Independent Director on the AOF Board of the Trustee.

The Office Properties

Adventus Parties' office properties currently consist of 13 office properties (the "Office Properties") 11 of the Office Properties are held by ART, and two of the Office Properties are held by AOF. ART or AOF owns a 100% interest in each Property. The Office Properties which are located in the suburban markets of Atlanta, Georgia and Chicago, Illinois.

The following is a summary description of each of the Office Properties:

ART Office Properties

- **1000 Parkwood:** Located in the Cumberland/Galleria submarket of Atlanta, Georgia, 1000 Parkwood has 212,705 square feet of net leasable space. The property is 92% leased with an average lease term of 4.7 years. Construction of this property was completed in 1985 and it was acquired by ART in May 2016.

- **Barrett Lakes:** Located in Atlanta, Georgia, Barrett Lakes Center has 314,541 square feet of net leasable space. The property, which is 96% leased with an average lease term of 6.3 years, includes a development site for a 75,000 square foot building. Barrett Lakes Center has a long-standing tenant base averaging over 13 years with the property. Construction of this property construction was completed in 1998 and it was acquired by ART in February 2016.
- **Cantera Meadows:** Located in Warrenville, Illinois, Cantera Meadows is an 8 story building and contains 203,842 square feet of net leasable space. It is 92% leased on a long term basis, and anchored by EN Engineering, a large oil and gas engineering firm and one of the fastest growing companies in the US, and Patterson Medical, a subsidiary of Patterson Companies, a US publicly traded \$4.5 billion dental and medical supply company with a 100 year-plus operating history. Construction of this property was completed in 1997 and it was acquired by ART in March 2014.
- **Columbia Center:** Located in Rosemont, Illinois, the Columbia Center complex consists of three buildings in very close proximity to each other. The buildings are all between 7 and 9 stories, contain a total of 620,214 square feet of net leasable space. The properties, which are 93% leased on a long term basis, include a number of high profile tenants including Brunswick Corp., the world's largest maker of fitness equipment (Life Fitness), and World Kitchen LLC and a private manufacturer of kitchenware products including several notable brands (Pyrex and Corningware). Construction of this property was completed in 1988 and it was acquired by ART in October 2014.
- **Crossings:** Located in Oak Brook, Illinois, the Crossings is a Class-A property totaling 303,633 square-feet or net leasable space. The Oak Brook sub-market is one of the most prestigious and sought after areas in suburban Chicago to live and work, and gives Adventus a strong presence in this market with two exceptional properties. Construction of this property was completed in 1985 and it was acquired by ART in September 2013.
- **Pfingsten:** Located in Deerfield, Illinois, the Pfingsten complex has 122,121 square feet of net leasable space. The property is approximately 92% leased and is anchored by Morgan Stanley Smith Barney who signed a long-term extension and expansion shortly before the closing of the acquisition. Construction of this property was completed in 1986 and it was acquired by ART in October 2013.
- **JP Morgan Chase Center:** Located in Elgin, Illinois, Elgin comprises 514,313 square feet of net leasable space over four buildings, and has been solely managed by Adventus since acquisition in 2012. This property is 86% leased; JP Morgan Chase occupies 84.7% of the property on a long term lease until August, 2027. Construction of this property was completed in 1989 and was acquired by ART in April 2012.
- **Highland Landmark V:** Located in Downers Grove, Illinois, Highland Landmark V has 251,229 square feet of net leasable space. The property, which is 100% leased with an average lease term of 9.4 years, includes the national headquarters location for both DeVry Inc. (a for-profit educational service provider founded in 1931, listed on the NYSE with annual revenues of US \$1.9 billion and market capital of US \$1.8 billion) and Dover Corporation (a diversified global manufacturer, listed on the NYSE with annual revenues of US \$7.7 billion and market capital of US \$9.4 billion). Construction of this property was completed in 2008 and it was acquired by ART in October 2015.
- **Milton Park:** Milton Park is comprised of two six-story Class A LEED certified office buildings located in the North Fulton submarket of suburban Atlanta, Georgia. Milton Park contains 318,945 square feet of net leasable space. Centrally located within the prosperous North Fulton submarket, the neighborhoods surrounding Milton Park boast the strongest demographics in metro Atlanta with a highly-skilled and well-educated workforce where the population has grown 10% since 2010 and is expected to grow an additional 7% in the next five years. Construction of this property was completed in 2004 and it was acquired by ART in December 2016.
- **Oak Brook:** Located in Oak Brook, Illinois, Oakbrook is a four building office property containing 312,212 square feet of net leasable space. It is approximately 86% leased; the "Sharpie Pens" division of Newell Rubbermaid Inc. (a Fortune 500 Company) leases 38.5% of the property until December, 2021. Construction of this property was completed in 1979 and it was acquired by ART in March 2013.

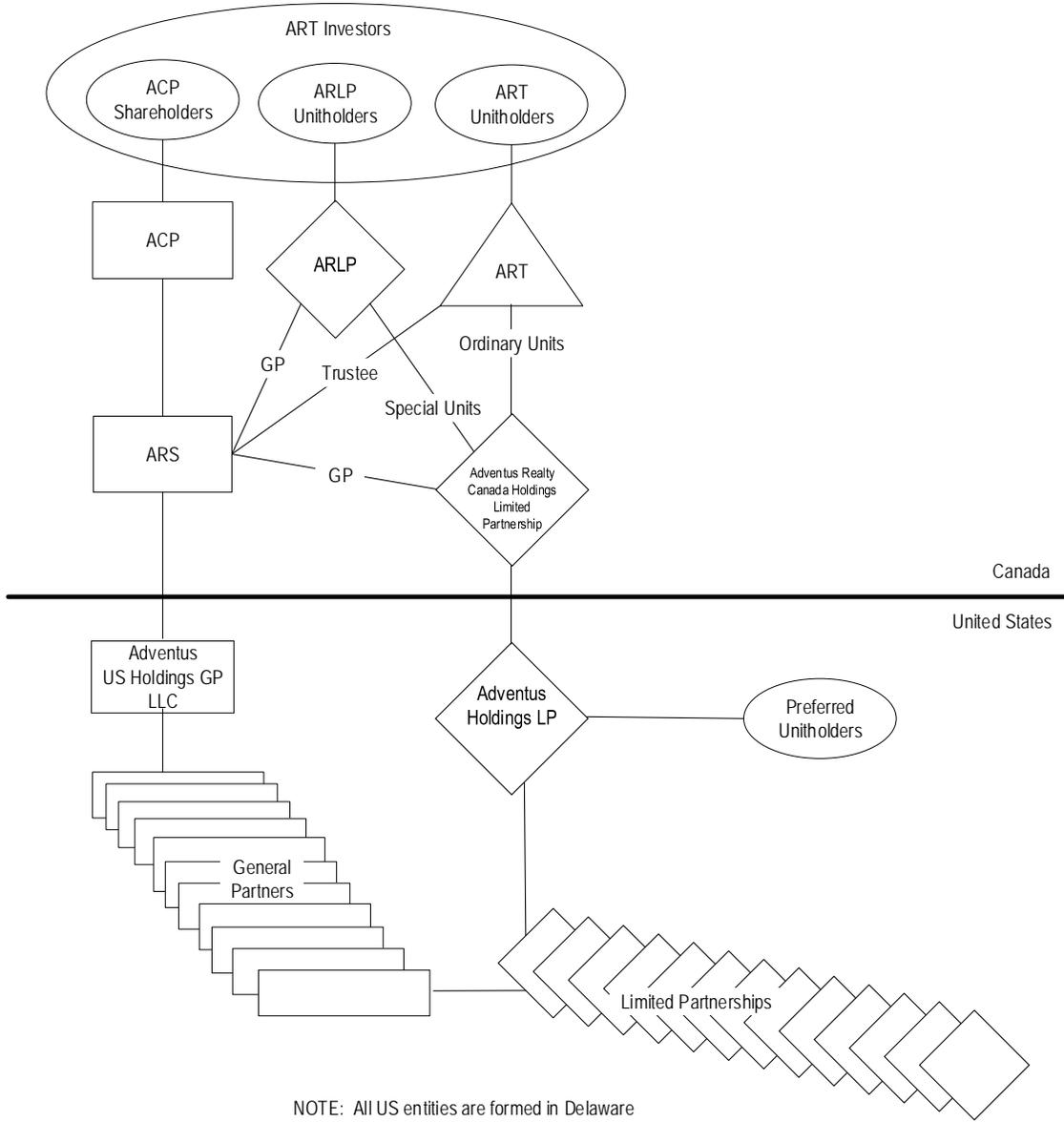
- **Riverway:** Located in the suburban district of Rosemont, Illinois, Riverway is comprised of three prestigious trophy office properties containing a total of 869,120 net leasable space. The Riverway properties are geographically situated at the center of Metropolitan Chicago, intersecting two of the region's most vital driving arteries, adjacent to the Chicago Transit Authority rail line, and only a few minutes from the O'Hare International Airport, the country's second busiest airport. Construction of this property was completed in 1988 and it was acquired by ART in November 2016.

AOF Office Properties

- **1600 Parkwood:** 1600 Parkwood is located in the Cumberland Galleria submarket of suburban Atlanta. It contains 154,668 square feet of net leasable area. 1600 Parkwood is a stable, high quality asset with excellent tenancy located in. The Property is 90% leased with a weighted-average lease term of 6.3 years. 1600 Parkwood is located in one of the most vibrant, high-growth submarkets of Atlanta, Georgia. The primary tenant of the property is a highly decorated and locally established professional services firm, currently on a long-term lease and has occupied these premises for 18 years. The property has excellent access to a deep surrounding amenity base of retail, dining, hospitality, and entertainment options. The property is near the intersection of two of the submarket's main arteries, providing efficient connections to all areas of metro Atlanta. Construction of this property was completed in 1984 and it was acquired by AOF in December 2018.
- **Town Park Commons:** Located in the Kennesaw Town Center submarket of Atlanta, Town Park Commons is a campus-style office development featuring four, 4-story, Class A buildings containing a total of 350,012 square feet of new leasable space. Town Park Commons is conveniently positioned near Kennesaw State University, and is situated between two interstate highways providing easy access from all points of the Atlanta metro area. Town Park Commons is 98% leased, and has a stable and dedicated tenant base with a weighted average lease term of 8.2 years. Over the last 20 years Town Park Commons has averaged 92% occupancy and existing tenants have an average tenure of 15.2 years. Construction of this property was completed in 1998 and it was acquired by AOF in August 2018.

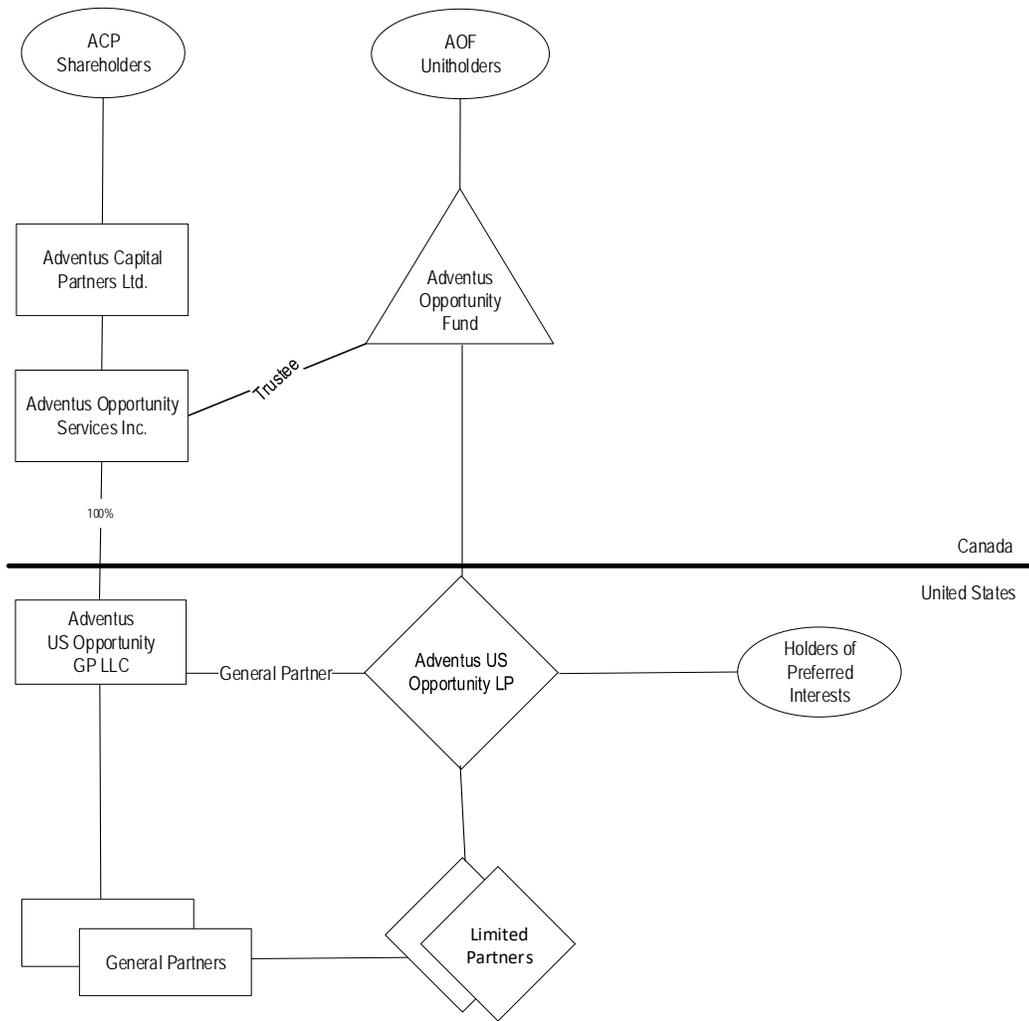
Each of the Office Properties held by AOF and ART is owned by a separate limited partnership formed under the laws of the State of Delaware. The following chart is the existing organizational chart of the Adventus Parties:

Organizational Chart of ART



NOTE: All US entities are formed in Delaware

Organizational Chart of AOF



NOTE: All US entities are formed in Delaware

The table below highlights certain information about the Office Properties.

| Name of Property and Location | As at December 31, 2018 | | | For the year ended December 31, 2018 | | |
|--|----------------------------|---|---|--------------------------------------|----------------------------|----------------------------|
| | Total Net Rentable Sq. Ft. | Percentage Rented (of Total Net Rentable Sq. Ft.) | Average Net Effective Rent per Sq. Ft. ⁽²⁾ | Net Operating Income | Debt Service Payments | Net Cash Flow |
| Office Properties of ART | | | | | | |
| JP Morgan Chase Center Elgin, Illinois | 514,313 | 92.4% | \$16.79 ⁽¹⁾ | \$3,346,551 | \$1,402,000 | \$1,944,551 |
| Columbia Centre Rosemont, Illinois | 620,214 | 93.4% | \$15.73 | \$7,431,806 | \$3,912,000 | \$3,519,806 |
| Highland Landmark V Downer Grove, Illinois | 251,229 | 100% | \$21.75 | \$5,533,267 | \$2,113,000 | \$3,420,267 |
| Cantera Meadows Warrenville, Illinois | 203,842 | 97.3% | \$15.47 | \$2,585,866 | \$1,277,000 | \$1,308,866 |
| The Crossings Oak Brook, Illinois | 303,633 | 88.5% | \$20.02 ⁽¹⁾ | \$3,428,592 | \$1,614,000 | \$1,814,592 |
| Oak Brook Office Centre Oak Brook, Illinois | 312,212 | 74.4% | \$16.76 ⁽¹⁾ | \$2,039,261 | \$1,439,000 | \$600,261 |
| Pfingsten Deerfield, Illinois | 122,121 | 63.3% | \$16.24 | \$570,987 | n/a | \$570,987 |
| Riverway Rosemont, Illinois | 869,120 | 95.0% | \$19.97 | \$14,670,162 | \$8,208,000 | \$6,462,162 |
| Milton Park Atlanta, Georgia | 318,945 | 87.4% | \$22.43 ⁽¹⁾ | \$4,177,606 | \$1,998,000 | \$2,179,606 |
| Parkwood Atlanta, Georgia | 212,705 | 90.0% | \$22.69 ⁽¹⁾ | \$2,509,533 | \$1,166,000 | \$1,343,533 |
| Barrett Lakes Atlanta, Georgia | 314,541 | 97.8% | \$22.29 ⁽¹⁾ | \$4,214,212 | \$1,717,000 | \$2,497,212 |
| Office Properties of AOF | | | | | | |
| Town Park Commons Atlanta, Georgia | 350,012 | 100% | \$21.81 ⁽¹⁾ | \$5,044,000 ⁽³⁾ | \$2,346,000 ⁽³⁾ | \$2,698,000 ⁽³⁾ |
| 1600 Parkwood Atlanta, Georgia | 154,668 | 89.5% | \$19.83 ⁽¹⁾ | \$1,806,000 ⁽³⁾ | \$635,000 ⁽³⁾ | \$1,171,000 ⁽³⁾ |

Notes:

(1) Average base rent per sq. ft. of rented space; primarily gross leases.

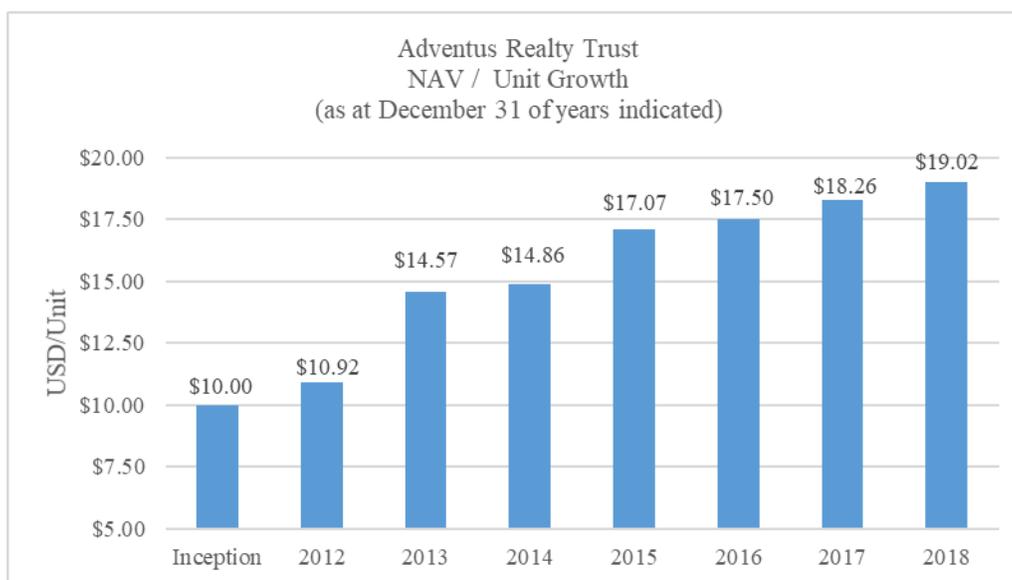
(2) Net Effective Rent at any time is annual base rent divided by occupied square feet at such time.

(3) Financial figures for AOF properties are based projections for the year ending December 31, 2019 as AOF did not own the properties for 12 months in 2018. Town Park Commons was acquired in December 2018 and 1600 Parkwood was acquired in August 2018. The projections for 2019 do not assume any significant rent increases for existing leases or new leases.

2.3 Development of the Business

The Adventus Parties have, over the years, seen consistent appreciation across the portfolio which is the result of the Adventus Parties' proven investment platform. The Adventus Parties have been able to purchase stabilized properties, with value-add/accretive opportunities, while minimizing financial and operational risk. The Adventus Parties' diversified portfolio with incremental operational opportunities provides stable, growing cash flows.

ART, since its inception in 2012 has been able to provide growth to its unitholders, with positive Net Asset Value (NAV) growth annually. ART has provided its unitholders with regular tax deferred distributions yielding 6.2% – 8.0% of its subscription price per year since inception. The following chart shows the Net Asset Value per ART Unit at December 31 of each of the years since the inception of ART in 2012 to 2018.



The following charts are a summary of certain information with respect to Office Properties as at December 31 of the years indicated (2018, where not indicated).

| | Chicago Portfolio | Atlanta Portfolio | Total Portfolio |
|---|------------------------------|------------------------------|----------------------------|
| Gross Leasable Area (sq. ft.) | 3,196,684 | 1,350,871 | 4,547,555 |
| Net Leasable Area (sq. ft.) | 3,144,136 | 1,329,188 | 4,473,324 |
| Acquisition Cost (\$ in millions) | \$480 | \$243 | \$723 |
| Acquisition Cost per square foot of Gross Leasable Area | \$150 | \$180 | \$159 |
| Value as reflected in consolidated financial statements at December 31, 2018 (\$ in millions) | \$562 | \$286 | \$848 |
| Value as at December 31, 2018 per square foot of Gross Leasable Area | \$176 | \$212 | \$187 |
| Increase in value over cost | 17% | 18% | 17% |

Notes:

(1) The above table represents ART and AOF combined.

| | At December 31 of years indicated | | |
|--|--|-------------------|---------------------------|
| | 2016 | 2017 | 2018⁽¹⁾ |
| Number of Office Properties/ Buildings ⁽¹⁾ | 11 / 26 | 11 / 26 | 13 / 31 |
| Total Gross Leasable Area | 4,000,000 sq. ft. | 4,000,000 sq. ft. | 4,600,000 sq. ft. |
| Total value of properties as shown on consolidated financial statements for years ended as indicated | \$701 ⁽²⁾ | \$719 | \$848 |
| Total debt as shown on consolidated financial statements for years ended as indicated | \$476 | \$450 | \$67 ⁽³⁾ |
| Net Asset Value ⁽⁴⁾ | \$221 | \$269 | \$327 |
| Debt Leverage ⁽⁵⁾ | 67.9% | 62.6% | 60.4% |
| Weighted Average Mortgage Interest Rate ⁽⁶⁾ | 4.71% | 4.71% | 4.74% |
| Occupancy | 92% | 91% | 92% |
| Weighted Average Lease Term | 5.3 | 4.6 | 4.7 |
| <u>Valuation and Distribution Metrics</u> | | | |
| NAV Per Unit ⁽⁷⁾ | \$17.50 | \$18.26 | \$19.02 |
| AFFO Per Unit | \$1.26 | \$1.61 | \$1.28 |
| Distribution Per Unit ⁽⁸⁾ | \$0.99 | \$1.02 | \$1.05 |
| AFFO Payout Ratio ⁽⁹⁾ | 78.6% | 63.4% | 81.6% |
| Issue Price / AFFO Per Unit | 12.7x | 10.2x | 13.3x |
| Issue Price Discount to NAV ⁽¹⁰⁾ | -8.6% | -9.6% | -10.6% |

Notes:

(1) Reflects combined amounts for AOF and ART.

(2) All dollar amounts in the above table are in millions.

(3) Excludes AOF credit facilities subsequently repaid after year-end with proceeds from the issuance of AOF Units.

(4) Net Asset Value is not an IFRS Measure. See “*Non IFRS Measures*”.

(5) Debt Leverage is not an IFRS Measure. See “*Non IFRS Measures*”.

(6) Weighted Average Mortgage Interest Rate is calculated for all in place mortgages using the annualized mortgage interest expense divided by the outstanding principal mortgage payable.

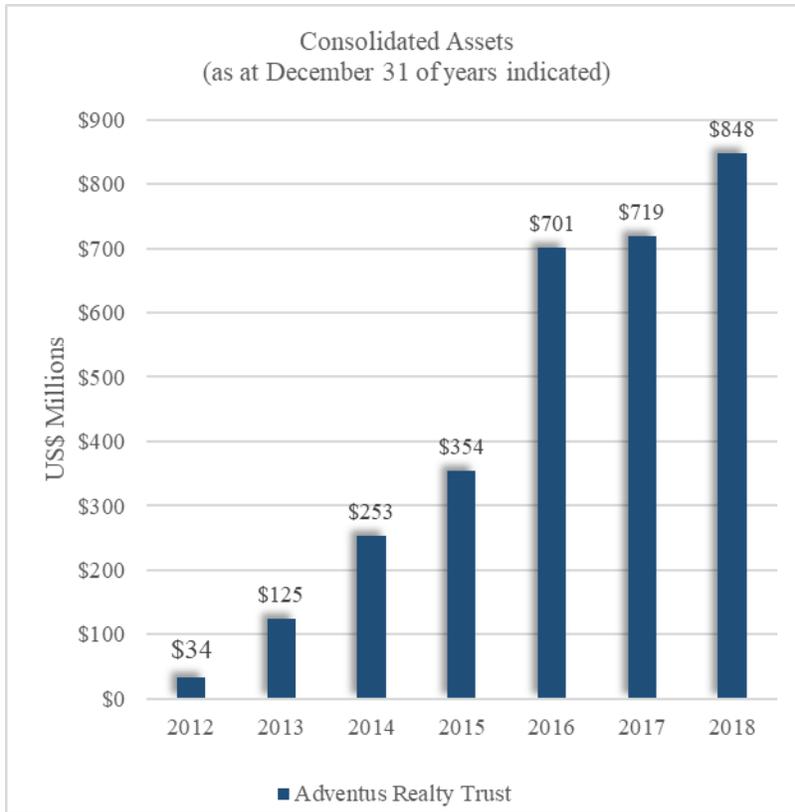
(7) NAV is not an IFRS Measure. See “*Non IFRS Measures*”.

(8) All distributions to date have been paid as a return of capital.

(9) AFFO is not an IFRS Measure. See “*Non IFRS Measures*”.

(10) Based on the following prices at which units were issued: December 2016 – \$16; December 2017 – \$16.50; December 2018 – \$17.

The following chart shows the consolidated assets of the Adventus Parties at the amounts reflected in its consolidated financial statements at the end of the years 2012 to 2018 (2012 to 2017 represents only ART; 2018 reflects the combined consolidated assets of AOF than ART).



Notes:

- (1) The above bar chart represents the fair value of the investment properties for ART and AOF combined.
- (2) All properties 100% owned.
- (3) Amounts for 2012 to 2017 reflects ART only. Amounts for 2018 reflects the combined assets of AOF and ART.

2.4 LONG TERM OBJECTIVES

MFC intends to complete the Arrangement, and after the Arrangement is completed, the then former shareholders of MFC Capital Shares will then be holders of ART Units. Therefore, the long-term objectives of ART are applicable to the interests of the purchasers of MFC Capital Shares. Management of ART intends to regularly and proactively review opportunities for partial to full liquidity over the coming years, including recapitalization with institutional investors, opportunistic sale of seasoned assets, and other means to return capital and profits to investors.

2.5 SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM

In the next 12 months we are planning to use the proceeds of this Offering as well as financing proceeds as follows:

| <u>What we must do and how we will do it</u> | <u>Target completion date or number of months to complete</u> | <u>Cost to complete</u> |
|---|---|---------------------------|
| Invest in ART Units at US\$18.16 per ART Unit | July 31, 2019 | US\$68,100 ⁽¹⁾ |

Notes:

- (1) The cost to complete the purchase of ART Units will depend on the final gross proceeds received by MFC under the Offering. MFC intends to use all of the proceeds from the Offering to purchase ART Units.

2.6 INSUFFICIENT FUNDS

MFC cannot guarantee that it will receive sufficient subscriptions to reach the Minimum Offering and there is no assurance that alternative funding or other subscribers will be available. If MFC receives sufficient subscriptions to reach the Minimum Offering, MFC anticipates that it will have sufficient funds to subscribe for the ART Units. If MFC does not receive sufficient subscriptions to reach the Minimum Offering, then MFC may not be able to accomplish its proposed objectives.

2.7 MATERIAL AGREEMENTS

2.7.1 Arrangement Agreement

MFC is a party to an arrangement agreement dated June 18, 2019 among ACP, MFC, AOF, AOS, ARLP, ARS and ART (the “**Arrangement Agreement**”). The Arrangement Agreement provides for a plan of arrangement, a copy of which is attached as Appendix “A” hereto (the “**Plan of Arrangement**”), under the BCBCA and contemplates each of the events set out below shall occur and shall be deemed to occur in the following order, and each event set out below will be deemed to have been completed before the event immediately following such event is deemed to have been completed, without any further act or formality except as otherwise provided in the Plan:

- Prior to the Effective Time:
 - *Reorganization of ACP Voting Shareholders.* In order to provide continuity in the voting interests in ACP, it is the intention of ACP to complete a reorganization of its voting shares by issuing to the holder of each ACP Voting Share one ACP Multiple Voting Share. The creation and issuance of the ACP Multiple Voting Shares will occur with the approval of the holders of the ACP Voting Shares, either by approval in writing or at a special meeting of the ACP Voting Shareholders. The ACP Multiple Voting Shares will have 100 votes per share, will have no entitlement to dividends and are to be entitled to the return of the paid up capital per share (being \$0.01 per share) on the dissolution, liquidation and winding up of ACP, and no more;
- Commencing at the Effective Time:
 - *Transfer of ACP Shares.* All ACP Shares are transferred by the ACP Shareholders to ART, free of any lien, claim or encumbrance in consideration for ART Units on the basis of one ART Unit for each ACP Share;
 - *Transfer of ARLP Units.* All ARLP Units are transferred by the ARLP Unitholders to ART free of any lien, claim, or encumbrance in consideration for the amount of US\$0.01 per ARLP Unit payable to the ARLP Unitholders in accordance with the number of ARLP Units held by each; and
 - *Transfer and Exchange of AOF Units for MFC Shares.* All AOF Units are transferred by the AOF Unitholders to MFC free of any lien, claim or encumbrance in consideration for MFC Capital Shares on the basis of four MFC Capital Shares for each ART Unit;

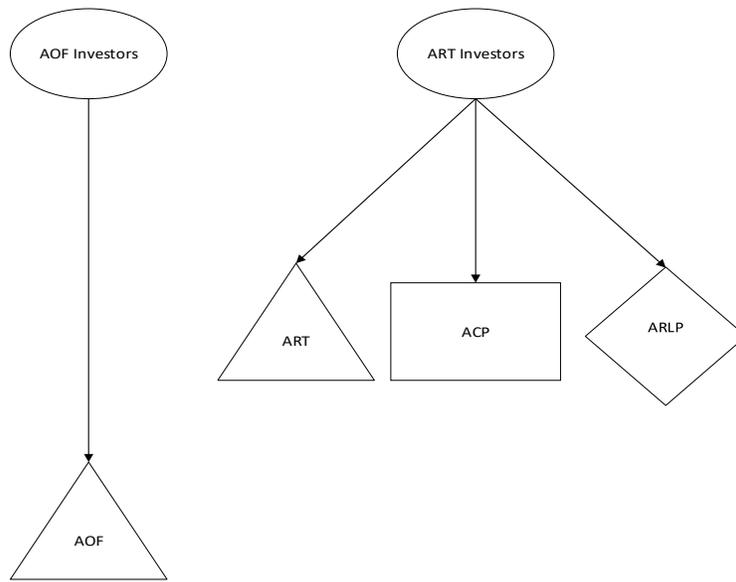
- Commencing at 12:01 am (Vancouver, British Columbia time) on the day immediately after the Effective Date:
 - *Transfer and Exchange of AOF Units for ART Units.* All of the AOF Units are transferred by MFC to ART free of any lien, claim or encumbrance in consideration for ART Units on the basis of one AOF Unit for 0.6651 of an ART Unit;
 - *Redemption of MFC Shares for ART Units.* All of the issued and outstanding MFC Capital Shares are redeemed by, and transferred to, MFC in consideration for ART Units on the basis of four MFC Capital Shares for each ART Unit;
 - *Dissolution of MFC.* ART shall pay, retire, discharge or make provision for the payment, retirement or discharge of all outstanding liabilities and obligations of MFC and all of the issued and outstanding MFC Voting Shares are redeemed by, and transferred to, MFC with no consideration paid to the holders of the MFC Voting Shares; and MFC shall be dissolved; and
 - *Exchange of ACP Voting Shares for ACP Non Voting Shares.* All issued and outstanding ACP Voting Shares are exchanged for ACP Non Voting Shares on the basis of one ACP Non Voting Share for each ACP Voting Share.

Each of the AOF Declaration of Trust and the ART Declaration of Trust will be amended to the extent necessary to facilitate the Plan and the implementation of the steps and transactions described herein. No certificates shall be issued for the MFC Capital Shares issued on the transfer of the AOF Units to MFC in exchange for MFC Capital Shares. ACP, AOF, ARLP, ART and MFC shall make the appropriate entries in their shares or unit registers to reflect the matters referred to in the steps above.

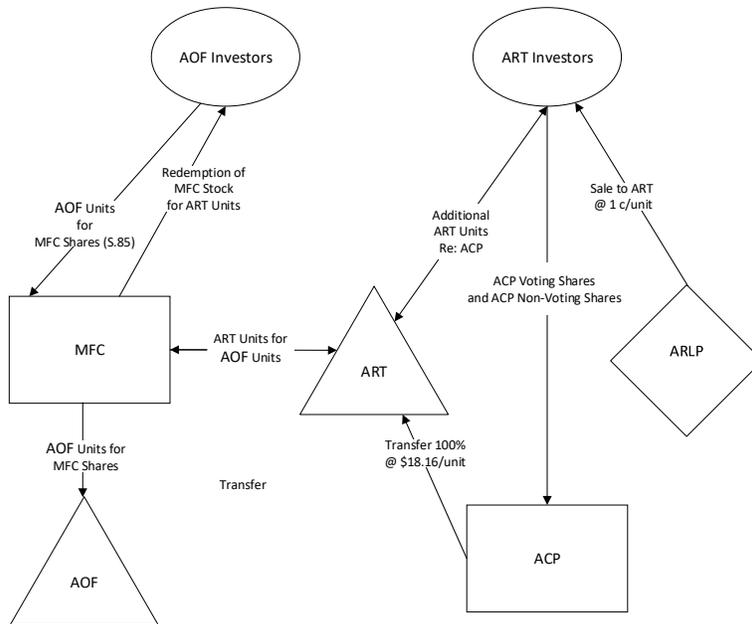
Pursuant to the Arrangement Agreement, MFC has agreed to carry out the Offering which will be subject to a minimum of at least 15,000 MFC Capital Shares at US\$4.54 per share to at least 150 persons, each of whom subscribes for at least 100 MFC Capital Shares, pursuant to this Offering Memorandum in accordance with section 2.9 of NI 45-106 of the Canadian Securities Administrators. The proceeds of the Offering will be used to take up and pay for at least 3,750 ART Units at a subscription price of US\$18.16 per unit, and ART has agreed that it will, against the payment for such ART Units, issue such ART Units to MFC as fully paid and non-assessable ART Units.

The following diagrams depict: (i) the structure of the Adventus Parties prior to the Arrangement and reorganization of ACP Voting Shares becoming effective; (ii) the steps involved in the Arrangement and (iii) the structure of ART immediately following completion of the Arrangement. Note: the following diagrams do not depict AOS and ARS, the trustees of AOF and ART, respectively, or ARS, as the general partner of ARLP. The following diagrams also do not depict subsidiary entities owned by AOF or ART.

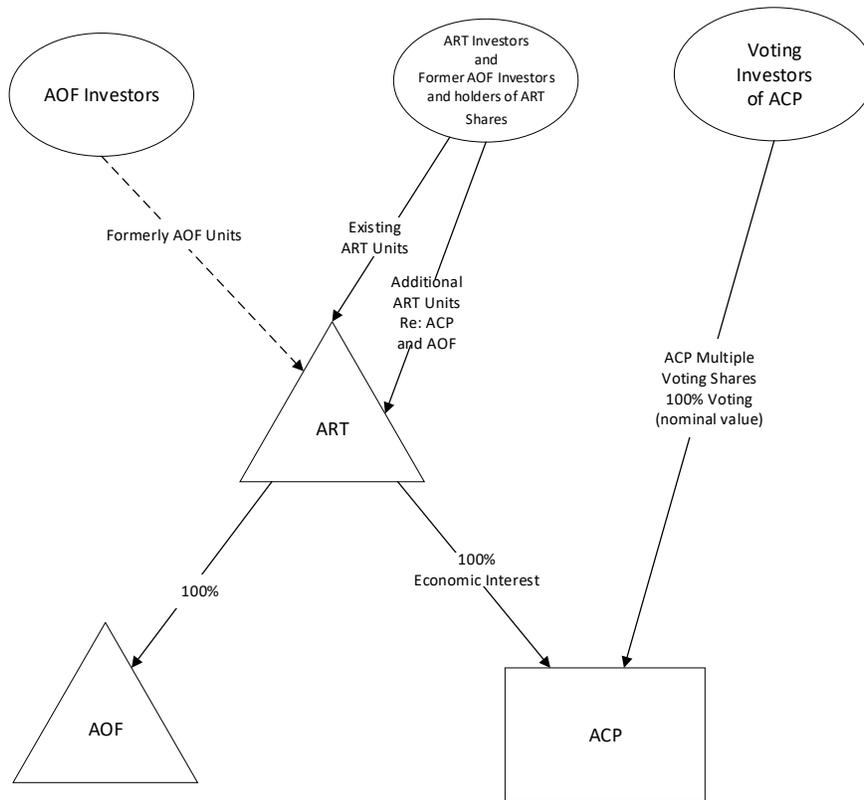
Structure Prior to the Arrangement Becoming Effective



Steps Involved in the Arrangement:



Structure Immediately Following Completion of the Arrangement



Approval of the Arrangement

The Meeting of the ACP Shareholders and ARLP Unitholders will be held concurrently. At the Meeting, separate votes will be taken of the votes of the ACP Shareholders and ARLP Units respectively. ACP Shareholders will be asked to consider and to vote to approve the ACP Shareholder Arrangement Resolution and ARLP Unitholders will be asked to approve the ARLP Arrangement Resolution. To be effective, the ACP Shareholder Arrangement Resolution must be approved by a resolution passed by not less than two-thirds of the votes cast by the ACP Shareholders voting in person or by proxy at the Meeting; the ARLP Unitholder Arrangement Resolution must be approved by a resolution passed by not less than two-thirds of the votes cast by the ARLP Unitholders voting in person or by proxy at the Meeting. Each ACP Shareholder and each ARLP Unitholder may cast one vote for each ACP Share, representing the ACP Voting Shares and the ACP Non Voting Shares, voting together as a class, and each ARLP Unit held.

No vote of the AOF Unitholders or ART Unitholders to approve the Arrangement is being proposed as the merger of AOF and ART is contemplated by each of the AOF Declaration of Trust and the ART Declaration of Trust.

The MFC Voting Shareholders have approved the Arrangement by a special resolution.

Arrangement Mechanics

The Arrangement is proposed to be carried out pursuant to Division 9, Part 5 of the BCBCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement Resolutions must be approved by the ACP Securityholders and the ARLP Unitholders by separate resolutions passed at the Meetings;
- (b) the Arrangement must be approved by the Court pursuant to the Final Order; and
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties.

Effect of the Arrangement on the Business

If approved, the Arrangement will result in the reorganization of the Adventus Parties into a single trust, which will have the name “Adventus Realty Trust” and will own and operate the business. The senior management of ACP will continue to manage AOF and ART. The members of the Boards of the Trustees will form the board of directors of ARS, the trustee of ART.

Post Arrangement Structure

Immediately following the completion of the Arrangement, at least 18,323,692 ART Units will be issued and outstanding (including the at least 3,750 ART Units to be issued to the subscribers for the MFC Capital Shares) and held by existing ART Unitholders, former AOF Unitholders, former ACP Voting Shareholders, former ACP Non Voting Shareholders and subscribers for MFC Capital Shares pursuant to this Offering Memorandum. All issued and outstanding AOF Units, ACP Non Voting Shares and ARLP Units will be held by ART.

2.7.2 Declaration of Trust

If the Arrangement is completed, investors in MFC will ultimately become ART Unitholders. The following is a description of the Declaration of Trust governing ART.

Declaration of Trust and Description of ART Units

The following is a summary of certain material provisions of the Amended and Restated Declaration of Trust for ART made April 30, 2018, as amended, among ART, ACP as settlor, and all persons who become holders of ART Units as provided therein (the “**Declaration of Trust**”) which governs the rights and obligations of ARS and the holders of Trust Units. This summary does not purport to be complete and reference should be made to the Declaration of Trust itself, a copy of which is available from ARS upon request during regular business hours at the head office of ART at 1660 – 999 West Hastings Street, Vancouver, British Columbia V6C 2W2.

Capitalized terms in this summary are defined in the Declaration of ART.

General

The Trust is an unincorporated, open-ended limited purpose trust governed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

Activities of the Trust

The only undertaking of the Trust is the investing of its funds in property, and the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Trust. Cash distributions from the Trust are not fixed and will vary from quarter to quarter. Without limiting the generality of the foregoing, the operations and activities of the Trust are restricted to:

- (a) acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the Trust, including investing in, holding, transferring, disposing of and otherwise dealing with any interest in any other person;
- (b) acquiring, holding and investing in securities of corporations, trusts, partnerships, limited liability companies or other entities all of the equity interests of which are held by or for the benefit of the Trust;
- (c) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust Units or other securities of the Trust, and making distributions to Trust Unitholders;
- (d) investing its funds in property and acquiring, holding, maintaining, improving, leasing or managing real property (or interests in real property) that is capital property of the Trust;

- (e) reinvesting income and gains of the Trust and taking other actions besides the mere protection and preservation of the Trust Property (as described in the Declaration of Trust);
- (f) issuing Trust Units for the purposes of: (i) obtaining funds to conduct the activities of the Trust; (ii) satisfying any non-cash distribution; or (iii) satisfying any obligations, liabilities or indebtedness of the Trust;
- (g) disposing of all or any part of the Trust Property;
- (h) repurchasing securities issued by the Trust, including Trust Units, for cancellation subject to the provisions of the Declaration of Trust and applicable laws;
- (i) satisfying the obligations, liabilities or indebtedness of the Trust; and
- (j) undertaking all other usual and customary actions for the conduct of the activities of the Trust in the ordinary course as are approved by the Trustee from time to time, or as are contemplated by the Declaration of Trust.

Issue of Trust Units

Beneficial interests of the Trust (“**Trust Units**”) may be allotted and issued by the Trust at such times, to such persons, for the amount paid or payable to the Trust for the issue and purchase of a Trust Unit in respect thereof and on such other terms and conditions as the Trustee may determine. Each Trust Unit must be fully paid before it is issued and will not be fully paid until consideration therefor has been received by or on behalf of the Trust, which consideration will be paid in cash or in property or in past services received by the Trust that are at least equal in value, as determined by the Trustee, to the aggregate price of the Trust Units to be issued. Trust Units will not be subject to future calls or assessments.

The Trustee may authorize the Trust to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase, whether absolutely or conditionally, Trust Units, or rights, warrants, convertible securities or options to acquire Trust Units, from the Trust or from any other person, or procuring or agreeing to procure purchasers, whether absolute or conditional, for Trust Units.

Minimum Distribution Requirement

The Trustee will use its best efforts to cause the Trust to comply with conditions in connection with the number of holders of record of Trust Units (“**Trust Unitholders**”), the dispersal of ownership of Trust Units and the distribution of the Trust Units to the public (the “**minimum distribution requirements**”) as required in paragraph 132(6)(c) of the Tax Act and section 4801 of the regulations to the Tax Act. In connection with the minimum distribution requirements, the Trustee shall use its best efforts to cause the Trust Units to be qualified for distribution to the public and to cause there to be on closing and at all relevant times thereafter no fewer than 150 Trust Unitholders, each of whom holds at least one block of Trust Units having an aggregate fair market value of not less than US\$500 each. For these purposes, a block of Trust Units means 100 Trust Units if the fair market value of a Trust Unit is less than US\$5.00, twenty-five Trust Units if the fair market value of a Trust Unit is US\$25 or more but less than US\$100, or 10 Trust Units if the fair market value of a Trust Unit is more than US\$100.

No Concentration of Ownership

Pursuant to the Declaration of Trust, at no time may any one individual or his or her family directly or indirectly own or acquire Trust Units comprising in excess of 19.9% of the outstanding Trust Units. If a Trust Unitholder or his or her family acquires Trust Units in excess of 19.9% of the outstanding Trust Units, the Trustee may in its discretion, either forthwith redeem those Trust Units which comprise in excess of 19.9% of the outstanding Trust Units held by such Trust Unitholder, or by written notice require the Trust Unitholder to, within thirty (30) days, transfer such excess Trust Units to a transferee who does not own more than 19.9% of the outstanding Trust Units. The redemption proceeds payable for each Trust Unit to be redeemed will be equal to 85% of the lesser of the deemed price paid for that Trust Unit at its issuance and the amount payable to a redeeming Trust Unitholder in the event of a redemption of a Trust Unit determined on the day on which the Trustee issues the written notice.

Mutual Fund Trust Status

ART currently qualifies as a “mutual fund trust” for purposes of the Tax Act. IART will use its reasonable commercial efforts to ensure that once achieved, the Trust maintains its status as a mutual fund trust for purposes of the Tax Act, including without limitation by: (a) restricting the holding of Trust Units by non-residents (as defined in the Tax Act and including partnerships other than “Canadian partnerships” within the meaning of the Tax Act, “**Non-residents**”); (b) meeting the minimum distribution requirements as defined therein; (c) restricting the Trust from making investments or undertaking activities that are prohibited thereunder; and (d) making the election pursuant to subsection 132(6.1) of the Tax Act.

Non-SIFT Trust Status

It is intended that the Trust not become a “SIFT trust” within the meaning of section 122.1 of the Tax Act (the “**SIFT Measures**”). If at any time the Trust Units become listed or traded on any stock exchange or other public market, within the meaning of the SIFT Measures, the Trustee will use its reasonable commercial efforts to operate the Trust to ensure that the Trust qualifies as a “real estate investment trust” for purposes of the Tax Act, including without limitation by restricting the Trust from making investments or undertaking activities that would cause the Trust not to meet those revenue and asset conditions set out in the SIFT Measures that exempt a real estate investment trust from SIFT trust treatment.

No Non-Resident Trust Unitholders

At no time may Non-residents be Trust Unitholders. If a Trust Unitholder becomes a Non-resident, the Trustee may in its discretion, either forthwith redeem all or a part of the Trust Units held by such Trust Unitholder, or by written notice require the Trust Unitholder to, within thirty (30) days, transfer its Trust Units to a transferee who is not a Non-resident. The redemption proceeds payable for each Trust Unit to be redeemed will be equal to 85% of the lesser of the deemed price paid for that Trust Unit at its issuance and the amount payable to a redeeming Trust Unitholder in the event of redemption of a Trust Unit determined on the day on which the Trustee issues the Redemption Notice.

Certificates and Registration of Trust Units

The registration of interests in and transfers of Trust Units may be made through the book-based system operated by The Canadian Depository for Securities Limited (“**CDS**”) and may be evidenced by a single one or more fully-registered global Trust Unit certificates for an amount representing the aggregate number of such Trust Units outstanding from time to time and no certificates will be issued to any other Trust Unitholders. If registration and transfer of Trust Units is made on a book based system, beneficial interests in Trust Units must be purchased, transferred and surrendered for repurchase or redemption through a participant in the book-based system operated by CDS.

The Trustee may issue certificates for Trust Units directly to Trust Unitholders before establishing a book-based system operated by CDS, and may terminate the registration of Trust Units through the CDS book-based system at any time and, in either case, issue certificates in fully registered form (the “**Unit Certificates**”) to the beneficial owners of Trust Units or their nominees on request. Trust Unit Certificates issued to beneficial Trust Unitholders in accordance with the foregoing will have the form and will contain such information as will be determined by the Trustee at the time such Trust Unit Certificates are first to be issued.

Trustees

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustee, without any action or consent by the Trust 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 borrow money as necessary to pay distributions to Trust Unitholders, and encumbering Trust Property in respect thereof;
- (d) to pay properly incurred expenses out of Trust Property;
- (e) 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;
- (f) to possess and exercise rights, powers and privileges appertaining to ownership of or interests in Trust Property;
- (g) to hold legal title to the Trust Property;
- (h) to reinvest income and gains of the Trust and to take other actions besides the mere protection and preservation of the Trust Property;
- (i) to appoint the accountants of and registrar and transfer agent for the Trust;
- (j) to appoint the bankers of the Trust;
- (k) to ensure compliance with applicable securities legislation;
- (l) to prepare and file or cause to be prepared and filed any and all requisite returns, reports and filings;
- (m) to monitor the listing or trading of the Trust Units on a stock exchange or other market;
- (n) to monitor the Trust's tax status as a "mutual fund trust" and, if applicable, a "real estate investment trust" within the meaning of the Tax Act;
- (o) to provide all requisite office accommodation and associated facilities;
- (p) to provide or cause to be provided to the Trust all other administrative and other services and facilities required by the Trust;
- (q) to maintain or cause to be maintained complete records of all transactions in respect of the investment portfolio of the Trust;
- (r) to prescribe any instrument provided for or contemplated by the Declaration of Trust;
- (s) to effect payment of distributions to the Trust Unitholders;
- (t) 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;
- (u) to possess and exercise all the rights, powers and privileges pertaining to the ownership of all or any part of the Trust Property to the same extent that any person might, unless otherwise limited herein;
- (v) 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;

- (w) 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 the Declaration of Trust and subject at all times to the general control and supervision of the Trustee as provided for therein;
- (x) to issue and redeem Trust Units pursuant to the terms and conditions of the Declaration of Trust;
- (y) where desirable, to make or cause to be made application for the listing or quotation on any stock exchange or market of Trust 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;
- (z) 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 Trust 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;
- (aa) 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 any offering of Trust Units; and
- (bb) 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 Declaration of Trust whether or not therein specifically mentioned.

The Trustee must use reasonable means where practicable to inform all persons having dealings with the Trust of the limitations of liability of the Trustee and ART Unitholders, and must use reasonable means where practicable to cause to be inserted in any written agreement, undertaking or obligation made or issued on behalf of the Trust an appropriate statement of the disavowal and limitation of liability, but the omission of such statement from any such instrument will not render any Trustee, any Unitholder or officer, consultant or agent of the Trust liable to any person, nor will any Trustee or any Unitholder or any officer of the Trust be liable to any person for such omission. If any Trustee, Unitholder or any officer of the Trust is held liable to any other person by reason of the omission of such statement from any such agreement, undertaking or obligation, such Trustee, Unitholder or officer will be entitled to indemnity out of the Trust Property to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined, including without limitation, the fees and disbursements of counsel.

A Trustee or a director or officer of the Trustee who is a party to, or who is a director or officer or an individual acting in a similar capacity of, or has a material interest in, any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Trust, other than an affiliate of the Trust, must disclose in writing to the Trust the nature and extent of such interest. Such Trustee or a director or officer of the Trustee that has a material interest 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 Trustee or director or officer, one for indemnity or insurance, or one with any affiliate of the Trust, and a Trustee or any director or officer of the Trustee that complies with this disclosure requirement shall not be subject to any liability of the Trust or the Unitholders with respect to such contract or proposed material contract. If a Trustee or any director or officer of the Trustee fails to comply with this disclosure requirement, 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, subject to certain exceptions including: (i) whether 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.

The Trustee, in exercising the powers and authority conferred to it under the Declaration of Trust, must act honestly and in good faith with a view to the best interests of the Trust and must exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Trust or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and standard of care of the Trustee provided as aforesaid are intended to be similar to, and not to be any greater than, those imposed on a director of a corporation governed by the *Canada Business Corporations Act*.

Neither the Trustee nor any officers of the Trust or trustees, officers or directors (if any) of any affiliate of the Trust will be liable in tort, contract or otherwise to the Trust, any Trust Unitholder or former Trust Unitholder (in each case whether registered or beneficial) or any other person for: (a) any action taken or not taken in good faith in reliance on any documents that are, *prima facie*, properly executed; (b) for any depreciation of, or loss to, the Trust incurred by reason of the sale of any asset; (c) for the loss or disposition of monies or securities; (d) for any action or failure to act of any other person to whom the Trustee has delegated any of their duties under the Declaration of Trust; or (e) for any other action or failure to act including, without limitation, the failure to compel in any way any former or acting Trustee to redress any breach of trust or for any failure by any person to perform its duties under or delegated to it under the Declaration of Trust; except for a breach of the obligations described in the previous paragraph. If the Trustee has retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the Declaration of Trust, the Trustee may in good faith act or refuse to act based on the advice of such expert, advisor or legal counsel and, notwithstanding any provision of the Declaration of Trust, including, without limitation, the duty of care, diligence and skill set out in the previous paragraph, the Trustee will not be liable for any action or refusal to act in good faith based on the advice of any such expert, advisor or legal counsel where it is reasonable to conclude that such advice is within the expertise of such expert, advisor or legal counsel to give.

The Trustee and officers of the Trust in incurring any debts, liabilities or obligations, or taking or omitting any other actions for or in connection with the affairs of the Trust are, and will conclusively be deemed to be, acting for and on behalf of the Trust as trustees of the Trust Property, and not in their own personal capacities. Neither the Trustee nor any officer of the Trust will be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgements, costs, charges or expenses (including legal expenses) against or with respect to the Trust, the Trust Property or in respect to the affairs of the Trust. No property or assets of the Trustee owned in its personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under the Declaration of Trust or under any other related agreements. No recourse may be had or taken, directly or indirectly, against the Trustee in its personal capacity or against any successor, heir, executor, administrator or legal representative of the Trustee. The Trust will be solely liable therefor and resort will be had solely to the Trust Property for payment or performance thereof.

Voting

Each Trust Unit entitles the holder thereof to one vote at all meetings of Trust Unitholders. Annual meetings of Trust Unitholders are not required. However, meetings of Trust Unitholders may be called at any time by the Trustee and must be called by the Trustee upon a written request of Trust Unitholders holding in the aggregate not less than 15% of the Trust Units then outstanding, such request specifying the purpose or purposes for which such meeting is to be called.

The following powers will only be exercisable by resolution passed by 75% of the votes cast by the Trust Unitholders:

- (a) the amendment of the Declaration of Trust except as provided therein, or effecting changes to the Trust, including changes to the investment objectives of the Trust;
- (b) the removal of the Trustee;

- (c) the appointment of a new trustee;
- (d) the termination of the Trust;
- (e) a reduction in the amount payable on any outstanding Trust Units upon liquidation of the Trust;
- (f) an increase in the liability of any Trust Unitholders; or
- (g) the alteration or elimination of any voting rights pertaining to any outstanding Trust Units.

Notwithstanding the above, no confirmation, consent or approval shall be sought or have any effect and no Trust 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.

The following matters require approval by resolution passed by 50% of the Trust Unitholders 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 Trust 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 stated in the Declaration of Trust to be required to be consented to or approved by the Trust Unitholders; and
- (c) any matter which the Trustee considers appropriate to present to the Trust Unitholders for their confirmation or approval.

Termination

The Trustee may at any time terminate and dissolve the Trust by giving to each Trust Unitholder written notice 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 Trust Unitholders. 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 Trust 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 Trust Units which he or she then holds.

Amendments to the Trust Declaration

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

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

**ITEM 3 - INTERESTS OF DIRECTORS, MANAGEMENT,
PROMOTERS AND PRINCIPAL HOLDERS**

3.1 COMPENSATION AND SECURITIES HELD

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

| <u>Name and municipality of principal residence</u> | <u>Positions held (e.g. director, officer, promoter and/or Principal Holder) and the date of obtaining that position</u> | <u>Compensation paid by MFC since inception and the compensation anticipated to be paid in the current financial year</u> | <u>Number and percentage of securities of MFC held before completion of the Offering</u> | <u>Number and percentage of securities of MFC held after completion of Maximum Offering</u> |
|---|--|---|--|---|
| Michael Iannacone Burnaby, BC | Director | Nil | 1 MFC Voting Share, representing 50% of issued and outstanding MFC Voting Shares | 1 MFC Voting Share, representing 50% of issued and outstanding MFC Voting Shares |
| Rodney Johnston Vancouver, BC | Director | Nil | 1 MFC Voting Share, representing 50% of issued and outstanding MFC Voting Shares | 1 MFC Voting Share, representing 50% of issued and outstanding MFC Voting Shares |

3.2 MANAGEMENT EXPERIENCE

The directors and officers in the below table manage the Adventus Parties.

| Name | Principal occupations and related experience |
|--|---|
| Michael Iannacone Director, Chief Financial Officer | Chief Financial Officer of ACP, AOS and ARS |
| Rodney Johnston Director, President & Chief Executive Officer | Director, President and Secretary of ACP, AOS and ARS |

3.3 PENALTIES, SANCTIONS AND BANKRUPTCY

No director, executive officer or control person of MFC (collectively, an “Insider”) or any issuer in which an Insider was a director, executive officer or control person, has during the last 10 years:

- (a) been subject to any penalty or sanction or any cease trade order that has been in effect for a period of more than 30 consecutive days; or

- (b) made a declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, or appointed a receiver, receiver-manager or trustee to hold assets.

3.4 LOANS

As of the date of this Offering Memorandum, no indebtedness is owed by MFC to, nor owed to MFC from, any of its respective directors, management, promoters and Principal Holders.

ITEM 4 - CAPITAL STRUCTURE

4.1 SHARE CAPITAL

The following table summarizes information about the outstanding securities of MFC, including securities convertible into voting securities.

| Description of security | Number authorized to be issued | Price per security | Number outstanding as at June 27, 2019 | Number outstanding after Min. Offering | Number outstanding assuming completion of Max. Offering |
|-------------------------|--------------------------------|--------------------|--|--|---|
| MFC Voting Shares | unlimited | US\$1 | 2 | 2 | 2 |
| MFC Capital Shares | unlimited | US\$4.25 | Nil | 15,000 | 18,000 |

4.2 LONG TERM DEBT

MFC does not have any outstanding debt.

4.3 PRIOR SALES

During the 12 months prior to the date of this Offering Memorandum, MFC has issued the following securities.

| Date of Issuance | Type of Security Issued | Number of Securities Issued | Price per Security | Total Funds Received |
|------------------|-------------------------|-----------------------------|--------------------|----------------------|
| June 5, 2019 | MFC Voting Shares | 2 | US\$1 | US\$2 |

ITEM 5 - DESCRIPTION OF SECURITIES

5.1 TERMS OF SECURITIES

5.1.1 Terms of the MFC Capital Shares

The MFC Capital Shares entitle their holders to discretionary dividends as determined by the directors from time to time.

The MFC Capital Shares are redeemable and retractable, at a price per share equal to the aggregate fair value of the assets of the Company less (i) the aggregate fair value of the liabilities of the Company and (ii) the aggregate redemption value of the Voting shares (“**MFC Voting Shares**”) of MFC then issued and outstanding, divided by the number of MFC Capital Shares then issued and outstanding. The redemption price payable on a redemption of MFC Capital Shares may be paid in money or in specie by way of distribution of securities held by MFC from time to time. The redemption price payable on a retraction of MFC Capital Shares for money is payable by cheque.

The MFC Capital Shares do not entitle their holders to vote at any meetings of MFC, except at meetings of the holders of the specific class of MFC Capital Shares.

The MFC Capital Shares entitle their holders to receive the assets of MFC on a liquidation or dissolution, after the payment to the holders of the MFC Voting Shares of the redemption amounts of the MFC Voting Shares then issued and outstanding.

5.2 SUBSCRIPTION PROCEDURE

Each prospective and qualified Investor who desires to subscribe for Securities must:

- (a) complete and sign the form of Subscription Agreement prescribed by MFC from time to time (the “**Subscription Agreement**”) specifying the number of MFC Capital Shares being subscribed for (MFC reserves the right to use different forms of Subscription Agreements for different subscribers);
- (b) deliver certified cheques, bank drafts, or other methods of payment in a form acceptable to MFC in the amount of the aggregate Subscription Price payable for the MFC Capital Shares, in accordance with the payment instructions set out in the Subscription Agreement; and
- (c) deliver the Subscription Agreement and any other forms, declarations and documents as required by MFC to complete the subscription.

All documents and the accompanying payment (unless submitted by wire transfer) must be delivered to either Adventus Mutual Fund ULC, 1660 – 999 West Hastings Street, Vancouver, British Columbia V6C 2W2 (Attention: Michael Iannacone) or to Farris LLP at 2500 - 700 West Georgia St., Vancouver, British Columbia, V7Y 1B3 (Attention: Bo Rothstein). No financing of the Subscription Price will be provided by MFC. **Please note that all wire transfers and other acceptable forms of payment must clearly reference the name of the Investor.**

Subscriptions will be considered and accepted in whole or in part (subject to compliance with applicable securities laws), by the Issuer. MFC may complete the Offering in one or more Closings, at such times, from time to time, in its sole discretion.

The Subscription Price is payable in full when you subscribe.

Where required under NI 45-106 the tendered Subscription Price will be held in trust until midnight on the second business day after the Investor signs a Subscription Agreement. Closings will occur on a continuous basis.

Acceptance of Subscriptions

Generally, subscriptions received are subject to rejection or allotment in whole or in part by MFC within 30 days of their receipt. In any event, MFC reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by MFC to the Investor or, in accordance with the steps contemplated by the Arrangement, a certificate representing the ART Units to which each subscriber is entitled will be delivered to the subscriber in accordance with the directors provided in the Subscription Agreement. MFC is not obligated to accept any subscriptions, and will reject any subscription which the Issuers consider to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, then MFC will return to the Investor within 30 days after making the decision to reject the subscription, the Subscription Agreement, any other documentation delivered by the Investor, and the subscription funds related to the subscription.

Securities will be issued to an Investor under the Subscription Agreement if a Subscription Agreement is received and accepted by MFC and if payment of the Subscription Price is made in accordance with instructions above.

Qualified Investors

We are offering for sale a minimum of US\$68,100 and a maximum of US\$81,720 of Securities in British Columbia under the exemption from the prospectus requirement afforded by Section 2.9 of NI 45-106. If the minimum amount

of Securities offered for sale under the Offering is not reached within 30 days after the date of this Offering Memorandum, then MFC will return to the Investor within 30 days after the date MFC fails to meet such minimum, the Subscription Agreement, any other documentation delivered by the Investor, and the subscription funds related to the subscription.

The prospectus exemption under Section 2.9 of NI 45-106 is available for distributions to Investors in all provinces and territories except Ontario, purchasing as principals, who receive this Offering Memorandum before signing the Subscription Agreement and who sign a risk acknowledgement in the prescribed form. While this exemption is available to Investors resident in Québec, we are not relying on it in connection with this Offering.

Trading and Resale Restrictions

This Offering of Securities is made only to Investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Securities. The transferability of the Securities will also be subject to resale restrictions under applicable securities laws.** MFC will be entitled to require and may require, as a condition of allowing any transfer of its Securities, the transferor or transferee, at their expense, to furnish to MFC evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to MFC) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

MFC is not a reporting issuer in any of the provinces or territories of Canada. **The Securities will be subject to an indefinite hold period.** Despite the indefinite hold period, and subject to approval by MFC as referred to above, Investors may be able to trade Securities under and in compliance with another exemption from the prospectus and registration requirements of the applicable securities laws or under an order permitting the trade made by the applicable securities regulatory authorities.

ITEM 6 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

In the opinion of Farris LLP, Canadian counsel to MFC, the following is, as of the date of this Offering Memorandum, a fair and adequate summary of the principal Canadian federal income tax consequences under the Tax Act generally applicable to a holder who acquires MFC Capital Shares pursuant to this Offering Memorandum and who thereafter receives ART Units on the redemption of the MFC Capital Shares pursuant to the Arrangement and which (i) holds the MFC Capital Shares as capital property, (ii) deals at arm's length, and is not affiliated with ART or ARS or any subsequent purchaser of ART Units, and (iii) is or is deemed to be, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty, a resident of Canada (a "**Resident Holder**").

The MFC Capital Shares will generally constitute capital property to a Resident Holder thereof provided the Resident Holder does not hold or use such securities in the course of carrying on a business of trading or dealing in securities, and did not acquire such securities in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Resident Holder: (i) that is a "financial institution" for purposes of the Tax Act, (ii) that is a "specified financial institution" as defined for purposes of the Tax Act, (iii) that is a corporation that is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the MFC Capital Shares or the ART Units, controlled by a non-resident for the purposes of the "foreign affiliate dumping rules" in section 212.3 of the Tax Act, (iv) to which the "functional currency" reporting rules in section 261 of the Tax Act apply, (v) that enters into or has entered into, with respect to the MFC Capital Shares or ART Units, a "synthetic disposition arrangement" or "derivative forward arrangement", as such terms are defined in the Tax Act, or (vi) an interest in which is a "tax shelter investment" for purposes of the Tax Act. Such Resident Holders should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") before the date of this Offering Memorandum, and the current published administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**"). No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. Except as mentioned above, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial,

territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

No advance income tax ruling has been sought or obtained from the tax authorities in respect of the Arrangement.

This summary is not exhaustive of all possible Canadian federal income tax considerations, is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, you should consult your own tax advisors about the specific tax consequences to you of acquiring, holding and disposing of securities pursuant to the Offering.

Status of ART and MFC

This summary has been prepared assuming that at all relevant times ART is a “mutual fund trust” and MFC is a “public corporation” and a “mutual fund corporation” within the meaning of the Tax Act. If ART were not to qualify as a “mutual fund trust” and or MFC not as a “public corporation” and a “mutual fund corporation”, the income tax considerations described below would, in some respects, be materially and possibly adversely different.

Receipt of Dividends on MFC Capital Shares

Dividends received or deemed to be received on MFC Capital Shares by a Resident Holder that is an individual (other than certain trusts) will be included in computing the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by an individual from a taxable Canadian corporation. Taxable dividends received or deemed to be received by such individual which are designated by MFC as “eligible dividends” in accordance with the Tax Act will be subject to enhanced gross-up and dividend tax credit rules under the Tax Act.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Dividends received or deemed to be received on MFC Capital Share by a Resident Holder that is a corporation will be included in computing the corporation’s income and generally will be deductible in computing the taxable income of the corporation. In certain circumstances, taxable dividends received by a Resident Holder that is a corporation may be treated as proceeds of disposition or a capital gain pursuant to the rules in subsection 55(2) of the Tax Act. In addition, a Resident Holder that is a “private corporation” or a “subject corporation” for purposes of the Tax Act will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received to the extent such dividends are deductible in computing such Resident Holder’s taxable income.

Disposition of MFC Capital Shares

On a disposition or a deemed disposition of an MFC Capital Share (other than to MFC, unless purchased by MFC on the open market in the manner in which shares are normally purchased by any member of the public in the open market), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the MFC Capital Share exceed (or are exceeded by) the aggregate of the Resident Holder’s adjusted cost base thereof and any reasonable costs of disposition. In determining the adjusted cost base to a Resident Holder of MFC Capital Shares acquired under this Offering, the cost of such MFC Capital Shares will be averaged with the adjusted cost base of all other MFC Capital Shares held by the Resident Holder as capital property immediately before that time. The tax treatment of any such capital gain (or capital loss) is described under the heading “*Treatment of Capital Gains and Capital Losses*”.

Redemption of MFC Capital Shares for ART Units

Provided that ART and MFC file the required election under section 132.2 of the Tax Act in the manner and time prescribed, the redemption of MFC Capital Shares by a Resident Holder in exchange for the delivery by MFC of ART Units under the Arrangement will be part of a “qualifying exchange” as defined in section 132.2 of the Tax Act. Accordingly, on the disposition by a Resident Holder of MFC Capital Shares to MFC in exchange for ART Units, the Resident Holder’s proceeds of disposition for MFC Capital Shares disposed of, and the cost to the Resident Holder of the ART Units received in exchange therefor, will be deemed to be equal to the adjusted cost

base to the Resident Holder of such MFC Capital Shares immediately prior to the redemption. For the purpose of determining the adjusted cost base of the ART Units acquired by a Resident Holder on the redemption, the cost of such ART Units will be averaged with the adjusted cost base of all other ART Units held as capital property by the Resident Holder immediately before the acquisition.

MFC will not realize a gain or loss on the transfer of ART Units to Adventus Securityholders on the redemption of the MFC Capital Shares.

Treatment of Capital Gains and Capital Losses

Generally, one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder in a taxation year must be included in computing the Resident Holder’s income in that year, and one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by a Resident Holder in a taxation year generally must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A Resident Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable for an additional refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

MFC shareholders who are resident, or are otherwise subject to tax, in jurisdictions other than Canada should consult their tax advisors with respect to tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions.

Holding and Disposing of ART Units Received Pursuant to the Arrangement

Subsequent to the exchange of MFC Capital Shares for ART Units pursuant to the Arrangement, the former Resident Holders of AOF Units / MFC Capital Shares will own ART Units. The following sections summarize the Canadian federal income tax considerations under the Tax Act generally applicable to the holding and disposing of the ART Units.

Taxation of ART

With the exception of the short taxation year of ART resulting from the Arrangement, the taxation year of ART is the calendar year. In each taxation year, ART will generally be subject to tax under Part I of the Tax Act on any taxable income of ART (including net realized taxable capital gains from dispositions of property and ART’s allocated share of the income from its underlying partnerships for the fiscal period of such underlying partnerships ending in, or coincident with the year-end of ART), less the portion thereof that it deducts in respect of the amounts paid or payable, or deemed to be paid or payable, in the year to ART Unitholders. An amount will be considered to be payable to an ART Unitholder in a taxation year if the Adventus Securityholder is entitled in that year to enforce payment of the amount.

In computing its income, ART may generally deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income, as well as a portion of any reasonable expenses incurred by ART to issue units or debentures, subject to the relevant provisions of the Tax Act. Losses incurred by ART cannot be allocated to ART Unitholders, but may generally be deducted by ART in future years in computing its taxable income, subject to and in accordance with the provisions of the Tax Act.

ART 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 ART Units during the year (the “**Capital Gains Refund**”). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset ART’s tax liability for such taxation year.

The ART Declaration of Trust generally requires ART to distribute to its ART Unitholders, in cash or in ART Units, in each year its net income and net realized capital gains to such an extent that ART will not be liable in any year for income tax under Part I of the Tax Act, after taking into account any Capital Gains Refund to which ART is entitled for such year. Income of ART payable to its ART Unitholders, whether in cash, additional ART Units or otherwise, will generally be deductible by ART in computing its taxable income.

Distributions – ART Unitholders

A Resident Holder will generally be required to include in income for a particular taxation year the portion of the net income of ART for the taxation year of ART ending at or before the end of the taxation year of the Resident Holder, including net realized taxable capital gains, that is paid or payable to the Resident Holder in the particular taxation year, whether that amount is paid in cash, additional ART Units or otherwise. Provided that appropriate designations are made by ART, that portion of the: (a) taxable dividends received by it from taxable Canadian corporations; (b) net realized taxable capital gains; and (c) income of ART from a source in a country other than Canada (“**Foreign Source Income**”), as is paid or payable to a Resident Holder will effectively retain their respective characters and be treated as taxable dividends, taxable capital gains or Foreign Source Income, as the case may be, in the hands of the Resident Holder for purposes of the Tax Act. To the extent that Foreign Source Income is designated as having been paid or payable to a Resident Holder, such Resident Holder will generally be deemed to have paid its pro rata share of any foreign tax considered to have been paid by ART in respect of the particular source for the relevant taxation year, and may be entitled to claim a foreign tax credit or foreign tax deduction in respect of such foreign taxes, subject to the detailed rules in respect of foreign tax credits and deductions in the Tax Act.

The non-taxable portion of any net realized taxable capital gains of ART that is paid or payable to a Resident Holder in a taxation year will not be included in computing the Resident Holder’s income for the year. Any other amount in excess of the net income and net taxable capital gains of ART that is paid or payable to a Resident Holder in that year will generally not be included in the Resident Holder’s income for the year. However, where such an amount is paid or payable to a Resident Holder (other than as proceeds in respect of the redemption of ART Units), the Resident Holder will be required to reduce the adjusted cost base of the ART Units by that amount. Where reductions to a Resident Holder’s adjusted cost base of ART Units for a year would result in the adjusted cost base becoming a negative amount, such amount will be treated as a capital gain realized by the Resident Holder in that year and the Resident Holder’s adjusted cost base of the ART Units will then be reset to nil.

The cost to a Resident Holder of additional ART Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those ART Units. For the purpose of determining the adjusted cost base to a Resident Holder, when an ART Unit is acquired, the cost of the newly-acquired ART Unit will be averaged with the adjusted cost base of all of the ART Units owned by the Resident Holder as capital property immediately before that acquisition.

Dispositions of ART Units

On the disposition or deemed disposition of a ART Unit, whether on a redemption or otherwise, the Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the Resident Holder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the ART Unit and any reasonable costs of disposition. Proceeds of disposition will not include any amount that is otherwise required to be included in the Resident Holder’s income such as amounts treated as having been paid to the Resident Holder out of income or capital gains of ART.

Where the redemption proceeds of ART Units are paid by the distribution of securities and/or obligations of ART to the redeeming Resident Holder, the proceeds of disposition to the Resident Holder of the ART Units will be equal to the fair market value of the securities so distributed. The cost of any security and/or obligation distributed by ART to a Resident Holder upon a redemption of ART Units will be equal to the fair market value of that security and/or obligation at the time of the transfer less, in the case of a debt security, all accrued interest on the debt security. The Resident Holder will thereafter be required to include in income interest on any debt security so acquired in accordance with the provisions of the Tax Act. To the extent that the Resident Holder is thereafter required to include in income any interest accrued to the date of the acquisition of a debt security by the Resident Holder, an offsetting deduction will generally be available.

Eligibility for Investment

In the opinion of Farris LLP, Canadian counsel to MFC, if issued on the date of this Offering Memorandum, ART Units and MFC Capital Shares would be, on such date, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (an “RRSP”), registered retirement income fund (an “RRIF”), registered education savings plan (“RESP”), registered disability savings plan (“RDSP”), deferred profit sharing plan (“DPSP”) and a tax-free savings account (a “TFSA”) if MFC is a “public corporation” and ART is a “mutual fund trust” for purposes of the Tax Act.

Notwithstanding the foregoing, if the MFC Capital Shares or the ART Units are a “prohibited investment” (as defined in the Tax Act) for a particular RRSP, RRIF, RESP, DPSP or TFSA (each a “Registered Plan”), the annuitant of an RRSP or RRIF, holder of a TFSA or RDSP or subscriber of a RESP (each such person referred to as a “Plan Subscriber”), as the case may be, will be subject to a penalty tax as set out in the Tax Act. Neither the MFC Capital Shares nor the ART Units will be a “prohibited investment” for a Registered Plan provided that the Plan Subscriber deals at arm’s length with MFC and ART, respectively, for purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act for purposes of the prohibited investment rules) in MFC or ART, respectively. In addition, the MFC Capital Shares and ART Units will generally not be a prohibited investment if such securities are “excluded property” as defined in the Tax Act for purposes of the prohibited investment rules. Plan Subscribers should consult with their own tax advisors as to whether the MFC Capital Shares or ART Units will be a prohibited investment for such Registered Plans in their particular circumstances.

Upon a redemption of ART Units or termination of ART, the trustees of ART may distribute securities and/or obligations of ART or securities held by ART directly to the ART Unitholders, subject to obtaining any required regulatory approvals. Such securities and/or obligations so distributed may not be qualified investments for Registered Plans (depending upon the circumstances at the time), which would give rise to adverse consequences to the Registered Plan or the holder, annuitant or beneficiary thereunder if the Registered Plan acquires such securities and/or obligations. Accordingly, Registered Plans that owns ART Units should consult their own tax advisor before deciding to exercise the redemption rights attached to the ART Units.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

No person has or will receive any commission, corporate finance fee, finder’s fee or similar compensation in connection with the Offering.

If you acquire Securities through a third party registered dealer or sales agent or on the recommendation of your advisor, then you may be responsible for any commissions or fees that you negotiate between yourself and your dealer, agent or advisor.

ITEM 8 - RISK FACTORS

Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the financial position or results of operations of the Adventus Parties, cash available for distributions and the value of their investment in the Adventus Parties. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Adventus Parties will meet its investment objectives or otherwise be able to successfully carry out its investment program. The Adventus Parties’ returns may be unpredictable and, accordingly, the Adventus Parties’ investment program is not suitable as the sole investment vehicle for an investor. An investor should only invest in the Adventus Parties as part of an overall investment strategy and only if they are prepared to have their money invested for a long period of time and have the capacity to bear the loss of some or all of their investment. No assurances are given regarding the future performance of the Adventus Parties. There can be no assurance that the Adventus Parties’ rate of return objectives will be realized or that significant losses will not occur.

Risks Relating to the Offering

- An investment in the Securities is speculative and involves a high degree of risk and is appropriate only for investors who have the capacity to absorb a loss of all of their investment.

- The value of the Securities could be subject to significant fluctuations and the trading restrictions on the Securities is limited, therefore the ability of the holder of a Security to receive its investment back may be limited in the amount received and the timing of such trade. In addition, industry specific fluctuations may adversely affect the price of the Securities regardless of any of the Adventus Parties' operating performance. There can be no assurance that the price of the Securities will remain at current levels.
- The Articles of MFC authorizes MFC to issue an unlimited number of MFC Capital Shares for such consideration and on such terms and conditions as shall be established by the directors of MFC without approval of the shareholders of MFC and the Declaration of Trust authorizes ART to issue an unlimited number of ART Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders.
- There can be no certainty that the Offering will be completed. The Offering is subject to normal commercial risks that the Offering may not be completed at all. Although it is expected that all of the Minimum Offering will be reached, there is no certainty that such condition will be satisfied on a timely basis, or at all. If closing of the Offering does not take place as contemplated, MFC could suffer adverse consequences, including the loss of investor confidence.

Risks Relating to the Arrangement

- The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, some of which are outside the control of the Adventus Parties. There can be no certainty, nor can any of the Adventus Parties provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.
- In certain circumstances, the Arrangement Agreement may be terminated in the event of a change that constitutes a Material Adverse Effect (as such terms are defined in the Arrangement Agreement). Although a Material Adverse Effect excludes certain events that are beyond the control of the parties to the Arrangement Agreement, there can be no assurance that a change that constitutes a Material Adverse Effect will not occur prior to the Effective Date, in which case, the Arrangement Agreement may be terminated and the Arrangement would not proceed.
- If the Arrangement is not completed, each of the Adventus Parties will continue to face all of the existing operational and financial risks of its business as described herein and the documents incorporated by reference herein.
- If the Arrangement is not completed, there may be a negative impact on the value of the ART Units and future business and operations of ART, to the extent that the current value of the ART Units reflects an assumption that the Arrangement will be completed. The value of the ART Units, ACP Shares and ARLP Units may decline if the Arrangement is not completed.

Risks Relating to the Structure of ART and AOF

- The future payments of distributions by ART are dependent upon, among other things, operating cash flow generated by and the financial requirements of ART.
- ART and its subsidiaries level of indebtedness from time to time could impair ART's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.
- ART and its subsidiaries may make future acquisitions or enter into financing or other arrangements involving the issuance of securities of ART which may be dilutive to existing ART Unitholders.
- The Adventus Parties' securities are highly illiquid investments and should be acquired only by investors able to commit their funds for an indefinite period of time. The securities of the Adventus Parties will be affected by restrictions on resales imposed under federal, provincial and foreign securities laws. In addition, the constating documents of the Adventus Parties entities impose transfer-restrictions on applicable securities of the Adventus Parties entities which may result in an indefinite hold. There is currently no market for the Adventus Parties' securities and a market may never develop.

- The Adventus Parties will depend, to a significant extent, upon the experience of members of senior management and certain other advisors. The loss of the services of such other individuals could have a material adverse effect on the results and operations of the Adventus Parties because, in such instance, the Adventus Parties would have a reduced capacity to develop and implement desirable investment strategies, source and divest of real estate investment opportunities and capitalize upon the relationships of such individuals in the real estate industry.
- The degree to which the Adventus Parties is leveraged could have important consequences to holders of its securities. Such factors include:
 - a significant portion of the Adventus Parties' cash flow may be dedicated to the payment of the principal of, and interest on, the Adventus Parties' indebtedness, thereby reducing the amount of funds available for the payment of cash distributions;
 - certain of the Adventus Parties' borrowings may be at variable rates of interest which exposes it to the risk of increased interest rates;
 - a significant portion of cash flows could be used to service indebtedness;
 - a high level of debt would increase vulnerability to general adverse economic and industry conditions;
 - the covenants contained in the agreements governing the Adventus Parties' other indebtedness may limit the Adventus Parties' ability to borrow additional funds, dispose of assets, encumber its assets and make potential investments;
 - a high level of debt may place the Adventus Parties at a competitive disadvantage compared to other owners of similar real estate properties that are less leveraged and therefore may be able to take advantage of opportunities that the Adventus Parties' indebtedness would prevent the Adventus Parties from pursuing;
 - the Adventus Parties' debt covenants may also affect flexibility in planning for, and reacting to, changes in the economy and in the industry;
 - a high level of debt may make it more likely that a reduction in the Adventus Parties' borrowing base following a periodic valuation (or redetermination) could require the Adventus Parties to repay a portion of then- outstanding borrowings; and
 - a high level of debt may impair the Adventus Parties' ability to obtain additional financing in the future for working capital, capital expenditures, general trust or other purposes.
- A high level of indebtedness increases the risk that the Adventus Parties may default on its debt obligations. The Adventus Parties' ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy the Adventus Parties' debt obligations depends on future performance, which is subject to the financial performance of the Adventus Parties' properties, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the Adventus Parties' control. The Adventus Parties may not be able to generate sufficient cash flows to pay the interest on the Adventus Parties' indebtedness, and the Adventus Parties' future working capital, borrowings or equity financing may not be available to pay or refinance such debt.

Risks Relating to the Business of ART and AOF

- The Adventus Parties' properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. The Adventus Parties' cash flows and financial position would be adversely affected if the Adventus Parties' tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Adventus Parties' properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the Adventus Parties may experience delays or limitations in enforcing its rights and incur substantial costs in protecting the Adventus Parties' investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the Adventus Parties.

- Concentration of tenants may result in significant vacancies in the Adventus Parties' properties. The top twelve tenants, by percentage of total gross leasable area ("GLA"), occupy approximately 41.6% of the total GLA. Although the tenants are committed to multi-year leases, there is no assurance that such tenants will continue to occupy such premises for the remainder of their lease. At any time, the Adventus Parties' tenants may experience a downturn in their businesses that may significantly weaken their financial condition, whether as a result of general economic conditions or otherwise. As a result, the Adventus Parties' tenants may fail to make rental payments when due, delay lease commencements, decline to extend or renew leases upon expiration or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases or the failure to renew a lease resulting in significant vacancies in the Adventus Parties' properties and the loss of rental income attributable to the terminated leases. The occurrence of any of the situations described above could seriously harm the Adventus Parties' results of operations.
- The Adventus Parties may be unable to complete acquisitions, and even if completed, the Adventus Parties may fail to successfully operate acquired properties. The Adventus Parties' business plan includes, among other things, growth through identifying suitable acquisition opportunities, consummating acquisitions and leasing such properties. The Adventus Parties will evaluate the market of available properties and may acquire properties when the Adventus Parties believes strategic opportunities exist. The Adventus Parties' ability to acquire properties on favorable terms and successfully develop or operate them is subject to, among others, the following risks:
 - the Adventus Parties may be unable to acquire a desired property because of competition from other real estate investors with substantial capital;
 - even if the Adventus Parties are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
 - even if the Adventus Parties enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to the Adventus Parties' satisfaction;
 - the Adventus Parties may incur significant costs in connection with evaluation and negotiation of potential acquisitions, including acquisitions that the Adventus Parties is subsequently unable to complete;
 - the Adventus Parties may acquire properties that are not initially accretive to its results upon acquisition, and the Adventus Parties may not successfully lease those properties to meet its expectations;
 - the Adventus Parties may be unable to finance acquisitions on favorable terms in the time period it desires, or at all;
 - even if the Adventus Parties is able to finance acquisitions, the cash flows may be insufficient to meet the Adventus Parties' required principal and interest payments;
 - the Adventus Parties may spend more than budgeted to make necessary improvements or renovations to acquired properties;
 - the Adventus Parties may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfolios of properties, into existing operations;
 - market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
 - the Adventus Parties may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

- Concentration of properties in the United States may adversely affect the Adventus Parties' financial performance. All of the Adventus Parties' properties are located in the United States, with specific concentrations in the Chicago and Atlanta markets, and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in Chicago and in the United States generally. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in the United States decline relative to real estate conditions in other regions, the Adventus Parties' cash flows, operating results and financial condition may be more adversely affected than those of issuers that have more geographically diversified portfolios of properties.
- Expiries of leases for the Adventus Parties' properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that the Adventus Parties will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the Adventus Parties' financial condition and results of operations and decrease the amount of cash available for distribution.
- Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the Adventus Parties and could adversely impact the Adventus Parties' financial condition and results of operations and decrease the amount of cash available for distribution. In addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.
- The Adventus Parties may incur significant capital expenditures and other fixed costs. In order to retain existing tenants and attract new clients, the Adventus Parties may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to the Adventus Parties' tenants. As a result, the Adventus Parties may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect the Adventus Parties' results of operations and cash flow. Additionally, if the Adventus Parties need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, the Adventus Parties may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect the Adventus Parties' financial condition, results of operations and cash flow.
- Like many real estate operators, the Adventus Parties may be involved in lawsuits involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in the Adventus Parties incurring substantial costs and harm to the Adventus Parties' financial condition, results of operations, cash flows and ability to pay distributions on its securities.
- Assets of the Adventus Parties are located outside of Canada and there may be limitations on the enforcement of judgments. All of the properties of the Adventus Parties are located in the United States and are held indirectly by the Adventus Parties through certain subsidiaries. Such subsidiaries are organized under the laws of Delaware and as a result, anyone seeking to enforce legal rights against the properties or the subsidiaries holding the properties may find it difficult to do so.

Risks Relating to the Real Estate Industry Generally

- Risks inherent in the real estate industry may adversely affect financial performance. Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

- An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the Adventus Parties' ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession and the Adventus Parties may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the Adventus Parties to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions and interest payments.
- Local real estate conditions such as an oversupply of properties or a reduction in demand for properties, competition from other similar properties, the Adventus Parties' ability to provide or arrange for adequate maintenance, insurance and management and advisory services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates may adversely affect a property's income and value. A rise in energy costs could result in higher operating costs, which may affect the Adventus Parties' results of operations. In addition, local conditions in the markets in which the Adventus Parties own or intend to own properties may significantly affect occupancy or rental rates at such properties. Events that could prevent the Adventus Parties from raising or maintaining rents or cause the Adventus Parties to reduce rents include layoffs, plant closings, relocations of significant local employers and other events reducing local employment rates, an oversupply of—or a lack of demand for—office space, a decline in household formation and the inability or unwillingness of tenants to pay rent increases.
- A decrease in demand for office space may have a material adverse effect on the Adventus Parties' financial condition and results of operations. The Adventus Parties' portfolio of properties consists entirely of office properties and because the Adventus Parties seek to acquire similar properties, a decrease in the demand for office space may have a greater adverse effect on the Adventus Parties' business and financial condition than if the Adventus Parties owned a more diversified real estate portfolio. If parts of the Adventus Parties' properties are leased within a particular sector, a significant downturn in that sector in which the tenants' businesses operate would adversely affect the Adventus Parties' results of operations.
- Environmental contamination on properties may expose the Adventus Parties to liability and adversely affect financial performance. The Adventus Parties' properties may be subject to environmental liabilities. Under various federal, state and local laws, a current or previous owner, operator or tenant of real estate can face liability for environmental contamination created by the presence, discharge or threat of discharge of hazardous or toxic substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances. Liabilities can include the cost to investigate, clean up and monitor the actual or threatened contamination and damages caused by the contamination or threatened contamination.
- The liability under such laws may be strict, joint and several, meaning that the Adventus Parties may be liable regardless of whether the Adventus Parties knew of, or were responsible for, the presence of the contaminants, and the government entity or private party may seek recovery of the entire amount from the Adventus Parties even if there are other responsible parties. Liabilities associated with environmental conditions may be significant and can sometimes exceed the value of the affected property. The presence of hazardous substances on a property may adversely affect the Adventus Parties' ability to sell or rent that property or to borrow using that property as collateral.
- Environmental laws also:
 - may require the removal or upgrade of underground storage tanks;
 - regulate the discharge of storm water, wastewater and other pollutants;
 - regulate air pollutant emissions;
 - regulate hazardous materials' generation, management and disposal; and
 - regulate workplace health and safety.
- The Adventus Parties bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of

leases for cause, for damages and other breach of warranty claims against the Adventus Parties. The remediation of any pollution and the related additional measures the Adventus Parties would have to undertake could negatively affect the Adventus Parties and could involve considerable additional costs that the Adventus Parties may have to bear. The Adventus Parties are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can negatively affect the value of a property and the Adventus Parties' ability to lease or sell such a property.

- Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the Adventus Parties' officers or employees infringe or have infringed environmental protection laws, the Adventus Parties could be exposed to civil or criminal damages. Any such event could have a material and adverse effect on the Adventus Parties' cash flows, financial condition and results of operations and the Adventus Parties' ability to make distributions on its securities.
- In order to obtain financing for the purchase of a new property through traditional channels, the Adventus Parties may be requested to arrange for an environmental site assessment to be conducted. Although such a site assessment provides the Adventus Parties and the Adventus Parties' lenders with some assurance, the Adventus Parties may become subject to liability for undetected pollution or other environmental hazards on the Adventus Parties' properties against which the Adventus Parties cannot insure, or against which the Adventus Parties may elect not to insure where premium costs are disproportionate to the Adventus Parties' perception of relative risk.
- The Adventus Parties have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to conduct the local equivalent of a Phase I environmental site assessment before acquiring any real property or any interest therein. Where circumstances so warrant, designated substance surveys and/or local equivalent of Phase II environmental site assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, the Adventus Parties remediates such situations. The Adventus Parties are not aware of any further environmental conditions with respect to any of the other properties in the portfolio that it believes would involve material expenditure by the Adventus Parties.
- In addition, under applicable law, the tenants must conduct their business in their leased premises in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.
- The Adventus Parties will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Adventus Parties do not believe that costs relating to environmental matters will have a material adverse effect on its investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations and can change the Adventus Parties may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.
- If a property is mortgaged to secure the payment of indebtedness or if the Adventus Parties own a leasehold interest in a property and are unable to meet mortgage payments or leasehold payments (including any option amount required to purchase the property), as applicable, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, or the Adventus Parties could forfeit their leasehold interest, all of which could result in lost revenues and asset value to the Adventus Parties.
- Compliance with government regulations may affect the Adventus Parties' investment in real estate properties. The Adventus Parties' properties are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict the Adventus Parties' use of our properties and may require the

Adventus Parties to obtain approval or waivers from local officials or restrict the Adventus Parties' use of the properties and may require the Adventus Parties to obtain approval from local officials of community standards organizations at any time with respect to the properties, including prior to acquiring a property or when undertaking renovations of any existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect the Adventus Parties or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that could increase such delays or result in additional costs. The Adventus Parties' growth strategy may be affected by the Adventus Parties' ability to obtain permits, licenses and zoning relief. Failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on the Adventus Parties' financial condition, results of operations, cash flow and distributions to holders of its securities.

- Competition in the United States real estate market may adversely affect the Adventus Parties' financial performance. The real estate market in the United States is highly competitive. Numerous other developers, managers and owners of properties will compete with the Adventus Parties in seeking tenants. Some of the properties owned by the Adventus Parties' competitors are better located, better quality or less leveraged than the properties owned by the Adventus Parties. Some of the Adventus Parties' competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the Adventus Parties' ability to lease space in their properties and on the rents charged or concessions granted, and could materially and adversely affect the Adventus Parties' cash flows, operating results and financial condition and the Adventus Parties' ability to make distributions.
- Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects. The Adventus Parties will carry general liability, umbrella liability and excess liability insurance with limits which are typically obtained for similar real estate portfolios in the United States and otherwise acceptable to the Adventus Parties. For the property risks the Adventus Parties carry "Multi-Risk" property insurance including but not limited to, natural catastrophic events and loss of rental income insurance. The Adventus Parties also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. Should an uninsured or underinsured loss occur, the Adventus Parties could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the Adventus Parties would continue to be obligated to repay any recourse mortgage indebtedness on such properties. The Adventus Parties do not carry title insurance on their properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or the loss is in excess of insured limits, the Adventus Parties could lose all or part of their investment in, and anticipated profits and cash flows from, such property.

General Economic Risks

- Economic conditions may adversely affect the real estate market and the Adventus Parties' income. Continued concerns regarding the uncertainty over whether the United States economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment and underemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the mortgage market in the United States and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Adventus Parties' ability to generate revenues, thereby reducing the Adventus Parties' operating income and earnings.
- Financing risks, leverage and restrictive covenants may limit the Adventus Parties' ability for growth. The real estate industry is capital intensive. The Adventus Parties will require access to capital to maintain the Adventus Parties' properties, as the well as to fund the Adventus Parties' capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. The Adventus Parties' failure to access required capital could adversely impact its investments, cash flows, operating results or financial condition, its ability to make distributions on its securities and its ability to implement its growth strategy.

- The Adventus Parties' access to third-party financing will be subject to a number of factors, including:
 - general market conditions;
 - the market's perception of the Adventus Parties' growth potential;
 - the Adventus Parties' current and expected future earnings; and
 - the Adventus Parties' cash flow and cash distributions and cash interest payments.
- The Adventus Parties' investments, and ultimately the Adventus Parties' revenues, will be in investments located in the United States, which will subject the Adventus Parties to legal and political risks specific to the United States, including but not limited to:
 - the enactment of laws prohibiting or restricting the foreign ownership of property;
 - laws restricting the Adventus Parties from removing profits earned from activities in the United States, including the payment of distributions and nationalisation of assets;
 - change in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
 - changes in real estate and other tax rates and other operating expenses in the United States; and
 - more stringent environmental laws or changes in such laws.

Any of these factors could adversely impact the Adventus Parties' investments, cash flows, operating results or financial condition, the ability to make distributions on its securities and the ability to implement the Adventus Parties' growth strategy.

- Changes in interest rates could adversely affect the Adventus Parties' cash flows and their ability to pay distributions and make interest payments. The Adventus Parties requires extensive financial resources to complete acquisitions. When concluding financing agreements or extending such agreements, the Adventus Parties will depend on their ability to agree on terms for interest payments that will not impair the Adventus Parties' desired profit and on amortization schedules and that do not restrict the Adventus Parties' ability to pay distributions. The Adventus Parties may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continues. Given the current historical low level of interest rates there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the Adventus Parties to service debt, resulting in a decrease in distributions to holders of its securities. In addition, increasing interest rates may put competitive pressure on the levels of distributable income paid by the Adventus Parties, increasing the level of competition for capital faced by the Adventus Parties.

No assurance can be given that applicable Canadian income tax laws or the judicial or administrative interpretation thereof will not change or that new taxes will not be implemented which would adversely affect the Adventus Parties or fundamentally alter the income tax consequences to holders of their securities of acquiring, holding or disposing of the Adventus Parties' securities. Furthermore, while the Adventus Parties are of the view that the acquisition and ownership by investors of their securities will not trigger any U.S. tax billing obligations by such investors, the transaction or sale of such securities could trigger U.S. tax billing obligations by investors.

ITEM 9 - REPORTING OBLIGATIONS

9.1 DOCUMENTS PROVIDED TO INVESTORS ANNUALLY OR ON AN ONGOING BASIS

We are not required to send you any documents on an annual or ongoing basis, however, AOF and ART's policy is to provide its unitholders with audited annual financial statements and unaudited quarterly financial statements.

9.2 INFORMATION ABOUT THE ISSUER

You may obtain certain information about the formation of MFC from the records office of MFC at 2500 – 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3, Attn: Bo Rothstein.

ITEM 10 - RESALE RESTRICTIONS

The following is a summary only and is not intended to be exhaustive. Investors are advised to consult with their legal advisors concerning restrictions on resale, and are further advised against attempting to resell their Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

10.1 GENERAL STATEMENT - FOR TRADES IN ALBERTA, BRITISH COLUMBIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, NOVA SCOTIA, NUNAVUT, PRINCE EDWARD ISLAND, QUÉBEC, SASKATCHEWAN AND YUKON

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

10.2 RESTRICTED PERIOD - FOR TRADES IN ALBERTA, BRITISH COLUMBIA, NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR, NORTHWEST TERRITORIES, NOVA SCOTIA, NUNAVUT, PRINCE EDWARD ISLAND, QUÉBEC, SASKATCHEWAN AND YUKON

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

10.3 MANITOBA RESALE RESTRICTIONS – FOR TRADES IN MANITOBA

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

- (a) MFC has filed a prospectus with the regulator in Manitoba with respect to the Securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) you have held the Securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

ITEM 11 - PURCHASER'S RIGHTS

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

11.1 TWO DAY CANCELLATION RIGHT

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

11.2 STATUTORY RIGHTS OF ACTION IN THE EVENT OF A MISREPRESENTATION FOR INVESTORS IN BRITISH COLUMBIA

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this Offering Memorandum, then you have a statutory right to sue in British Columbia (if you are in British Columbia), or in Alberta, Manitoba, Nova Scotia, Newfoundland and Labrador, or Yukon (as the case may be):

- (a) MFC to cancel your agreement to buy these Securities; or

- (b) for damages against MFC, and every person who was a director of MFC at the date of this Offering Memorandum and any other person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Securities as a result of the misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the Securities were offered. There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the Securities.

The defendant will not be liable for a misrepresentation in forward-looking information if MFC proves that:

- (c) this Offering Memorandum contains reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (d) MFC has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In British Columbia, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

DEFINITIONS

In this Offering Memorandum when we use the terms such as **Investor** or **you** we are referring to a person who purchases Securities under the Offering. When we use expressions such as “our business”, we are referring to the business of MFC, as a whole.

All dollar amounts stated in this Offering Memorandum are expressed in Canadian currency, except where otherwise indicated. Words importing the singular number only, include the plural and vice versa, and words importing the masculine, feminine or neutral gender include the other genders.

Except as defined elsewhere in this Offering Memorandum the following are the defined terms and abbreviations used in this Offering Memorandum:

| | |
|-----------------------------------|---|
| ACP | means Adventus Capital Partners Ltd. |
| ACP Multiple Voting Shares | means the class of Multiple Voting shares of ACP which entitle the holders to 100 votes per share held, which share class is to be created at a special meeting of the holders of ACP Voting Shares. |
| ACP Non Voting Shares | means the class of Non-Voting Common shares of ACP. |
| ACP Securityholders | means the holders of the ACP Voting Shares and the holders of ACP Non Voting Shares |
| ACP Shares | means, collectively, the ACP Voting Shares and the ACP Non Voting Shares, and excluding the ACP Multiple Voting Shares. |
| ACP Voting Shares | means the class of Common shares of ACP. |
| Adventus Parties | means, together, AOF, ACP, ARLP, ART, and MFC. |
| AFFO | means the adjusted funds from operations, which is a non-IFRS measure that is used by management of AOF and ART, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. |
| allowable capital loss | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| AOF | means Adventus Opportunity Fund. |
| AOS | means Adventus Opportunity Services Inc. |
| ARLP | means Adventus Realty Limited Partnership. |
| ARLP Unitholders | means the holders of ARLP Units. |
| ARLP Units | means the Units representing the interests of limited partners in ARLP. |
| Arrangement | means an arrangement pursuant to the provisions of Division 5 of Part 9 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or made at the direction of the Court in either the Interim Order or the Final Order. |
| Arrangement Agreement | has the meaning ascribed thereto under Section 2.7.1. |

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| ARS | means Adventus Realty Services Inc. |
| ART | means Adventus Realty Trust. |
| ART Unitholder | means each holder of ART Units. |
| ART Units | means the equal undivided beneficial interests in ART, having the terms and conditions set forth in the Declaration of Trust. |
| BCBCA | means the British Columbia <i>Business Corporations Act</i> , SBC 2002, c 57, as amended, including the regulations promulgated thereunder. |
| Capital Gains Refund | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| CBCA | means the <i>Canada Business Corporation Act</i> , RSC 1985, c. C-44 as amended from time to time, including the regulations promulgated thereunder. |
| CDS | means The Canadian Depository for Securities Limited. |
| Closing | means each closing of the sale of Securities under this Offering Memorandum from time to time as MFC receives subscriptions. |
| Court | means the Supreme Court of British Columbia, sitting in Vancouver, British Columbia, or other court as applicable. |
| CRA | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Declaration of Trust | means the Declaration of Trust governing ART, dated December 13, 2011, as amended among ARS, ACP, as settlor and the persons who after the date thereof become holders of units. |
| DPSP | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Effective Date | means the date the Arrangement is effective pursuant to the Plan of Arrangement. |
| Effective Time | means the time on the Effective Date at which the Arrangement is effective, as specified in the Arrangement Agreement. |
| Elected Amount | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Final Order | means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of the BCBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction. |
| Foreign Source Income | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| GLA | means the Gross Leasable Area. |

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| Insider | has the meaning ascribed thereto under Section 3.3. |
| Interim Order | means the interim order of the Court dated June 20, 2019 under Part 5, division 9 of the BCBCA containing directions with respect to the Arrangement and issued pursuant to the petition of the Adventus Parties. |
| Investors | means, collectively, the persons who purchase the Securities under the Offering and Investor or you means any one of them. |
| Issuer | means MFC. |
| MFC | means Adventus Mutual Fund ULC. |
| MFC Capital Shares | has the meaning ascribed thereto on the cover page of this Offering Memorandum. |
| MFC Voting Shares | has the meaning ascribed thereto under Section 5.1.1. |
| Minimum Offering | has the meaning ascribed thereto on the cover page of this Offering Memorandum. |
| minimum distribution requirements | has the meaning ascribed thereto under Section 2.7.2. |
| NI 45-106 | means National Instrument 45-106 - <i>Prospectus Exemptions</i> adopted by the Canadian Securities Administrators. |
| Non-Residents | has the meaning ascribed thereto under Section 2.7.2. |
| Offering | means the offering by MFC of MFC Capital Shares. |
| Office Properties | has the meaning ascribed thereto under Section 2.2. |
| person | means an individual, partnership, limited partnership, corporation, unlimited liability company, trust, unincorporated organization, association, government or any department or agency thereof and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual. |
| Plan of Arrangement | means the plan of arrangement, proposed under Section 291 of the BCBCA, substantially in the form set out in attached hereto at Appendix A, subject to any amendments or variations to such plan made in accordance with the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order. |
| Plan Subscriber | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Principal Holder | means a holder of a security of MFC that holds 10% or more of any class of voting securities of MFC. |
| Properties | means the Properties and any additional properties the Adventus Parties may acquire from time to time. and |
| RDSP | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |

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| Resident Holder | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| RESP | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| RRIF | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| RRSP | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Securities | has the meaning ascribed thereto on the cover page of this Offering Memorandum. |
| SIFT Measures | has the meaning ascribed thereto under Section 2.7.2. |
| Tax Act | means the <i>Income Tax Act</i> (Canada), RSC 1985 c. 1 5 th Supp., as amended from time to time, including the regulations promulgated thereunder. |
| taxable capital gain | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Tax Proposals | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| TFSA | has the meaning ascribed thereto under ITEM 6 - Income Tax Consequences and RRSP Eligibility. |
| Trust Units | has the meaning ascribed thereto under Section 2.7.2. |
| Trust Unitholders | has the meaning ascribed thereto under Section 2.7.2. |
| Unit Certificates | has the meaning ascribed thereto under Section 2.7.2. |

ITEM 12 - FINANCIAL STATEMENTS

Adventus Mutual Fund ULC

Audited Financial Statements of Adventus Mutual Fund ULC for the period from June 5, 2019 (date of incorporation) to June 7, 2019

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Adventus Capital Partners Ltd.

Audited Financial Statements of Adventus Capital Partners Ltd. for the year ended December 31, 2018

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Pro Forma Statement of Financial Position

Unaudited Pro Forma Consolidated Statement of Financial Position of Adventus Realty Trust as at March 31, 2019

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ITEM 13 - DATE AND CERTIFICATE

Dated June 28, 2019

This Offering Memorandum does not contain a misrepresentation.

ADVENTUS MUTUAL FUND ULC

PER: “Rodney Johnston”
Rodney Johnston
President & CEO

**APPENDIX A
PLAN OF ARRANGEMENT**

Under Division 5 of Part 9 of the British Columbia *Business Corporations Act*

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) “ACP” means Adventus Capital Partners Ltd., a corporation incorporated under the CBCA;
- (b) “ACP Multiple Voting Shares” means the class of Multiple Voting shares of ACP, which entitle the holders to 100 votes per share held, which share class is to be created pursuant to Section 2.1 of the Arrangement Agreement;
- (c) “ACP Arrangement Resolutions” means the resolution of the ACP Shareholders, approving the Arrangement;
- (d) “ACP Non Voting Shareholders” means the holders of the ACP Non Voting Shares;
- (e) “ACP Non Voting Shares” means, at any particular time, the Non-Voting Common shares of ACP then issued and outstanding;
- (f) “ACP Shareholders” means ACP Voting Shareholders and the ACP Non Voting Shareholders together as a single class;
- (g) “ACP Shares” means the ACP Non Voting Shares and the ACP Voting Shares, but not the ACP Multiple Voting Shares;
- (h) “ACP Voting Shareholders” means the holders of the ACP Voting Shares;
- (i) “ACP Voting Shares” means, at any particular time, the Common shares of ACP then issued and outstanding;
- (j) “AOF” means Adventus Opportunity Fund, an open-end investment trust formed under the laws of the Province of British Columbia and governed by the AOF Declaration of Trust;
- (k) “AOF Declaration of Trust” means the declaration of trust which AOF is governed, as it may be amended, supplemented or restated from time to time;
- (l) “AOF Unitholders” means the holders of AOF Units;
- (m) “AOF Units” means, at any particular time, the units of AOF then issued and outstanding;
- (n) “ARLP” means Adventus Realty Limited Partnership, a limited partnership formed under the laws of British Columbia as represented by its general partner, ARS;
- (o) “ARLP Arrangement Resolution” means the resolution of the ARLP Unitholders approving the Arrangement;

- (p) “ARLP Cash Amount” means the amount payable to former ARLP Unitholders under the Plan;
- (q) “ARLP Unitholders” means the holders ARLP Units;
- (a) “ARLP Units” means, at any particular time, the units representing the interests of limited partners in ARLP then issued and outstanding;
- (b) “Arrangement”, “herein”, “hereof”, “hereto”, “hereunder” and similar expressions mean and refer to the arrangement pursuant to Part 9, Division 5 of the BCBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (c) “Arrangement Agreement” means the arrangement agreement dated June 18, 2019 among ACP, AOF, AOS, ARLP, ARS, ART and MFC with respect to the Arrangement and all amendments thereto;
- (d) “ARS” means Adventus Realty Services Inc., a corporation incorporated under the CBCA and the trustee of ART and general partner of ARLP;
- (e) “ART” means Adventus Realty Trust, an unincorporated, open-ended limited purpose ART formed under the laws of the Province of British Columbia;
- (f) “ART Declaration of Trust” means the declaration of trust by which ART is governed, as it may be amended, supplemented or restated from time to time;
- (g) “ART Units” means units of ART;
- (h) “BCBCA” means the *British Columbia Business Corporations Act*, SBC 2002, c. 57 as amended, including the regulations promulgated thereunder;
- (i) “Business Day” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in the City of Vancouver, in the Province of British Columbia;
- (j) “CBCA” means the *Canada Business Corporations Act*, RSC 1985, c. C-44 as amended, including the regulations promulgated thereunder;
- (k) “Certificate” means a certificate signed by an officer of each of ACP, AOS for itself and on behalf of AOF, ARS for itself and on behalf of ART and ARLP, and MFC certifying that all conditions to the Arrangement becoming effective have been performed or satisfied;
- (l) “Court” means the Supreme Court of British Columbia, Vancouver Registry;
- (m) “Depositary” means TSX Trust Company, or such other Person as may be designated by ART;
- (n) “Effective Date” means the date the Arrangement is effective as provided for in the Arrangement Agreement;

- (o) “Effective Time” means 12:01 am (Vancouver, British Columbia time) on the Effective Date;
 - (p) “Final Order” means the final order of the Court approving the Arrangement to be applied for following the Interim Order and to be granted pursuant to the provisions of Part 9, Division 5 of the BCBCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
 - (q) “Interim Order” means the interim order of the Court pursuant to Section 291 of the BCBCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
 - (r) “Meetings” means the respective meetings of the: (i) the ACP Shareholders and (ii) the ARLP Unitholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the ACP Arrangement Resolution and the ARLP Arrangement Resolution, respectively;
 - (s) “MFC” means Adventus Mutual Fund ULC, an unlimited liability company formed under the BCBCA;
 - (t) “MFC Capital Shareholders” means the holders of the shares of MFC Capital Shares;
 - (u) “MFC Capital Shares” means the Capital shares without par value of MFC;
 - (v) “MFC Shareholders” means the MFC Capital Shareholders and the MFC Voting Shareholders;
 - (w) “MFC Voting Shares” means the Voting shares without par value of MFC;
 - (x) “MFC Voting Shareholders” means the holders of the shares of MFC Voting Shares;
 - (y) “Person” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status;
 - (z) “Plan” means this plan of arrangement, as amended or supplemented from time to time, and “hereby”, “hereof”, “herein”, “hereunder”, “herewith” and similar terms refer to this Plan and not to any particular provision of this Plan; and
 - (aa) “Tax Act” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.), including the regulations promulgated thereunder, as amended.
- 1.2 The headings contained in this Plan are for reference purposes only and do not affect in any way the meaning or interpretation of this Plan.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan.
- 1.4 Unless the context otherwise requires, words importing the singular only shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuter

and words importing a Person or Persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture, unincorporated body of persons or government.

- 1.5 If any date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day in such place.
- 1.6 References in this Plan to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2 ARRANGEMENT AGREEMENT AND PLAN OF ARRANGEMENT

- 2.1 This Plan is made pursuant to, is subject to the provisions of, and forms part of, the Arrangement Agreement.
- 2.2 This Plan shall become effective at, and be binding at and after, the Effective Time on: (i) ACP; (ii) ACP Voting Shareholders; (iii) ACP Non Voting Shareholders; (iv) AOF; (v) AOF Unitholders; (vi) ART; (vii) ART Unitholders; (viii) ARS; (ix) AOS; (x) ARLP; (xi) ARLP Unitholders; (xii) MFC and (xiii) MFC Shareholders.
- 2.3 The Certificate shall be conclusive evidence that this Plan has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.
- 2.4 Other than as expressly provided for herein, no portion of this Plan shall take effect with respect to any party or Person until the Effective Time. Furthermore, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in said Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Plan of Arrangement.
- 2.5 No ACP Shareholder, AOF Unitholder or ARLP Unitholder shall have any dissenting rights under this Plan.

ARTICLE 3 PLAN OF ARRANGEMENT

- 3.1 Each of the events set out below shall occur and shall be deemed to occur in the following order, and each events set out below will be deemed to have been completed before the event immediately following such event is deemed to have been completed, without any further act or formality except as otherwise provided herein:
 - (a) Commencing at the Effective Time:
 - (A) *Transfer of ACP Shares.* All ACP Shares are transferred by the ACP Shareholders to ART, free of any lien, claim or encumbrance in consideration for ART Units on the basis of one ART Unit for each ACP Share;
 - (B) *Transfer of ARLP Units.* All ARLP Units are transferred by the ARLP Unitholders to ART free of any lien, claim, or encumbrance in consideration

for the amount of US\$0.01 per ARLP Unit payable to the ARLP Unitholders in accordance with the number of ARLP Units held by each; and

- (C) *Transfer and Exchange of AOF Units for MFC Capital Shares.* All AOF Units are transferred by the AOF Unitholders to MFC free of any lien, claim or encumbrance in consideration for MFC Capital Shares on the basis of four MFC Capital Shares for each ART Unit;
- (b) Commencing at 12:01 am (Vancouver, British Columbia time) on the day immediately after the Effective Date:
 - (D) *Transfer and Exchange of AOF Units for ART Units.* All of the AOF Units are transferred by MFC to ART free of any lien, claim or encumbrance in consideration for ART Units on the basis of one AOF Unit for 0.6651 of an ART Unit;
 - (E) *Redemption of MFC Capital Shares for ART Units.* All of the issued and outstanding MFC Capital Shares are redeemed by, and transferred to, MFC in consideration for ART Units on the basis of four MFC Capital Shares for each ART Units;
 - (F) *Dissolution of MFC.* ART shall pay, retire, discharge or make provision for the payment, retirement or discharge of all outstanding liabilities and obligations of MFC and all of the issued and outstanding MFC Voting Shares are redeemed by, and transferred to, MFC with no consideration paid to the holders of the MFC Voting Shares; and MFC shall be dissolved; and
 - (G) *Exchange of ACP Voting Shares for ACP Non Voting Shares.* All issued and outstanding ACP Voting Shares are exchanged for ACP Non Voting Shares on the basis of one ACP Non Voting Share for each ACP Voting Share.
- 3.2 Each of the AOF Declaration of Trust and the ART Declaration of Trust is amended to the extent necessary to facilitate the Plan and the implementation of the steps and transactions described herein.
- 3.3 No certificates shall be issued for the MFC Capital Shares issued on the transfer of the AOF Units to MFC in exchange for MFC Capital Shares.
- 3.4 ACP, AOF, ARLP, ART and MFC shall make the appropriate entries in their shares or unit registers to reflect the matters referred to under this Article 3.

ARTICLE 4 OUTSTANDING CERTIFICATES

- 4.1 After the Effective Time, each certificate formerly representing ACP Shares, ARLP Units or AOF Units shall represent only the right to receive the amount or the number (excluding a fraction) of ART Units or the ARLP Cash Amount that the former holder of the securities represented by the certificates is entitled to in accordance with the terms of this Plan.
- 4.2 ART shall, as soon as practicable following the Effective Date forward or cause to be forwarded by first class mail (postage prepaid) to each former holder of ACP Shares and AOF Units, at the

addresses of such former holder in the records of ACP and AOF, respectively, certificates representing the amount and number of ART Units, issued to such former holder under the Plan.

- 4.3 ART shall, as soon as practicable following the later of the Effective Date forward or cause to be forwarded by first class mail (postage prepaid) to each former holder of ARLP Units at the address shown on the register of partners of ARLP a cheque of ART in the amount of the ARLP Cash Amount payable to each such ARLP Unitholder.
- 4.4 After the Effective Time, the holders of ACP Shares, AOF Units or ARLP Units shall not be entitled to any interest, dividend, premium, distribution or other payment on or with respect to such securities other than the amount and ART Units which they are entitled to receive pursuant to this Plan.
- 4.5 In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding ACP Shares, AOF Units or ARLP Units that were transferred pursuant to Article 3 shall have been lost, stolen or destroyed, upon making of an affidavit of that fact by the respective ACP Shareholder, AOF Unitholder or ARLP Unitholder claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing one or more ACP Voting Shares, ACP Non Voting Shares, AOF Units or ARLP Units such holder is entitled to pursuant to Article 3 (and any dividends or distributions with respect thereto) as determined in accordance with the Plan. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the holder to whom certificates representing ACP Voting Shares, ACP Non Voting Shares, AOF Units or ARLP Units are to be issued shall, as a condition precedent to such issuance thereof, satisfy the reasonable requirements as may be imposed by ART and their respective transfer agents, including the giving of a bond satisfactory to ART and their respective transfer agents in such sum as any of them may direct or otherwise indemnify ART in a manner satisfactory to them against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.
- 4.6 None of ACP, AOF nor ART or the Depositary shall be liable to any Person in respect of any ART Units (or dividends or distributions) delivered to a public official pursuant to and in compliance with any applicable abandoned property, escheat or similar law.
- 4.7 After the Effective Time, all certificates formerly representing ACP Shares, AOF Units or ARLP Units shall cease to represent any interest in or claim against ACP, AOF or ARLP and are cancelled.
- 4.8 All distributions declared in respect of ACP Shares or AOF Units to which a former holder of ACP Shares or AOF Units is entitled in accordance with the terms of the Plan, but for which a certificate representing ACP Shares or AOF Units has not been delivered to such former holder in accordance with this Article 4, shall be paid or delivered to the Depositary to be held in trust for such former holder of ACP Shares or AOF Units for delivery to such former holder, net of all withholding and other taxes, upon delivery of the certificate in accordance with this Article 4 or surrendered to ART pursuant to Article 4, as the case may be.
- 4.9 ART and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any holder of ACP Voting Shares, ACP Non Voting Shares, AOF Units or ARLP Units such amounts as ART or the Depositary are required to deduct and withhold with respect to such payment under the Tax Act, or any provision of federal, provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such

withheld amounts shall be treated for all purposes hereof as having been paid to the holder of ACP Voting Shares, ACP Non Voting Shares, AOF Units or ARLP Units, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

- 4.10 Any certificates for ART Units that remain undistributed to former ACP Voting Shares, ACP Non Voting Shareholders or AOF Unitholders on the first anniversary of the Effective Date shall be delivered to ART upon demand therefor, and holders of certificates previously representing ACP Voting Shares, ACP Non Voting Shares, AOF Units or ARLP Units who have not theretofore complied with this Article 4, shall thereafter, subject to Section 4.5, look only to ART for payment of any claim to ART Units or dividends or distributions, if any, in respect thereof.
- 4.11 No certificates or scrip representing fractional securities shall be issued upon the exchange of securities pursuant to Section 3.1 and no AOF Unit shall be exchanged for less than four MFC Capital Shares pursuant to the transfer of AOF Units for MFC Capital Shares pursuant to Section 3.1(a)(C), or upon surrender for exchange of certificates pursuant to Section 4.1 and such fractional securities or less than four MFC Capital Shares shall not entitle the owner thereof to exercise any rights as a security holder of ART or MFC. No Person shall be entitled to any fractional ART Unit or less than four MFC Capital Shares and the number of ART Units or MFC Capital Shares to which such Person would otherwise be entitled shall be rounded down to, in the case of ART Units, the nearest whole number or, in the case of MFC Capital Shares, the nearest whole number divided by four.
- 4.12 An AOF Unitholder shall be entitled to make an income tax election pursuant to subsection 85(1) of the Tax Act, or subsection 85(2) of the Tax Act if such beneficial owner is a partnership, (and in each case, where applicable, the analogous provisions of provincial income tax law) with respect to the transfer of its AOF Units to MFC and receipt of the MFC Capital Shares (and the ART Units on the redemption of the MFC Capital Shares) by providing two signed copies of the necessary prescribed election form(s) to the Depositary within 90 days following the Effective Date, duly completed with the details of the number of AOF Units transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms being correct and complete and complying with the provisions of the Tax Act (and applicable provincial income tax law), the forms will be signed by MFC and returned to such AOF Unitholder within 60 days after the receipt thereof by the Depositary for filing with the Canada Revenue Agency (or the applicable provincial taxing authority) by such AOF Unitholder. MFC and ART will not be responsible for the proper completion of any election form and, except for MFC's obligation to return (within 60 days after the receipt thereof by the Depositary) duly completed election forms which are received by the Depositary within 90 days of the Effective Date. Neither MFC nor ART will be responsible for any taxes, interest or penalties resulting from the failure by an AOF Unitholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, MFC may choose to sign and return an election form received by the Depositary more than 90 days following the Effective Date, but MFC will have no obligation to do so.

ARTICLE 5 AMENDMENTS

- 5.1 ACP, AOS, ARS and MFC may amend this Plan at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties; (iii) filed with the Court and approved by the Court; and (iv) communicated to the Director and, if and as required by the Court, to ACP Shareholders, ARLP Unitholders and AOF Unitholders.

- 5.2 Any amendment to the Plan may be proposed by any of ACP, AOS, ARS or MFC at any time prior to the Final Order (provided that the other Parties shall have consented thereto) with or without any other prior notice or communication, shall become part of this Plan for all purposes.
- 5.3 ACP, AOS, ARS and MFC may amend, modify and/or supplement this Plan at any time and from time to time prior to the Effective Time with the approval of the other parties.
- 5.4 Any amendment, modification or supplement to this Plan may be made prior to the Effective Time by the agreement of ACP, AOS, ARS and MFC.

APPENDIX B FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, included in this Offering Memorandum that address future activities, events, developments, or financial performance, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as “may”, “should”, “will”, “could”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “future”, or “continue” or the negative thereof or similar variations. Purchasers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties, assumptions, and other factors, many of which are outside the control of MFC, ART and AOF. Such uncertainties, assumptions, and other factors could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, general and local economic and business conditions, the cost and availability of capital, income tax matters, and increases in interest rates. Certain assumptions made in preparing forward-looking information and MFC’s objectives include that MFC will be able to obtain at least 150 qualified purchasers of the MFC Capital Shares and that the Arrangement will be completed. Some of the specific forward-looking statements in the Offering Memorandum include, but are not limited to, statements with respect to: the receipt of all regulatory approvals in connection with the Arrangement; the anticipated shareholdings of ART following the Arrangement; the exchange AOF Units for ART Units for ART Units and the exchange of ARLP Units for cash; the anticipated ownership of AOF by ART; the number of ART Units outstanding following completion of the Arrangement; the anticipated benefits of the Arrangement; the expected court date for the Final Order and the expected completion date for the Arrangement; the offering of at least 15,000 MFC Capital Shares and the price at which they are offered; the exemption to be used for the offering of MFC Capital Shares; the use of proceeds from the MFC Capital Share offering; the number of ART Units which will be subscribed for by MFC; the transfer of ACP Shares to ART; the transfer of ARLP Units to ART; the transfer and exchange of AOF Units to MFC; the redemption of MFC Capital Shares for ART Units; the dissolution of MFC; the exchange of ACP Voting Shares for Non Voting Shares; the resulting structure following completion of the Arrangement; the approval of the various Adventus Parties with respect to the Arrangement; the creation and issuance of the ACP Multiple Voting Shares; the name of ART following the Arrangement; the representations and warranties will all be true and correct as of the Effective Time; the receipt of all regulatory consents and approvals; the issuance of a certificate or certificates representing securities; the prospectus exemptions to be relied upon for the issuance of the securities under the Arrangement; the tax treatment of any of the securities to be issued, disposed of, or deemed to be disposed of under the Arrangement; the expected future distributions of ART and the expected increase in distribution per AOF Unit; ART entering into future acquisitions of financing or other arrangements involving the issuance of ART Units; the use of future cash flows of ART; and that the Arrangement will be completed as anticipated or completed at all.

To the extent any forward-looking information constitutes “future-oriented financial information” or “financial outlook”, as those terms are defined under Canadian securities laws. The management of each of MFC, ACP and ARS, in its capacity as general partner to ARLP, as applicable, approved the forward-looking information that constitutes “future-oriented financial information” or “financial outlook” contained in this Offering Memorandum attached and cautions readers that such statements are being provided to describe the current anticipated effect of the Arrangement, and that these statements may not be appropriate for any other purpose, including investment decisions. Future-oriented financial information and financial outlook, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out in this cautionary statement. Following completion of the Arrangement, ART’s actual financial position and results of operations may differ materially from management’s current expectations and, as a result, ART’s revenue, earnings and expenses may differ materially from the revenue, earnings and expenses profiles provided in this Offering Memorandum. Such information is presented for illustrative purposes only.

Although the forward-looking statements contained in this Offering Memorandum are based upon what management of MFC and the Boards of the Trustees, as applicable, believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Such statements involve known and unknown risks and uncertainties which may cause the actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to: liquidity and potential liquidity events; risks inherent in

the real estate industry; economic conditions; risks related to capital expenditures and fixed costs; credit risk; tenant concentration; concentration of properties; interest rate and other debt related risk; tax risks; insurance risks; ability to access capital markets; lease rollover risk; decrease in demand for office space; competition for real property investments; environmental matters; changes in legislation; legal and political risks; ability to retain key personnel; and risks relating to cash distributions.

Such forward-looking statements should, therefore, be construed in light of such factors. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements.

The reader is further cautioned that the preparation of financial statements, including an unaudited pro forma consolidated balance sheet, in accordance with Canadian IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based on available economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Offering Memorandum are made as of the date of the Offering Memorandum and MFC and the Adventus Parties undertake no obligation to update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

NON-IFRS MEASURES

AOF and ART disclose a number of financial measures in this Circular that are not measures determined in accordance with IFRS, including NOI, AFFO, and AFFO payout ratio, debt leverage, in addition to certain measures on a per unit basis. AOF and ART utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. AOF and ART believe that providing these performance measures on a supplemental basis to its IFRS results is helpful to investors in assessing the overall performance of its businesses in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. AOF and ART caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. The definition of non-IFRS financial measures are as follows:

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent and IFRIC 21, Levies (“**IFRIC 21**”) adjustments. Rental revenue for purposes of measuring NOI excludes revenue recorded as a result of determining rent on a straight-line basis and the amortization of leasing costs in revenue for IFRS, which Management believes better reflects the cash generation activity of the properties of AOF and ART. NOI is an important measure of the income generated from the properties of AOF and ART and is used by the AOF and ART in evaluating the performance of its properties.
- AFFO is defined as net income (loss) adjusted for certain items including amortization of leasing costs, foreign exchange, change in fair value of investment properties, change in fair value of unit options payable, amortization of straight-line rent, amortization of deferred debt issuance costs, receipt of guaranteed rental income on property acquisitions, capitalized leasing costs on renewal leasing activities including tenant improvements and leasing commissions, and recurring and non-recoverable maintenance capital expenditures. Adjusted Funds from Operations (“**AFFO**”) is a non-IFRS measure that is used by Management of AOF and ART, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leasing costs, tenant improvements and the impact of non-cash revenue. It is a meaningful measure used to evaluate the extent of cash available for distribution to unitholders;

- AFFO payout ratio are defined as distributions declared divided by AFFO.
- AFFO per unit are defined as AFFO divided by the weighted average number of AOF Units and ART Units outstanding.
- Debt Service Payments are defined as regularly scheduled payments of principal and interest payable in connection with mortgage financing of the Office Properties.
- Debt Leverage is defined as the total of all debt obligations expressed as a percentage of the fair value of the Office Properties.
- Net Cash Flow is defined as NOI less Debt Service Payments.

APPENDIX C
FINANCIAL STATEMENTS

See attached.

ADVENTUS MUTUAL FUND ULC

Financial Statements

For the period from June 5, 2019 (date of incorporation) to June 7, 2019

Expressed in Canadian dollars



Independent auditor's report

To the Shareholders of Adventus Mutual Fund ULC

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Adventus Mutual Fund ULC (the Company) as at June 7, 2019, and its financial performance and its cash flows for the period from June 5, 2019 (date of incorporation) to June 7, 2019 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at June 7, 2019;
 - the statement of shareholders' equity for the period from June 5, 2019 (date of incorporation) to June 7, 2019;
 - the statement of income and comprehensive income for the period from June 5, 2019 (date of incorporation) to June 7, 2019;
 - the statement of cash flows for the year period from June 5, 2019 (date of incorporation) to June 7, 2019; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 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 Company'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 Company’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 Company 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.

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 18, 2019

June 7, 2019
(\$)

| | |
|----------------|----------|
| ASSETS | |
| Cash (note 2a) | 2 |

| | |
|-----------------------------|----------|
| SHAREHOLDER'S EQUITY | |
| Share capital (note 3) | 2 |

Description of the proposed plan of arrangement (note 4)

On behalf of the Board of Directors

/s/ Rodney B. Johnston **Director**

Rodney B. Johnston

/s/ Michael Iannacone **Director**

Michael Iannacone

| | Number of shares | Shareholders' Equity (\$) |
|----------------------------------|---------------------|---------------------------------|
| Issued on incorporation for cash | 2 | 2 |
| Balance, June 7, 2019 | 2 | 2 |

**For the period from
June 5, 2019 (date of
incorporation) to June
7, 2019
(\$)**

| | |
|--|----------|
| REVENUES | - |
| <hr/> | |
| EXPENSES | - |
| <hr/> | |
| NET INCOME AND COMPREHENSIVE INCOME | - |

**For the period from
June 5, 2019 (date of
incorporation) to June
7, 2019
(\$)**

Cash and cash equivalents provided by (used in)

OPERATIONS

Net income and comprehensive income -

INVESTING

-

FINANCING

Proceeds from issuance of shares 2

2

Change in cash and cash equivalents during the period

2

Cash and cash equivalents, beginning of period

-

CASH AND CASH EQUIVALENTS, END OF PERIOD

2

1. NATURE OF BUSINESS

Adventus Mutual Fund ULC (the “Corporation” or “MFC”) was incorporated under the provisions of the Business Corporations Act (British Columbia) on June 5, 2019, and on that date, issued 2 voting shares, one to each Director of the Corporation, for total cash consideration of \$2. Other than the issuance of voting shares and the execution of an arrangement agreement pursuant to which the Corporation has agreed to be party to a statutory plan of arrangement (the “Arrangement”) as disclosed in note 4, there have been no other activities. The Corporation was formed to participate in the Arrangement and is planned to be dissolved following the completion of the Arrangement.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(a) Cash

Cash consists of cash held in trust by the Corporation’s solicitors as of the balance sheet date.

(b) Financial instrument

The Corporation’s only financial instrument consists of cash. It is management’s opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from this financial instrument. The fair value of this financial instrument approximates its carrying value.

3. SHARE CAPITAL

Authorized

An unlimited number of voting shares

An unlimited number of capital shares

Issued

| | Number of shares | Amount (\$) |
|----------------------------------|---------------------|----------------|
| <hr/> | | |
| Voting shares | | |
| Issued on incorporation for cash | 2 | 2 |
| Balance, June 7, 2019 | 2 | 2 |

4. DESCRIPTION OF THE PROPOSED PLAN OF ARRANGEMENT

The purpose of the Arrangement and other transactions is to merge the business and properties indirectly conducted and owned by Adventus Opportunity Fund (“AOF”) and Adventus Realty Trust (“ART”) in one entity, ART and to internalize the management of AOF and ART in ART.

Pursuant to the Arrangement, all of the AOF Units, Adventus Capital Partners Ltd. (“ACP”) Voting Shares, ACP Non Voting Shares and Adventus Realty Limited Partnership (“ARLP”) Units are to be acquired and owned by ART. AOF Unitholders are to receive ART Units for each AOF Unit being acquired at an exchange ratio of 0.6651 of an ART Unit for each AOF Unit; holders of ARLP Units are to receive \$0.01 per ARLP Unit payable in cash and holders of ACP Shares are to receive one ART Unit for each ACP Share.

The Arrangement contemplates the exchange of AOF Units for MFC Shares as the first step in the acquisition of the AOF Units by ART. This step is designed so that the disposition of the AOF Units and the acquisition of the ART Units by the existing AOF Unitholders will be completed on a “tax deferred” basis for purposes of the Income Tax Act (Canada).

Adventus Capital Partners Ltd.
Non-consolidated Financial Statements
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

Adventus Capital Partners Ltd.
Non-consolidated Financial Statements
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of
Adventus Capital Partners Ltd.

Opinion

We have audited the financial statements of Adventus Capital Partners Ltd. (the "Company"), which comprise the non-consolidated statement of financial position as at December 31, 2018, the non-consolidated statements of operations and deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated 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 non-consolidated 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 Company'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 Company'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 non-consolidated 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants

Vancouver, British Columbia
March 21, 2019

Adventus Capital Partners Ltd.
Non-consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

| December 31 | 2018 | 2017 |
|--|--------------|--------------|
| Assets | | |
| Current | | |
| Cash (Note 3) | \$ 83,420 | \$ 368,413 |
| Accounts receivable | 21,228 | 33,198 |
| Prepaid expenses and deposit | 69,993 | 27,911 |
| Due from related parties (Note 4) | 6,212,964 | 5,072,432 |
| | 6,387,605 | 5,501,954 |
| Investment in Subsidiaries (Note 5) | 2 | 1 |
| Investment in Adventus Realty Trust (Note 6) | 36,264 | 33,659 |
| Investment in Adventus Realty Limited Partnership (Note 6) | 114 | 114 |
| | \$ 6,423,985 | \$ 5,535,728 |
| Liabilities and Shareholders' Equity | | |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 1,070,745 | \$ 1,190,222 |
| Due to related parties (Note 4) | 2,045,060 | 255,376 |
| Convertible debentures (Note 8) | - | 1,377,805 |
| | 3,115,805 | 2,823,403 |
| Shareholders' Equity | | |
| Share capital (Note 9) | 12,566,263 | 11,959,616 |
| Deficit | (9,258,083) | (9,247,291) |
| | 3,308,180 | 2,712,325 |
| | \$ 6,423,985 | \$ 5,535,728 |

Approved by:

/s/ Rodney Johnston _____ President and Director

/s/ Michael Iannacone _____ Chief Financial Officer

Adventus Capital Partners Ltd.
Non-consolidated Statement of Operations and Deficit
(Expressed in Canadian Dollars)

| For the year ended December 31 | 2018 | 2017 |
|------------------------------------|-----------------------|-----------------------|
| Revenue | | |
| Acquisition fees (Note 4) | \$ 632,604 | \$ - |
| Management fees (Note 4) | 1,721,568 | 1,609,751 |
| Recovery revenue (Note 4) | 1,297,972 | - |
| Interest and other income (Note 6) | 2,605 | 2,502 |
| | <u>3,654,749</u> | <u>1,612,253</u> |
| Expenses | | |
| Accounting and legal | 478,541 | 462,298 |
| Consulting fees | 187,623 | 150,507 |
| Directors fees (Note 4) | 473,513 | 281,250 |
| Financing fees | 40,588 | 956,645 |
| Foreign exchange (gain) loss | (179,070) | 361,967 |
| Insurance | 39,138 | 36,988 |
| Interest and bank charges | 149,161 | 138,482 |
| Salaries and wages (Notes 4 and 7) | 2,014,688 | 2,202,220 |
| Rent and office supplies | 228,281 | 187,491 |
| Travel and entertainment | 233,078 | 162,498 |
| | <u>3,665,541</u> | <u>4,940,346</u> |
| Loss for the year | (10,792) | (3,328,093) |
| Deficit, beginning of year | (9,247,291) | (4,387,180) |
| Dividends paid | - | (1,532,018) |
| Deficit, end of year | <u>\$ (9,258,083)</u> | <u>\$ (9,247,291)</u> |

Adventus Capital Partners Ltd.
Non-consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31 2018 2017

Cash provided by (used in)

Operating activities

| | | |
|---|-------------|----------------|
| Net loss for the year | \$ (10,792) | \$ (3,328,093) |
| Items not involving cash: | | |
| Other income from Adventus Realty Trust reinvested into additional Trust units | (2,605) | (2,502) |
| Unrealized foreign exchange gain on convertible debentures | - | (104,220) |
| Unrealized foreign exchange loss on due from related parties | - | 103,231 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 11,970 | 1,674 |
| Prepaid expenses and deposit | (42,082) | (2,415) |
| Accounts payable and accrued liabilities | (119,477) | (185,948) |
| | (162,986) | (3,518,273) |

Financing activities

| | | |
|---|-----------|-------------|
| Share issuance | 606,647 | 2,015,668 |
| Dividends paid | - | (1,532,018) |
| Due to related parties | 411,879 | 203,865 |
| Proceeds from convertible debentures issued | - | 272,410 |
| | 1,018,526 | 959,925 |

Investing activities

| | | |
|--------------------------|-------------|-----------|
| Investment in subsidiary | (1) | - |
| Due from related parties | (1,140,532) | 2,674,763 |
| | (1,140,533) | 2,674,763 |

| | | |
|---|-----------|------------|
| Increase (decrease) in cash during the year | (284,993) | 116,415 |
| Cash, beginning of year | 368,413 | 251,998 |
| Cash, end of year | \$ 83,420 | \$ 368,413 |

Supplemented Cash Flow Information

Non-cash operating activity

| | | |
|---|----------|----------|
| Investment of distributions from Adventus Realty Trust into additional Trust units | \$ 2,605 | \$ 2,502 |
|---|----------|----------|

Non-cash financing activity

| | | |
|--|--------------|------|
| Settlement of convertible debentures by way of amounts due to Adventus Realty Trust | \$ 1,377,805 | \$ - |
|--|--------------|------|

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

1. Nature of Operations

Adventus Capital Partners Ltd. (the "Company") was formed under the Canada Business Corporations Act on March 14, 2011 and commenced operations in January 2012.

The Company has been formed for the purpose of providing management services to the following entities which are related by way of common directors and officers:

- i. Adventus Holdings LP;
- ii. Adventus US Realty #1 LP;
- iii. Adventus US Realty #2 LP;
- iv. Adventus US Realty #3 LP;
- v. Adventus US Realty #4 LP;
- vi. Adventus US Realty #5 LP;
- vii. Adventus US Realty #6 LP;
- viii. Adventus US Realty #7 LP;
- ix. Adventus US Realty #8 LP;
- x. Adventus US Realty #9 LP;
- xi. Adventus US Realty #10 LP;
- xii. Adventus US Realty #11 LP;
- xiii. Adventus US Realty #12 LP;
- xiv. Adventus US Realty #13 LP;
- xv. Adventus US Opportunity LP;
- xvi. Adventus AOF #1 LP; and
- xvii. Adventus AOF #2 LP

Adventus US Realty #1, #2, #3, #4, #5, #6, #7, #8, #9, #10, #11, #12, and #13 LPs and Adventus AOF #1 and #2 LPs are collectively referred to as the "Property LPs". The Company provides administrative, financial and property services to the Property LPs.

The Company is the ultimate shareholder of the general partner entities of all the Property LPs. In addition, the Company is responsible for raising capital for Adventus Realty Trust and Adventus Opportunity Fund and therefore it incurs the associated costs.

2 Significant Accounting Policies

(a) Basis of Accounting

The Company's non-consolidated financial statements have been prepared using Canadian accounting standards for private enterprise ("ASPE").

(b) Investments in Subsidiaries, Adventus Realty Trust and Adventus Realty Limited Partnership

The Company accounts for the investments in its wholly owned subsidiaries (Adventus Realty Services Inc. and Adventus Opportunity Services Inc.), Adventus Realty Trust and Adventus Realty Limited Partnership at cost (Note 6). Earnings from these investments are recognized only to the extent amounts have been received or are receivable.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

2. Significant Accounting Policies - Continued

(c) Translation of Foreign Currencies

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

(d) Use of Estimates

The preparation of non-consolidated financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates included in these non-consolidated financial statements include, but are not limited to, the completeness of accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information might become available in the future.

(e) Income Taxes

The Company accounts for income taxes using the taxes payable method. The taxes payable basis is a method of accounting under which the company reports as an expense (income) of the year only the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

(f) Convertible Debentures

At initial issuance, the convertible debentures are measured at their fair value. The liability is accounted for as a financial liability and is measured at amortized cost until extinguished on conversion or maturity of the debt.

(g) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently carried at cost or amortized cost less impairment, if applicable. Financial assets carried at cost or amortized cost are tested for impairment when changes indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at subsequent reporting dates and charged to the financial instrument for those measured at amortized cost.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

2. Significant Accounting Policies - Continued

(h) Related Party Transactions

Related parties consist of officers and directors of the Company and entities related to the Company by way of common officers and directors who exert significant influence over all entities. All related party transactions are measured at their exchange amount, being the amount of consideration established and agreed to by the related parties.

(i) Revenue Recognition

Management fee revenue is recognized when services have been provided and collection is reasonably assured. In 2017, management fees are calculated based on 1.5% of gross revenue of the property for a calendar month, with the exception of Adventus US Realty #1 LP which is charged US\$1 per annum, and Adventus US Realty #8 which is charged based on 0.5% of gross revenues of the property for a calendar month and Adventus AOF #1 and #2s LPs, which are charged based on up to 0.75% of gross revenues of the property for a calendar month, subject to total asset management fees to the Company and third parties not exceeding 3.0%.

Acquisition fee revenue is recognized when the purchase of the related asset is completed by the related Property LP and collection is reasonably assured. Acquisition fees are equal to 0.5% to 1.5% of the U.S. dollar acquisition price of each property and are receivable in U.S. dollars.

Disposition fee revenue is recognized when the sale of the related asset is completed by the related Property LP and collection is reasonably assured. Disposition fees are equal to 0.5% to 1.5% of the U.S. dollar gross proceeds from the sale of each property and are receivable in U.S. dollars.

Recovery revenue consists of costs recovered from Adventus Opportunity Fund for certain operating and administrative expenses that have been allocated based on management's best estimate of the expenditures incurred by the Company that relate to Adventus Opportunity Fund. The costs recovered are recognized as revenue in the year the expenses are incurred and collection is reasonably assured.

3. Cash

The Company's cash is held in one Canadian chartered bank in Canadian and U.S. dollar accounts. The bank accounts earn interest at the current prevailing rates of interest for business operating accounts.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

4. Due to and from Related Parties

| | 2018 | 2017 |
|--|--------------|--------------|
| Due from: | | |
| Adventus Holdings LP | \$ 407,880 | \$ 4,946,411 |
| Adventus Opportunity Fund | 5,428,292 | - |
| Adventus US Opportunity LP (US REIT #2) | 157,808 | - |
| Management fees owed from the Property LPs | 218,984 | 126,021 |
| | \$ 6,212,964 | \$ 5,072,432 |
| Due to: | | |
| Adventus Realty Trust | \$ 1,939,417 | \$ 180,842 |
| Adventus Realty Limited Partnership | 11,953 | 11,578 |
| Adventus US Realty #1 LP | - | 6,706 |
| Directors | 93,690 | 56,250 |
| | \$ 2,045,060 | \$ 255,376 |

The balances due to and from related parties are non-interest bearing, unsecured and due on demand. These balances were a result of the following transactions, as well as cash advances, which were in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties:

| | 2018 | 2017 |
|--|--------------|--------------|
| Revenue | | |
| Acquisition fee revenue from Adventus Opportunity Fund | \$ 632,604 | \$ - |
| Management fee revenue from the Property LPs | 1,721,568 | 1,609,751 |
| Costs recovered from Adventus Opportunity Fund | 1,297,972 | - |
| | \$ 3,652,144 | \$ 1,609,751 |
| Expenses | | |
| Salaries and wages paid to officers | \$ 1,362,418 | \$ 1,241,654 |
| Director fees | 473,513 | 281,250 |
| | \$ 1,835,931 | \$ 1,522,904 |

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

5. Investment in Subsidiaries

As at December 31, 2018, the Company held all of the 100 issued common shares of Adventus Realty Services Inc. and all the 100 issued common shares of Adventus Opportunity Services Inc. at cost at \$1 and \$1, respectively. Therefore, Adventus Realty Services Inc. and Adventus Opportunity Services Inc. are wholly-owned subsidiaries of the Company.

6. Investment in Adventus Realty Trust and Adventus Realty Limited Partnership

A summary of Investment in Adventus Realty Trust as follows:

| | Trust Units | | Carrying Amount |
|---|----------------|----|--------------------|
| December 31, 2016 | 1,851 | \$ | 31,157 |
| Distribution from Adventus Realty Trust reinvested into additional Adventus Realty Trust units | 128 | | 2,502 |
| December 31, 2017 | 1,979 | \$ | 33,659 |
| Distribution from Adventus Realty Trust reinvested into additional Adventus Realty Trust units | 130 | | 2,605 |
| December 31, 2018 | 2,109 | \$ | 36,264 |

During the year, the Company received a distribution of \$2,605 (2017 - \$2,502) which was reinvested into an additional 130 units (2017 - 128 units) in Adventus Realty Trust. This amount has been included in interest and other income on the non-consolidated statement of operations and deficit.

In 2015, the Company acquired 11,400 units of Adventus Realty Limited Partnership at a cost of \$114. No units of Adventus Realty Limited Partnership were acquired or disposed in 2017 or 2018.

As at December 31, 2018, the Company owned 0.01% (2017 - 0.01%) of Adventus Realty Trust and 1.42% (2017 - 1.47%) of Adventus Realty Limited Partnership.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

7. Accounts Payable and Accrued Liabilities

| | 2018 | 2017 |
|---|--------------|--------------|
| Financing fees and trade accounts payable | \$ 540,745 | \$ 488,848 |
| Accrued bonus payable | 530,000 | 701,374 |
| | \$ 1,070,745 | \$ 1,190,222 |

During the year, the Company has accrued a year-end bonus of \$530,000 (2017 - \$701,374), which is expected to be paid during the next fiscal year to certain employees, directors and officers. This amount has been included in salaries and wages expense on the non-consolidated statement of operations and deficit.

8. Convertible debentures

| | 2018 | 2017 |
|---|------|--------------|
| Convertible debentures totaling US\$598,800 were settled on November 23, 2018, December 18, 2018, and December 21 2018. | \$ - | \$ 751,531 |
| Convertible debentures totaling US\$299,400 were settled on December 22, 2018. | - | 375,764 |
| Convertible debentures totaling US\$199,600 were settled on December 22, 2018. | - | 250,510 |
| | \$ - | \$ 1,377,805 |

All convertible debentures were settled during the year. No convertible debentures were converted into shares of the Company.

9. Share Capital

| | 2018 | 2017 |
|--|------------|---------------|
| Authorized | | |
| Unlimited number of common shares, no par value | | |
| Unlimited number of non-voting common shares, no par value | | |
| Issued | | |
| 27,410 (2017 - 27,410) Voting common shares | \$ 111,598 | \$ 111,598 |
| 775,083 (2017 - 747,573) Non-voting common shares | 12,454,665 | 11,848,018 |
| | 12,566,263 | \$ 11,959,616 |

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

9. Share Capital - Continued

During the year, the Company issued 27,510 (2017 - 123,844) non-voting common shares for \$606,647 (2017 - \$2,015,668). During the year, no (2017 - 22,590) voting common shares valued at \$Nil (2017 - \$110,103) were exchanged for non-voting shares.

10. Income Taxes and Loss Carry Forwards

The Company's income tax reconciliation is as follows:

| | 2018 | 2017 |
|--|-------------|----------------|
| Net loss before taxes | \$ (10,792) | \$ (3,328,093) |
| Adjustments for tax differences | | |
| Other income not taxable | (2,605) | (2,502) |
| Non-deductible meals and entertainment | 38,867 | 25,207 |
| Financing fees adjustment | (239,756) | (132,324) |
| Unrealized foreign exchange | 32,398 | 361,209 |
| Non-capital losses accumulated | 181,888 | 3,076,503 |
| Taxable income | - | - |
| Effective tax rate | 27% | 26% |
| Current year tax expense | \$ - | \$ - |

The Company has non-capital losses available to carry forward to future periods and will expire as follows:

| | |
|------|--------------|
| 2035 | \$ 1,373,917 |
| 2037 | 3,076,503 |
| 2038 | 181,888 |
| | \$ 4,632,308 |

The Company has \$610,061 of financing fees deductible over the next four years (2017 - \$849,817).

11. Financial Instrument Risk

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides an assessment of those risks at December 31, 2018. There have been no changes to these risks from the prior year.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

December 31, 2018

11. Financial Instrument Risk - Continued

(a) Credit Risk

Credit risk arises from cash as well as credit exposure with respects to amounts due from related parties. The Company limits its exposure to credit risk by placing its cash with high credit quality financial institutions. The amounts due from related parties are due from directors of the Company and entities related to the Company by way of shared officers and directors who exert significant influence over all entities, as disclosed in Note 4.

(b) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company is exposed to foreign exchange risk on its financial instruments that are denominated in U.S. dollars.

At the balance sheet date, the following balances represent U.S. dollars denominated in Canadian dollars:

| | <u>2018</u> |
|--------------------------|--------------|
| Cash | \$ 25,464 |
| Due from related parties | \$ 6,212,464 |

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company maintains adequate levels of working capital to ensure that its obligations can be met when they fall due.

12. Commitments

The Company entered into a rental agreement related to its office premises, which will expire July 31, 2022. Future minimum lease commitments for the next four years are as follows:

| | |
|------|-------------------|
| 2019 | \$ 227,546 |
| 2020 | 249,811 |
| 2021 | 249,811 |
| 2022 | <u>145,722</u> |
| | <u>\$ 872,890</u> |

Adventus Capital Partners Ltd.
Unaudited Non-consolidated
Financial Statements
For the three months ended
March 31, 2019, and 2018
Expressed in Canadian Dollars
Prepared by management

Adventus Capital Partners Ltd.
Unaudited Non-consolidated
Financial Statements
For the three months ended
March 31, 2019, and 2018
Expressed in Canadian Dollars
Prepared by management

Contents

Non-consolidated Financial Statements

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Adventus Capital Partners Ltd.
Non-consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

| | March 31, 2019 | December 31, 2018 |
|--|-------------------|----------------------|
| Assets | | |
| Current | | |
| Cash (Note 3) | \$ 58,676 | \$ 83,420 |
| Accounts receivable | 7,918 | 21,228 |
| Prepaid expenses and deposit | 39,460 | 69,993 |
| Due from related parties (Note 4) | 6,313,864 | 6,212,964 |
| | 6,419,918 | 6,387,605 |
| Investment in Subsidiaries (Note 5) | 2 | 2 |
| Investment in Adventus Realty Trust (Note 6) | 37,004 | 36,264 |
| Investment in Adventus Realty Limited Partnership (Note 6) | 114 | 114 |
| | \$ 6,457,038 | \$ 6,423,985 |

Liabilities and Shareholders' Equity

Liabilities

Current

| | | |
|---|--------------|--------------|
| Accounts payable and accrued liabilities (Note 7) | \$ 865,010 | \$ 1,070,745 |
| Due to related parties (Note 4) | 2,184,444 | 2,045,060 |
| | 3,049,454 | 3,115,805 |
| Shareholders' Equity | | |
| Share capital (Note 8) | 12,566,263 | 12,566,263 |
| Deficit | (9,158,679) | (9,258,083) |
| | 3,407,584 | 3,308,180 |
| | \$ 6,457,038 | \$ 6,423,985 |

Approved by:

/s/ Rodney Johnston President and Director

/s/ Michael Iannacone Chief Financial Officer

Adventus Capital Partners Ltd.
Non-consolidated Statement of Operations and Deficit
(Expressed in Canadian Dollars)

| | For the three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|-------------------------------------|--|--|
| Revenue | | |
| Management fees (Note 4) | 482,781 | 477,810 |
| Recovery revenue (Note 4) | 331,155 | - |
| Interest and other income (Note 6) | 740 | 625 |
| | 814,676 | 478,435 |
| Expenses | | |
| Accounting and legal | 30,922 | 155,583 |
| Consulting fees | - | 38,500 |
| Directors fees (Note 4) | 125,559 | 96,612 |
| Financing fees | - | 117,827 |
| Convertible debenture interest | - | 36,698 |
| Foreign exchange (gain) loss | 7,679 | 13,893 |
| Insurance | 9,716 | 9,451 |
| Interest and bank charges | 851 | 510 |
| Salaries and wages (Notes 4 and 7) | 447,593 | 331,274 |
| Rent and office supplies | 62,682 | 37,923 |
| Travel and entertainment | 30,270 | 27,210 |
| | 715,272 | 865,481 |
| Income (Loss) for the period | 99,404 | (387,046) |
| Deficit, beginning of period | (9,258,083) | (9,247,291) |
| Dividends paid | - | - |
| Deficit, end of period | \$ (9,158,679) | \$ (9,634,337) |

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

Adventus Capital Partners Ltd.
Non-consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

| | For the three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|---|--|--|
| Cash provided by (used in) | | |
| Operating Activities | | |
| Net loss for the year | \$ 99,403 | \$ (387,046) |
| Items not involving cash: | | |
| Other income from Adventus Realty Trust reinvested into additional Trust units | (740) | (625) |
| Unrealized foreign exchange gain on convertible debentures | - | 3,811 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 13,310 | 121 |
| Prepaid expenses and deposit | 30,533 | 9,451 |
| Accounts payable and accrued liabilities | (205,735) | 88,658 |
| | (63,229) | (285,630) |
| Financing Activities | | |
| Share issuance | - | 164,770 |
| Due to related parties | 139,385 | 448,514 |
| | 139,385 | 613,284 |
| Investing Activities | | |
| Due from related parties | (100,900) | (17,653) |
| | (100,900) | (17,653) |
| Increase (decrease) in cash during the period | (24,744) | 310,001 |
| Cash, beginning of period | 83,420 | 368,413 |
| Cash, end of period | \$ 58,676 | \$ 678,414 |

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

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

1. Nature of Operations

Adventus Capital Partners Ltd. (the "Company") was formed under the Canada Business Corporations Act on March 14, 2011 and commenced operations in January 2012.

The Company has been formed for the purpose of providing management services to the following entities which are related by way of common directors and officers:

- i. Adventus Holdings LP;
- ii. Adventus US Realty #1 LP;
- iii. Adventus US Realty #2 LP;
- iv. Adventus US Realty #3 LP;
- v. Adventus US Realty #4 LP;
- vi. Adventus US Realty #5 LP;
- vii. Adventus US Realty #6 LP;
- viii. Adventus US Realty #7 LP;
- ix. Adventus US Realty #8 LP;
- x. Adventus US Realty #9 LP;
- xi. Adventus US Realty #10 LP;
- xii. Adventus US Realty #11 LP;
- xiii. Adventus US Realty #12 LP;
- xiv. Adventus US Realty #13 LP;
- xv. Adventus US Opportunity LP;
- xvi. Adventus AOF #1 LP; and
- xvii. Adventus AOF #2 LP

Adventus US Realty #1, #2, #3, #4, #5, #6, #7, #8, #9, #10, #11, #12, and #13 LPs and Adventus AOF #1 and #2 LPs are collectively referred to as the "Property LPs". The Company provides administrative, financial and property services to the Property LPs.

The Company is the ultimate shareholder of the general partner entities of all the Property LPs. In addition, the Company is responsible for raising capital for Adventus Realty Trust and Adventus Opportunity Fund and therefore it incurs the associated costs.

2. Significant Accounting Policies

(a) Basis of Accounting

The Company's non-consolidated financial statements have been prepared using Canadian accounting standards for private enterprise ("ASPE").

(b) Investments in Subsidiaries, Adventus Realty Trust and Adventus Realty Limited Partnership

The Company accounts for the investments in its wholly owned subsidiaries (Adventus Realty Services Inc. and Adventus Opportunity Services Inc.), Adventus Realty Trust and Adventus Realty Limited Partnership at cost (Note 6). Earnings from these investments are recognized only to the extent amounts have been received or are receivable.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

2. Significant Accounting Policies - Continued

(c) Translation of Foreign Currencies

Foreign currency transactions occurring during the year are translated into Canadian dollars at the exchange rate prevailing on the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at year-end and the resulting gain or loss is included in income.

(d) Use of Estimates

The preparation of non-consolidated financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates included in these non-consolidated financial statements include, but are not limited to, the completeness of accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information might become available in the future.

(e) Income Taxes

The Company accounts for income taxes using the taxes payable method. The taxes payable basis is a method of accounting under which the company reports as an expense (income) of the year only the cost (benefit) of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

(f) Convertible Debentures

At initial issuance, the convertible debentures are measured at their fair value. The liability is accounted for as a financial liability and is measured at amortized cost until extinguished on conversion or maturity of the debt.

(g) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently carried at cost or amortized cost less impairment, if applicable. Financial assets carried at cost or amortized cost are tested for impairment when changes indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at subsequent reporting dates and charged to the financial instrument for those measured at amortized cost.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

2. Significant Accounting Policies - Continued

(h) Related Party Transactions

Related parties consist of officers and directors of the Company and entities related to the Company by way of common officers and directors who exert significant influence over all entities. All related party transactions are measured at their exchange amount, being the amount of consideration established and agreed to by the related parties.

(i) Revenue Recognition

Management fee revenue is recognized when services have been provided and collection is reasonably assured. Management fees are calculated based on 1.5% of gross revenue of the property for a calendar month, with the exception of Adventus US Realty #1 LP which is charged US\$1 per annum, and Adventus US Realty #8 which is charged based on 0.5% of gross revenues of the property for a calendar month and Adventus AOF #1 and #2s LPs, which are charged based on up to 0.75% of gross revenues of the property for a calendar month, subject to total asset management fees to the Company and third parties not exceeding 3.0%.

Acquisition fee revenue is recognized when the purchase of the related asset is completed by the related Property LP and collection is reasonably assured. Acquisition fees are equal to 0.5% to 1.5% of the U.S. dollar acquisition price of each property and are receivable in U.S. dollars.

Disposition fee revenue is recognized when the sale of the related asset is completed by the related Property LP and collection is reasonably assured. Disposition fees are equal to 0.5% to 1.5% of the U.S. dollar gross proceeds from the sale of each property and are receivable in U.S. dollars.

Recovery revenue consists of costs recovered from Adventus Opportunity Fund for certain operating and administrative expenses that have been allocated based on management's best estimate of the expenditures incurred by the Company that relate to Adventus Opportunity Fund. The costs recovered are recognized as revenue in the year the expenses are incurred and collection is reasonably assured.

3. Cash

The Company's cash is held in one Canadian chartered bank in Canadian and U.S. dollar accounts. The bank accounts earn interest at the current prevailing rates of interest for business operating accounts.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

4. Due to and from Related Parties

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|------------------------------|
| Due from: | | |
| Adventus Holdings LP | \$ 261,947 | \$ 407,880 |
| Adventus Opportunity Fund | 5,192,344 | 5,428,292 |
| Adventus US Opportunity LP (US REIT #2) | 157,808 | 157,808 |
| Management fees owed from the Property LPs | 701,765 | 218,984 |
| | \$ 6,313,864 | \$ 6,212,964 |
| Due to: | | |
| Adventus Realty Trust | \$ 2,040,225 | \$ 1,939,417 |
| Adventus Realty Limited Partnership | 11,953 | 11,953 |
| Directors | 132,266 | 93,690 |
| | \$ 2,184,444 | \$ 2,045,060 |

The balances due to and from related parties are non-interest bearing, unsecured and due on demand. These balances were a result of the following transactions, as well as cash advances, which were in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--|
| Revenue | | |
| Management fee revenue from the Property LPs | 482,781 | 477,810 |
| Costs recovered from Adventus Opportunity Fund | 331,155 | - |
| | \$ 813,936 | \$ 477,810 |
| Expenses | | |
| Salaries and wages paid to officers | \$ 240,112 | \$ 175,000 |
| Director fees | 125,559 | 96,612 |
| | \$ 365,671 | \$ 271,612 |

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

5. Investment in Subsidiaries

As at March 31, 2019, and December 31, 2018, the Company held all of the 100 issued common shares of Adventus Realty Services Inc. and all the 100 issued common shares of Adventus Opportunity Services Inc. at cost at \$1 and \$1, respectively. Therefore, Adventus Realty Services Inc. and Adventus Opportunity Services Inc. are wholly-owned subsidiaries of the Company.

6. Investment in Adventus Realty Trust and Adventus Realty Limited Partnership

A summary of Investment in Adventus Realty Trust as follows:

| | Trust Units | Carrying Amount |
|---|-----------------|--------------------|
| December 31, 2017 | 1,979 \$ | 33,659 |
| Distribution from Adventus Realty Trust reinvested into additional Adventus Realty Trust units | 130 | 2,605 |
| December 31, 2018 | 2,109 \$ | 36,264 |
| Distribution from Adventus Realty Trust reinvested into additional Adventus Realty Trust units | 34 | 740 |
| March 31, 2019 | 2,143 \$ | 37,004 |

During the period ended March 31, 2019, the Company received a distribution of \$740 (year ended December 31, 2018 - \$2,605) which was reinvested into an additional 34 units (year ended December 31, 2018 - 130 units) in Adventus Realty Trust. This amount has been included in interest and other income on the non-consolidated statement of operations and deficit.

In 2015, the Company acquired 11,400 units of Adventus Realty Limited Partnership at a cost of \$114. No units of Adventus Realty Limited Partnership were acquired or disposed during the period ended March 31, 2019, or March 31, 2018.

As at March 31, 2019, the Company owned 0.01% (December 31, 2018 - 0.01%) of Adventus Realty Trust and 1.42% (December 31, 2018 - 1.42%) of Adventus Realty Limited Partnership.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

7. Accounts Payable and Accrued Liabilities

| | March 31, 2019 | December 31, 2018 |
|---|---------------------------|----------------------|
| Financing fees and trade accounts payable | \$ 335,010 | \$ 540,745 |
| Accrued bonus payable | 530,000 | 530,000 |
| | \$ 865,010 | \$ 1,070,745 |

As at December 31, 2018, the Company had accrued a year-end bonus of \$530,000, which is expected to be paid during fiscal 2019 to certain employees, directors and officers. This amount has been included in salaries and wages expense on the non-consolidated statement of operations and deficit as at December 31, 2018. As at December 31, 2018 and March 31, 2019, \$530,000 is included in accounts payable and accrued liabilities.

8. Share Capital

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|----------------------|
| Authorized | | |
| Unlimited number of common shares, no par value | | |
| Unlimited number of non-voting common shares, no par value | | |
| Issued | | |
| 27,410 (2018 - 27,410) Voting common shares | \$ 111,598 | \$ 111,598 |
| 775,083 (2018 - 775,083) Non-voting common shares | 12,454,665 | 12,454,665 |
| | \$ 12,566,263 | \$ 12,566,263 |

During the period ended March 31, 2019, the Company issued nil (year ended December 31, 2018 - 27,510) non-voting common shares for \$nil (year ended December 31, 2018 - \$606,647).

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

9. Financial Instrument Risk

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides an assessment of those risks at March 31, 2019. There have been no changes to these risks from the prior period.

(a) Credit Risk

Credit risk arises from cash as well as credit exposure with respects to amounts due from related parties. The Company limits its exposure to credit risk by placing its cash with high credit quality financial institutions. The amounts due from related parties are due from directors of the Company and entities related to the Company by way of shared officers and directors who exert significant influence over all entities, as disclosed in Note 4.

(b) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company is exposed to foreign exchange risk on its financial instruments that are denominated in U.S. dollars.

At the balance sheet date, the following balances represent U.S. dollars denominated in Canadian dollars:

| | March 31, 2019 |
|--------------------------|-----------------------|
| Cash | \$ 15,058 |
| Due from related parties | \$ 6,313,864 |

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company maintains adequate levels of working capital to ensure that its obligations can be met when they fall due.

Adventus Capital Partners Ltd.
Notes to Non-consolidated Financial Statements
(Expressed in Canadian Dollars)

March 31, 2019

10. Commitments

The Company entered into a rental agreement related to its office premises, which will expire July 31, 2022. Future minimum lease commitments for the next four years are as follows:

| | |
|------|------------|
| 2019 | \$ 187,358 |
| 2020 | 249,811 |
| 2021 | 249,811 |
| 2022 | 145,722 |
| | <hr/> |
| | \$ 832,702 |
| | <hr/> |

11. Subsequent Event

Subsequent to March 31, 2019, the Company entered into a Plan of Arrangement ("the Arrangement"). The purpose of the Arrangement and other transactions is to merge the business and properties indirectly conducted and owned by Adventus Opportunity Fund ("AOF") and Adventus Realty Trust ("ART") in one entity, ART and to internalize the management of AOF and ART in ART.

Pursuant to the Arrangement, all of the AOF Units, Adventus Capital Partners Ltd. ("ACP") Voting Shares, ACP Non Voting Shares and Adventus Realty Limited Partnership ("ARLP") Units are to be acquired and owned by ART. AOF Unitholders are to receive ART Units for each AOF Unit being acquired at an exchange ratio of 0.6651 of an ART Unit for each AOF Unit; holders of ARLP Units are to receive \$0.01 per ARLP Unit payable in cash and holders of ACP Shares are to receive one ART Units for each ACP Share.

The Arrangement contemplates the exchange of AOF Units for Adventus Mutual Fund ULC ("MFC") Shares as the first step in the acquisition of the AOF Units by ART. This step is designed so that the disposition of the AOF Units and the acquisition of the ART Units by the existing AOF Unitholders will be completed on a "tax deferred" basis for purposes of the Income Tax Act (Canada).

Management of ART has been advised that the transfer of the ARLP Units to ART for ART Units, the transfer of AOF Units to MFC for MFC Shares, the acquisition of the AOF Units by ART for ART Units and the transfer of the ART Units to the former AOF Unitholders on the redemption of the MFC Shares issued to them will not give rise to any liability for income taxes under the Internal Revenue Code of the United States and will not require any filing under the Internal Revenue Code of the United States.

ADVENTUS OPPORTUNITY FUND

Consolidated Financial Statements

For the Period from April 30, 2018 (date of inception) to December 31, 2018

Expressed in thousands of United States dollars



Independent auditor's report

To the Unitholders of Adventus Opportunity Fund

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Adventus Opportunity Fund and its subsidiaries (together, the Fund) as at December 31, 2018, and its financial performance and its cash flows for the period from April 30, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of unitholders' equity for the period from April 30, 2018 to December 31, 2018;
- the consolidated statement of income and comprehensive income for the period from April 30, 2018 to December 31, 2018;
- the consolidated statement of cash flows for the period from April 30, 2018 to December 31, 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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 consolidated 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 Fund'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 Fund'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 consolidated 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Fund 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2019

| | December 31, 2018 |
|---|----------------------|
| ASSETS | |
| Non-current assets | |
| Investment properties (note 4) | \$ 105,400 |
| Current assets | |
| Prepaid expenses and other current assets | 136 |
| Accounts receivable (note 5) | 70 |
| Restricted cash (note 2f) | 1,974 |
| Cash and cash equivalents | 427 |
| | 2,607 |
| TOTAL ASSETS | \$ 108,007 |
| LIABILITIES | |
| Non-current liabilities | |
| Mortgages payable (note 6) | \$ 61,179 |
| Convertible debentures (note 8) | 5,500 |
| Preferred units (note 9) | 125 |
| Unit options payable | 41 |
| Non-controlling interest | 47 |
| | 66,892 |
| Current liabilities | |
| Credit facilities (note 7) | 5,260 |
| Prepaid rent | 203 |
| Accounts payable and accrued liabilities (note 15a) | 6,640 |
| | 12,103 |
| TOTAL LIABILITIES | 78,995 |
| UNITHOLDERS' EQUITY (note 10) | 29,012 |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | \$ 108,007 |

Commitments and contingencies (note 16)

Subsequent events (note 18)

Approved by the Trustee, Adventus Opportunity Services Inc.

/s/ Gerald G. Cameron Director

Gerald G. Cameron

/s/ Rodney B. Johnston Director

Rodney B. Johnston

| | Units | | Unitholders' Equity |
|---|------------------|-----------|------------------------|
| Units issued during the period for cash (note 10) | 2,255,564 | \$ | 22,556 |
| Units issued during the period under distribution reinvestment plan (note 10) | 1,908 | | 18 |
| Unit issuance costs incurred during the period (note 10) | - | | (560) |
| Net income and comprehensive income | - | | 7,721 |
| Distributions to trust unitholders (note 10) | - | | (723) |
| Balance, December 31, 2018 | 2,257,472 | \$ | 29,012 |

For the period from
April 30, 2018 (date of
inception) to
December 31, 2018

| | | |
|--|-----------|--------------|
| REVENUES | | |
| Rental | \$ | 3,701 |
| Services | | 16 |
| TOTAL REVENUES (note 5) | | 3,717 |
| OPERATING EXPENSES | | |
| Insurance | | 34 |
| Property taxes | | 345 |
| Utilities | | 312 |
| Property operating expenses | | 707 |
| TOTAL OPERATING EXPENSES | | 1,398 |
| NET OPERATING INCOME | | 2,319 |
| OTHER INCOME | | |
| Foreign exchange gain and other income | | 115 |
| Fair value adjustments to investment properties (note 4) | | 8,088 |
| TOTAL OTHER INCOME | | 8,203 |
| OTHER EXPENSES | | |
| Interest (note 6 and 15b) | | 1,486 |
| General and administrative | | 45 |
| Management services provided by related party (note 15a) | | 978 |
| Legal and professional fees | | 245 |
| Change in non-controlling interest | | 47 |
| TOTAL OTHER EXPENSES | | 2,801 |
| NET INCOME AND COMPREHENSIVE INCOME | \$ | 7,721 |

**For the period from
April 30, 2018 (date of
inception) to
December 31, 2018**

Cash and cash equivalents provided by (used in)

OPERATIONS

| | | |
|--|----|---------|
| Net income and comprehensive income | \$ | 7,721 |
| Items not involving cash and cash equivalents: | | |
| Recognition of rental revenue on a straight-line basis | | (108) |
| Interest expense | | 1,486 |
| Fair value adjustments to investment properties (note 4) | | (8,088) |
| Foreign exchange gain on credit facilities | | (125) |
| Change in non-controlling interest | | 47 |
| Change in restricted cash – free rent account | | 387 |
| Change in non-cash working capital items (note 17) | | 4,332 |
| | | 5,652 |

INVESTING

| | | |
|--|--|----------|
| Payments on acquisition of investment properties | | (94,851) |
| | | (94,851) |

FINANCING

| | | |
|--|--|---------|
| Proceeds from issuance of units (note 10) | | 22,556 |
| Proceeds from issuance of preferred units (note 9) | | 125 |
| Unit issuance costs (note 10) | | (560) |
| Distributions to trust unitholders (note 10) | | (586) |
| Proceeds from mortgages payable (note 6) | | 61,610 |
| Drawdown on credit facilities (notes 7 and 15b) | | 14,857 |
| Repayment of credit facilities (notes 7 and 15b) | | (4,918) |
| Proceeds from issuance of convertible debentures (note 8) | | 1,000 |
| Debt issuance costs | | (562) |
| Net changes in restricted cash for direct leasing costs and capital expenditures | | (2,806) |
| Interest paid | | (1,090) |
| | | 89,626 |

| | | |
|--|--|------------|
| Change in cash and cash equivalents during the period | | 427 |
|--|--|------------|

| | | |
|---|--|----------|
| Cash and cash equivalents, beginning of period | | - |
|---|--|----------|

| | | |
|---|-----------|------------|
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ | 427 |
|---|-----------|------------|

Supplemental cash flow information (note 17)

1. NATURE OF BUSINESS

Adventus Opportunity Fund (the Opportunity Fund) is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein. The Opportunity Fund's head office is located at 1660 – 999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

The principal business of the Opportunity Fund is to invest in units of Adventus US Opportunity LP (REIT 2). The principal business of REIT 2 is to invest the proceeds from the issuance of REIT 2 units in the acquisition of units of limited partnership structures which own commercial real estate. As at December 31, 2018, REIT 2 has invested in two limited partnerships as follows:

- i. Adventus AOF #1 LP (Property 1 LP), through REIT 2, which holds title to the Town Park Commons Property;
- ii. Adventus AOF #2 LP (Property 2 LP), through REIT 2, which holds title to the 1600 Parkwood Property;

collectively, the "Property LPs". The above entities are subsidiaries of the Opportunity Fund. The Trustee of the Opportunity Fund is Adventus Opportunity Services Inc., which was incorporated pursuant to the Canada Business Corporations Act on April 30, 2018.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Trustee for issue on March 19, 2019.

a. Basis of consolidation

These consolidated financial statements include the accounts of the Opportunity Fund and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Opportunity Fund has control. The Opportunity Fund controls an entity when the Opportunity Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Opportunity Fund and are de-consolidated from the date that control ceases. Intercompany balances and transactions with subsidiaries have been eliminated upon consolidation.

b. Non-controlling interest

Non-controlling interest represents a nominal ownership interest of 0.50% by separate General Partners in each of the Property LP's. Distributions shall be made 99.5% to the Limited Partner and 0.5% to the General Partner at the times and aggregate amounts determined by the General Partner. The non-controlling interest has been presented in these consolidated financial statements as a liability as opposed to equity.

c. Functional and presentation currency

Items in the financial statements of each of the Opportunity Fund's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

These consolidated financial statements are presented in U.S. dollars, which is also the Opportunity Fund's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of income and comprehensive income.

d. *Investment properties*

Investment properties are held to earn rental income and/or for capital appreciation. At the time of acquisition of an investment property, the Opportunity Fund determines whether the acquisition constitutes a business combination or an asset acquisition.

For asset acquisitions, an investment property is initially measured at its cost, which includes purchase price plus any directly attributable acquisition costs. For business combinations, an investment property is initially recorded at fair value, and acquisition costs are expensed as incurred.

After initial recognition, investment properties are carried at fair value. Adjustments are made to the carrying values of the investment properties when changes in the underlying valuation assumptions occur. Changes in fair values are recognized in the consolidated statement of income and comprehensive income.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that the Opportunity Fund will receive future economic benefits associated with the expenditure. All other repair and maintenance costs are expensed when incurred.

Depreciation is not taken on the investment property's base building. Depreciation is taken on capitalized expenditures made to the investment property subsequent to acquisition. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The useful lives vary depending on the nature of the capital expenditure but are generally between three and ten years.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on the derecognition of an investment property is recognized in the consolidated statement of income and comprehensive income in the period in which the investment property is derecognized.

e. *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held with banks, and money market funds.

f. *Restricted cash*

Restricted cash includes amounts required by the Opportunity Fund's mortgage lenders to be set aside and held on deposit by agents of the Opportunity Fund's mortgage lenders for ongoing current and future expenses. Restricted cash accounts include amounts held for payment of property taxes, property insurance, capital expenditures, and tenant improvements and leasing commissions. Property taxes are paid directly from the reserve accounts. The Opportunity Fund is able to seek reimbursement from the reserve accounts for qualifying expenditures made for insurance, tenant improvements, leasing commissions, and capital expenditures. Any balances remaining in reserve upon maturity of the corresponding mortgage will be returned to the Opportunity Fund.

g. *Leases*

The Opportunity Fund has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position.

Direct leasing costs include tenant incentives and leasing commissions. Tenant incentives include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, and are included in the carrying amount of the related investment property. Such incentives are recognized as a reduction of rental income on a straight-line basis over the term of the applicable lease. Leasing commissions are fees paid in connection with negotiating lease contracts with lessees. Such fees are included in the carrying amount of the related investment property and are amortized to property operating expenses on a straight-line basis over the term of the applicable lease.

h. Revenue recognition

Rental revenue from investment properties includes base rent and recoveries of specific operating expenses, in accordance with the terms of the lease agreement. Base rent is recognized on a straight-line basis over the applicable lease term, a straight-line rent receivable is recognized in investment properties and is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries are recognized in the period in which the related operating expense is incurred and collectability is reasonably assured.

Services revenue, which includes services requested by tenants not covered under the leases, is recorded monthly as services are provided.

Revenue is reported in the consolidated statement of income and comprehensive income as rental or services revenue, and is further disaggregated in these notes to consolidated financial statements as base rental revenue, reimbursable expense income or other income and amortization of tenant incentives (see note 5).

i. Income taxes

The Opportunity Fund qualifies as a "mutual fund trust" for Canadian income tax purposes under Part I of the Income Tax Act (Canada) (the Tax Act). The Opportunity Fund intends to distribute all of its taxable income to unitholders and to deduct such distributions for income tax purposes. Canadian income tax obligations relating to distributions of the Opportunity Fund are the obligations of the unitholders. Accordingly, no provision has been made in these consolidated financial statements for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the SIFT Measures) which levy tax on certain trusts and partnerships that are specified investment flow-through entities (SIFTs) in defined circumstances. Certain distributions attributable to a SIFT's "non-portfolio earnings" will not be deductible in computing a SIFT's income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. The SIFT Measures do not apply to tax a SIFT that qualifies as a "real estate investment trust" or REIT (the REIT Exception). Management believes that the Opportunity Fund is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that the Opportunity Fund would also either qualify for the REIT Exception or would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to operate the Opportunity Fund in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. However, the Opportunity Fund's continued exemption will depend upon meeting, through operating results, various conditions imposed by the SIFT Measures. If the Opportunity Fund becomes a SIFT and does not qualify for the REIT Exception, it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

The Opportunity Fund has elected to be treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code").

Furthermore, the Opportunity Fund's subsidiary (REIT 2) made an election to be taxed as a real estate investment trust (U.S. REIT) under the Code. In order for REIT 2 to qualify as a U.S. REIT, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its unitholders equal to a minimum of 90% of their REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. REIT 2 intends to qualify as a U.S. REIT. As a U.S. REIT, REIT 2 generally will not be subject to US federal income tax on its taxable income to the extent such income is distributed to unitholders annually as a dividend. Management believes that all U.S. REIT conditions necessary to eliminate income taxes for the reporting period have been met. Accordingly, no provision for U.S. federal and state income taxes has been made.

Management intends to operate REIT 2 in such a manner so as to qualify as a U.S. REIT on a continuous basis in the future. However, qualification as a REIT will depend upon meeting, through annual and quarterly operating results, the various conditions imposed by the Code. If REIT 2 fails to qualify as an U.S. REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, REIT 2 may not be able to requalify as an U.S. REIT for the four subsequent taxable years. Even if REIT 2 qualifies for taxation as a U.S. REIT, REIT 2 may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

j. Provisions

Provisions for restructuring costs, warranties and legal claims, where applicable, are recognized when the Opportunity Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

k. Convertible debentures

Convertible debentures issued by the Opportunity Fund are convertible into common units of the Opportunity Fund at the option of the holder, and the number of common units of the Opportunity Fund to be issued is fixed per the terms of the agreements.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest rate method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into common units of the Opportunity Fund at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into equity and accordingly the conversion feature component of the convertible debentures is also equity. As a result, the conversion feature component of the convertible debenture, if deemed material, is recorded in the consolidated statement of unitholders' equity. Direct attributable transaction costs, if any, are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

l. Financial instruments

Financial instruments are recognized when the Opportunity Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Opportunity Fund has transferred substantially all of the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset amounts and the intention is to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial instruments are initially recognized in the consolidated statement of financial position at fair value. Subsequent measurement depends on management’s classification of the financial instruments. The classification of financial instruments depends on the nature and purpose of the financial instruments, management’s choice and, in some circumstances, management’s intentions.

Effective January 1, 2018, the Opportunity Fund has adopted IFRS 9, “Financial Instruments” on a prospective basis (see note 3). The adoption of IFRS 9 has resulted in new classification categories for financial assets and liabilities.

The following table summarizes the Opportunity Fund’s selected financial instrument classifications:

| Financial instruments | IFRS 9 - Classification | IAS 39 - Classification |
|--|---|---|
| Cash and cash equivalents | Financial asset at amortized cost | Loans and receivables |
| Restricted cash | Financial asset at amortized cost | Loans and receivables |
| Accounts receivable | Financial asset at amortized cost | Loans and receivables |
| Accounts payable and accrued liabilities | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Preferred units | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Unit options payable | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Credit facilities | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Convertible debentures | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Mortgages payable | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Non-controlling interest | Financial liabilities amortized at cost | Financial liabilities amortized at cost |

The classification and related measurement of the Opportunity Fund’s significant financial instruments are as follows:

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at the amount expected to be received, less a discount, when significant, to reduce the financial assets at amortized cost to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method. Accounts receivable are initially measured at fair value and are subsequently measured at amortized cost less any expected credit loss allowance.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, if reliably measured. Unrealized gains and losses, interest, impairment losses, and foreign exchange gains or losses are recognized in the consolidated statement of income and comprehensive income.

Financial liabilities amortized at cost

Financial liabilities at amortized at cost are initially recognized at the amount expected to be paid, less a discount, when significant, to reduce the payable to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

m. Impairment of financial assets

The Opportunity Fund recognizes an allowance for expected credit losses (“allowance”) for all financial assets at amortized cost. For amounts receivable, The Opportunity Fund applies the simplified approach permitted by IFRS which requires expected lifetime losses to be recognized upon initial recognition of the receivables.

An allowance for impairment is established based on expected lifetime losses, which is determined based on an analysis of historical delinquency of payment and other economic factors. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of income and comprehensive income.

In certain cases, the Opportunity Fund may consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. Default losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the loss was recognized.

n. Transaction costs and debt premiums or discounts

Transaction costs related to debt financing and debt premiums or discounts are deferred and amortized over the estimated term of the related financial liability using the effective interest method. Transaction costs on revolving credit facilities are initially deferred and recognized as interest expense using the effective interest method when the facility is drawn upon to the extent that a drawdown of the facility is probable. Transaction costs on credit facilities that represent a prepayment for liquidity services are amortized over the term of the facility.

o. Critical accounting judgments, estimates and assumptions

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.

i. Judgments

In the process of applying the Opportunity Fund'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:

Deferred income taxes

Deferred income taxes are not recognized in the Opportunity Fund's consolidated financial statements on the basis that the Opportunity Fund intends to continue to distribute all of its taxable income and not be a SIFT trust pursuant to the Tax Act for the foreseeable future and that each Property LP intends to continue to distribute all of its taxable income and qualify as a US REIT for the foreseeable future.

ii. Estimates and assumptions

Management's estimates and assumptions are based on historical experience and other factors considered to be reasonable, including expectations of future events. The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

Fair value of investment properties

The Opportunity Fund carries its investment properties at fair value. The estimated fair value is based primarily on assumptions relating to cash flow from current leases, rental income from future leases in light of current market conditions and capitalization rates at the consolidated statement of financial position date, less estimated future cash outflows in respect of such properties. To determine fair value, the Opportunity Fund first considers whether it can use current prices in an active market for a similar property in the same location and condition, and subject to similar leases and other contracts. The Opportunity Fund has concluded there is insufficient market evidence on which to base investment property valuation using this approach and has therefore determined to use the income approach.

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 properties 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 valuations, in its determination of the fair value of the investment properties:

The income approach estimates fair value by capitalizing the net operating income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

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

When valuations are obtained, they are performed by independent real estate valuation experts with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued.

Fair value of mortgages payable

The Opportunity Fund makes estimates and assumptions relating to fair value disclosure of the mortgages payable. The critical assumptions underlying the fair value disclosure include the credit spread. The Opportunity Fund reviews various comparable debt securities and determines a reasonable credit spread applicable to the debt securities.

Fair value of unit options payable

The Opportunity Fund makes estimates and assumptions relating to fair value disclosure of the unit options payable. The fair value of the unit options is re-measured at each reporting period using the Black-Scholes model. Measurement inputs include unit price on the measurement date, exercise price of the instrument, expected volatility (based on comparable public company share price volatility), expected life of the instruments, expected distributions, and the risk-free interest rate.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations not yet adopted

IFRS 16 – Leases

IFRS 16 deals with the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Opportunity Fund is currently assessing the impact on the consolidated financial statements upon the adoption of IFRS 16.

4. INVESTMENT PROPERTIES

On August 2, 2018, the Opportunity Fund, through Property 1 LP, acquired a multi-tenant office property containing 350,012 square feet of rentable area located in the Kennesaw Town Center submarket of Atlanta, Georgia (Town Park Commons Property). The total purchase price was \$73.6 million including transaction costs of \$1.0 million and restricted cash of \$2.7 million, net of working capital items of \$2.1 million. The Opportunity Fund, through Property 1 LP, financed the acquisition with deposits, cash, short term credit facilities and a new mortgage in the amount of \$47.6 million.

On December 21, 2018, the Opportunity Fund, through Property 2 LP, acquired a multi-tenant office property containing 154,668 square feet of rentable area located in the Cumberland Galleria submarket of suburban Atlanta, Georgia (1600 Parkwood Property). The total purchase price was \$23.6 million including transaction costs of \$0.4 million and net of working capital items of \$0.1 million. The Opportunity Fund, through Property 1 LP, financed the acquisition with cash, and a new mortgage in the amount of \$14.0 million.

| | December 31, 2018 |
|--|------------------------------|
| Acquisitions | \$ 97,204 |
| Recognition of rental revenue on a straight-line basis | 108 |
| Change in fair value of investment properties | 8,088 |
| Ending balance | \$ 105,400 |

Investment properties are initially recorded at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, appraisal fees and any other related acquisition costs.

The balance of investment properties includes \$0.1 million of straight-line rent adjustments.

Subsequent to initial recognition, investment properties are remeasured at fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Therefore, the fair value of a recently acquired investment property would normally be the purchase price. Any subsequent valuations performed on an investment property, after the 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 income and comprehensive income in the year in which they arise. Management and the independent valuers have used their market knowledge and judgment in determining fair value. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.
- Stabilized net operating income – based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted net operating income, among other inputs as described above. Generally, an increase in net operating income will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

Weighted average stabilized net operating income for investment properties is \$6.8 million. Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

The following table provides a sensitivity analysis for the weighted average capitalization rate applied at December 31, 2018:

| Capitalization rate increase (decrease) % | Capitalization rate % | Fair value of investment properties \$ | Fair value variance \$ | Change % |
|--|--------------------------|---|---------------------------|-------------|
| -0.75% | 5.69% | 119,288 | 13,888 | 13.2% |
| -0.50% | 5.94% | 114,269 | 8,869 | 8.4% |
| -0.25% | 6.19% | 109,655 | 4,255 | 4.0% |
| December 31 | 6.44% | 105,400 | - | 0.0% |
| +0.25% | 6.69% | 101,463 | 3,937 | -3.7% |
| +0.50% | 6.94% | 97,809 | 7,591 | -7.2% |
| +0.75% | 7.19% | 94,409 | 10,991 | -10.4% |

5. ACCOUNTS RECEIVABLE

As at December 31, 2018, the aging of tenant receivables were:

| | December 31, 2018 |
|---------------------------|----------------------|
| Tenant receivables | |
| Current | \$ 61 |
| Aged between 61-90 days | 9 |
| Aged greater than 90 days | - |
| Total | \$ 70 |

As at December 31, 2018, an expected credit loss of \$nil was recorded against outstanding receivables.

In the following table, revenue is disaggregated by base rental revenue, recoverable costs related to the provision of services, and other income:

| | For the period from April 30, 2018 (date of inception) to December 31, 2018 |
|--|--|
| Base rental revenue | \$ 3,258 |
| Reimbursable expense income | 443 |
| Other income and amortization of tenant incentives | 16 |
| Total Revenues | \$ 3,717 |

6. MORTGAGES PAYABLE

A summary of mortgages payable is as follows:

| | December 31, 2018 |
|---|------------------------------|
| Principal amount of mortgages | \$ 61,610 |
| Less unamortized mortgage transaction costs | (431) |
| Balance | 61,179 |
| Less current portion of mortgages payable | - |
| Non-current portion of mortgages payable | \$ 61,179 |

Mortgages payable comprise two mortgages which are recorded at amortized cost. The mortgages are secured by fixed charges against the associated investment properties. The weighted-average interest rate as at December 31, 2018 is 4.76%.

The following table summarizes the key provisions of each mortgage:

| Mortgage | Stated interest rate | Effective interest rate | Principal & interest payments (monthly) | Maturity date | Outstanding at December 31, 2018 |
|-----------------|-----------------------------|--------------------------------|--|----------------------|---|
| #1 | 4.861% | 4.983% | \$ 199 | Sep 1, 2023 | \$ 47,610 |
| #2 | LIBOR+1.9% | 4.712% | 70 | Jan 5, 2024 | 14,000 |
| Total | | | \$ 269 | | \$ 61,610 |

Scheduled principal repayments, excluding amortization of transaction costs, to be made over the next five years and thereafter are as follows:

| | |
|------------|------------------|
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | 195 |
| 2023 | 47,822 |
| Thereafter | 13,593 |
| | \$ 61,610 |

During the period from April 30, 2018 (date of inception) to December 31, 2018, the following new mortgages were entered into:

- Property 1 LP entered into a new Mortgage #1, receiving new mortgage proceeds of \$47.6 million. The loan matures September 21, 2023. In accordance with the terms of the mortgage, payments during the full five year term comprise interest only. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.
- Property 2 LP entered into a new Mortgage #2, receiving new mortgage proceeds of \$14.0 million. The loan matures January 5, 2024. In accordance with the terms of the mortgage, payments during the years ended December 31, 2019, 2020, and 2021, comprise interest only, with principal to be paid commencing February 2022. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.

The interest on mortgages payable incurred and charged to the consolidated statement of income and comprehensive income is recorded as follows:

| | For the period from April 30, 2018 (date of inception) to December 31, 2018 | |
|--|--|--------------|
| Interest on mortgages payable | \$ | 996 |
| Interest on credit facilities and convertible debentures | | 412 |
| Amortization of debt issuance costs | | 78 |
| Interest expense | \$ | 1,486 |

The mortgages payable loan agreements contain various affirmative and negative debt covenants. At December 31, 2018, the Opportunity Fund was in compliance with all default provisions of the mortgages payable.

7. CREDIT FACILITIES

On July 30, 2018, the Opportunity Fund agreed the terms of a short term credit facility in an amount of \$4.5 million (Credit Facility #1). The full amount available under the facility was drawn and proceeds were used in the Town Park Commons Property acquisition (see note 4). On December 19, 2018, the Opportunity Fund agreed to exchange the full amount outstanding on the short term credit facility with 9% convertible unsecured subordinated debentures (see note 8).

On July 19, 2018, the Opportunity Fund agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$7.5 million (Credit Facility #2). The loan bears interest at a rate of 9% per annum. On July 31, 2018, CAD \$6.5 million under the facility was drawn with proceeds used to fund the Town Park Commons Property acquisition. On October 18, 2018, the Opportunity Fund repaid CAD \$4.0 million of the outstanding balance. On December 17, 2018 the Opportunity Fund executed an amendment to extend the maturity date to April 30, 2019, and revise the available credit to CAD \$7.25 million. On December 20, 2018, the remaining available CAD \$4.75 million was drawn on the facility with proceeds used to fund the 1600 Parkwood Property acquisition. As at December 31, 2018, CAD \$7.25 million (US \$5.3 million) was drawn and outstanding, net of unamortized debt issuance costs.

8. CONVERTIBLE DEBENTURES

On December 19, 2018, the Opportunity Fund issued 9% convertible unsecured subordinated debentures (collectively “Convertible Debentures”) for gross proceeds of \$5.5 million (\$4.5 million exchanged short term credit facility, plus \$1.0 million cash).

The Convertible Debentures issued on December 19, 2018 mature on December 19, 2020. The entire principal balance is convertible at the holder’s option at any time to maturity at a conversion price of \$10.50 per common unit of the Opportunity Fund. The Opportunity Fund at its option is able to redeem the full amount of the principal at any time after one year, at a rate of par plus 3%.

At December 31, 2018, \$5.5 million of the face value of the Convertible Debentures was outstanding; the conversion feature of the Convertible Debentures has a nominal value.

9. PREFERRED UNITS

In order to maintain REIT status for US taxation purposes, REIT 2 must maintain a minimum of at least 100 direct shareholders. REIT 2 has issued 125 preferred units to meet this requirement in the face amount of \$1,000 per unit. Each unitholder is entitled to cumulative dividends of 12% per annum of the face amount, payable semi-annually.

In November 2018, 125 preferred units were issued by Adventus US Opportunity LP for gross subscription proceeds of \$125,000.

10. UNITHOLDERS' EQUITY

The Opportunity Fund is authorized to issue an unlimited number of redeemable common units of beneficial interest. Each common unit entitles the common unitholder to the same rights and obligations as any other common unitholder and no common unitholder is entitled to any privilege, priority or preference in relation to any other common unitholder.

Each common unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains. On termination, the common unitholders of record are entitled to receive all of the assets of the Opportunity Fund remaining after payment of all debts, liabilities and liquidation expenses of the Opportunity Fund.

During the period from April 30, 2018 (date of inception) to December 31, 2018, the Opportunity Fund issued 2,255,564 common units for proceeds of \$22.6 million, and incurred unit issuance costs of \$0.5 million.

On July 31, 2018, the Opportunity Fund implemented a distribution reinvestment plan (the "DRIP"), which allows common unitholders to direct cash distributions paid on their existing common units to be reinvested in additional common units directly from the Opportunity Fund. The common units are issued at 97% of the Average Market Price of the common units. The Average Market Price is regularly reviewed and set by the Trustee. During the period from April 30, 2018 (date of inception) to December 31, 2018, the Opportunity Fund issued 1,908 common units under the DRIP.

Distributions are declared and paid by the Opportunity Fund subject to the approval of the Trustee. During the period from April 30, 2018 (date of inception) to December 31, 2018, the Opportunity Fund declared distributions of \$0.7 million, of which \$0.1 million is included in accounts payable and accrued liabilities as at December 31, 2018.

11. CAPITAL MANAGEMENT

The Opportunity Fund defines capital as the aggregate of unitholders' equity, non-controlling interest, mortgages payable, credit facilities, convertible debentures and preferred units. The Opportunity Fund's objectives in managing capital are to maintain a level of capital that funds its business strategies and builds long-term unitholders' value. The Opportunity Fund's capital structure is approved by the Trustee through its periodic reviews. The capital structure consists of the following components:

| | December 31, 2018 | |
|--------------------------|--------------------------|----------------|
| Capital | | |
| Mortgages payable | \$ | 61,179 |
| Credit facilities | | 5,260 |
| Convertible debentures | | 5,500 |
| Non-controlling interest | | 47 |
| Preferred units | | 125 |
| Unitholders' equity | | 29,012 |
| Total capital | \$ | 101,123 |

During the period from April 30, 2018 (date of inception) to December 31, 2018, the total capital of the Opportunity Fund increased due to proceeds received from units issued during the period, drawdown of credit facilities, convertible debenture proceeds received and net income and comprehensive income earned. The increase was partially offset by the distributions to trust unitholders, and payments made against outstanding debt.

12. FAIR VALUE MEASUREMENT

Financial assets and liabilities accounted for or disclosed at fair value on a recurring basis are classified within a fair value hierarchy that reflects the significance of the inputs used in determining fair value. There are three levels of fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets

Instruments that have unadjusted quoted prices available in an active market for identical assets or liabilities.

Level 2 – Significant other observable inputs

Instruments that do not have quoted prices in active markets but for which market observable inputs are used as the inputs in the determination of fair value.

Level 3 – Unobservable inputs

Instruments that have a significant input into the fair value measurement that is derived from management’s best estimates, and market observable information is not available.

For certain of the Opportunity Fund’s financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities, the carrying amounts approximate their fair values due to the short term nature of these instruments. Non-controlling interest carrying amount approximates its fair value as non-controlling interest is measured at the respective proportionate share of each Property LP’s net identifiable assets.

Investment properties – Investment properties are measured on a recurring basis on the balance at fair value in the consolidated statement of financial position and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 4).

Mortgages payable – The disclosure of fair value of mortgage payables is measured using discounted cash flow analyses, based on rates currently available for mortgages with similar terms and remaining maturities and the current credit worthiness of the Opportunity Fund.

Convertible debentures – the debt component of the convertible debenture is measured on a recurring basis on the balance at fair value of similar debt instruments without a conversion feature.

Preferred units – The preferred units carrying amount approximates their fair value which is equivalent to the defined redemption price at which the units may be redeemed at the option of Adventus US Opportunity LP.

The following tables includes the estimated fair value, carrying value, and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring basis:

| | December 31, 2018 | | |
|------------------------|---------------------------------------|--|---|
| | Fair value hierarchy level | Carrying amount Asset / (Liability) | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ 105,400 | \$ 105,400 |
| Mortgages payable | Level 3 | (61,610) | (61,540) |
| Convertible debentures | Level 3 | (5,500) | (5,500) |
| Preferred units | Level 2 | (125) | (125) |
| Unit options payable | Level 3 | (41) | (41) |

13. FINANCIAL RISK MANAGEMENT

The Trustee of the Opportunity Fund has the overall responsibility for the establishment and oversight of the Opportunity Fund's risk management framework. The Opportunity Fund's risk management policies are established to identify and analyze the risks faced by the Opportunity Fund, 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 Opportunity Fund's activities.

In the normal course of business, the Opportunity Fund is exposed to a number of risks that can affect its operating performance. 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 Opportunity Fund if a tenant or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Opportunity Fund's accounts receivable, cash and cash equivalents, and restricted cash.

Exposure to credit risk on tenant receivables is influenced mainly by the individual characteristics of each tenant. The Opportunity Fund minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

Credit risk associated with cash and cash equivalents and restricted cash is minimized by ensuring that such amounts are held by high-quality financial institutions.

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 Opportunity Fund has primarily entered into fixed interest rate mortgages, credit facilities, and convertible debentures, and accordingly does not face material interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that the Opportunity Fund 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 Opportunity Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Opportunity Fund were required to liquidate a real estate property investment, the proceeds to the Opportunity Fund might be significantly less than the aggregate carrying value of such property.

The Opportunity Fund's approach to managing liquidity is to endeavor to ensure that it will have sufficient cash available to meet its liabilities when due. The Opportunity Fund actively manages its outstanding obligations through repayment of debt and execution of extension agreements.

d. Currency risk

Currency risk is the risk associated with a fluctuation in the value of the US dollar as related to other foreign currencies. The Opportunity Fund is exposed to currency risk as certain transactions related to payment of the Opportunity Fund's expenses, and receipt of proceeds from certain debt financings, are denominated in Canadian dollars.

e. Redemption risk

The Opportunity Fund's unitholders are entitled to redeem units at any time on demand. The aggregate redemption price payable by the Opportunity Fund is subject to limitations. The Opportunity Fund will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Opportunity Fund in any quarter will exceed the lesser of CAD \$100,000 and the amount that is 0.75% of the aggregate subscription price of all trust units that were issued and outstanding at the start of such 12-month period.

14. LEASES

The Opportunity Fund has entered into lease agreements on its property portfolio. The following table summarizes the future minimum revenue receivable under non-cancellable operating leases as at December 31, 2018:

| | | |
|--|----|---------------|
| Not later than 1 year | \$ | 9,891 |
| Later than 1 year and not later than 5 years | | 32,712 |
| Later than 5 years | | 27,278 |
| | \$ | 69,881 |

15. RELATED PARTY TRANSACTIONS

- a) The Opportunity Fund through REIT 2 has entered into the Advisory Management Agreement with ACP Ltd., the ultimate parent of the General Partner. ACP Ltd. is responsible for providing administrative and financial services at 0.75% of gross revenue per month. Certain management and overhead costs incurred by ACP Ltd. in relation to the management of the Opportunity Fund, have also been allocated to the Opportunity Fund during the period.

ACP Ltd. is responsible for providing property services for evaluating and recommending the acquisition or sale of any investment property. Property services include acquisition fees (0.5% of the Purchase Price of any investment property acquired).

Amounts incurred by the Opportunity Fund for such services for the periods indicated below were as follows:

| | | For the period from April 30, 2018 (date of inception) to December 31, 2018 |
|--|----|--|
| Management services provided by related party | | |
| Administrative and financial services | \$ | 27 |
| Cost allocations | | 951 |
| | | 978 |
| Investment properties | | |
| Acquisition fees | \$ | 482 |

As at December 31, 2018, \$0.1 million was payable to ACP Ltd. in relation to acquisition fees pursuant to the Advisory Management Agreement. These amounts owing, which are reflected in the consolidated statement of financial position as accounts payable and accrued liabilities, are without interest.

- b) On July 19, 2018, the Opportunity Fund agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$7.5 million (see note 7). On December 17, 2018, the Opportunity Fund executed an amendment to extend the maturity date to April 30, 2019, and revise the available credit to \$7.25 million. As at December 31, 2018, the full \$7.25 million had been drawn and was outstanding on the facility.

16. COMMITMENTS AND CONTINGENCIES

The Opportunity Fund and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, and with respect to litigation and claims that arise from time to time. Tenant incentive commitments for executed lease agreements commencing after period end have been appropriately accrued.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items

The following represents the changes in non-cash working capital items during the period:

| | For the period from April 30, 2018 (date of inception) to December 31, 2018 |
|---|--|
| Restricted cash * | \$ 445 |
| Prepaid expenses and other current assets * | (136) |
| Accounts receivable * | (70) |
| Prepaid rent * | 189 |
| Accounts payable and accrued liabilities * | 3,863 |
| Unit options payable | 41 |
| Net change | \$ 4,332 |

* Change in working capital items noted above include the impact of \$0.4 million in net amounts assumed on acquisition of Investment Properties, as required under IFRS.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Opportunity Fund issued an additional 147,000 units for proceeds of \$1.47 million.

ADVENTUS OPPORTUNITY FUND

Condensed Financial Statements

For the three months ended March 31, 2019

Unaudited – prepared by management

Expressed in United States dollars

| | March 31, 2019 | December 31, 2018 |
|---|-------------------|----------------------|
| ASSETS | | |
| Non-current assets | | |
| Investment properties (note 4) | \$ 105,400 | \$ 105,400 |
| Current assets | | |
| Prepaid expenses and other current assets | 104 | 136 |
| Accounts receivable (note 5) | 93 | 70 |
| Restricted cash | 2,187 | 1,974 |
| Cash and cash equivalents | 873 | 427 |
| | 3,257 | 2,607 |
| TOTAL ASSETS | \$ 108,657 | \$ 108,007 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Mortgages payable (note 6) | \$ 61,191 | \$ 61,179 |
| Convertible debentures (note 8) | 5,500 | 5,500 |
| Preferred units (note 9) | 125 | 125 |
| Unit options payable | 56 | 41 |
| Non-controlling interest | 53 | 47 |
| | 66,925 | 66,892 |
| Current liabilities | | |
| Credit facilities (note 7) | 2,059 | 5,260 |
| Prepaid rent | 244 | 203 |
| Accounts payable and accrued liabilities (note 15a) | 6,831 | 6,640 |
| | 9,134 | 12,103 |
| TOTAL LIABILITIES | 76,059 | 78,995 |
| UNITHOLDERS' EQUITY (note 10) | 32,598 | 29,012 |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | \$ 108,657 | \$ 108,007 |

Commitments and contingencies (note 16)

Subsequent events (note 17)

Approved by the Trustee, Adventus Opportunity Services Inc.

/s/ Gerald G. Cameron Director

Gerald G. Cameron

/s/ Rodney B. Johnston Director

Rodney B. Johnston

| | Units | | Unitholders' Equity |
|---|------------------|-----------|------------------------|
| Balance, December 31, 2018 | 2,257,472 | \$ | 29,012 |
| Units issued during the period for cash (note 10) | 377,000 | | 3,770 |
| Units issued during the period under distribution reinvestment plan (note 10) | 3,461 | | 34 |
| Unit issuance costs incurred during the period (note 10) | – | | (123) |
| Net income and comprehensive income | – | | 290 |
| Distributions to trust unitholders (note 10) | – | | (385) |
| Balance, March 31, 2019 | 2,637,933 | \$ | 32,598 |

**For the three
months ended
March 31, 2019**

| | | |
|--------------------------------|----|--------------|
| REVENUES | | |
| Rental | \$ | 3,045 |
| Services | | 10 |
| TOTAL REVENUES (note 5) | | 3,055 |

| | | |
|---------------------------------|--|--------------|
| OPERATING EXPENSES | | |
| Insurance | | 27 |
| Property taxes | | 257 |
| Utilities | | 269 |
| Property operating expenses | | 571 |
| TOTAL OPERATING EXPENSES | | 1,124 |
| NET OPERATING INCOME | | 1,931 |

| | | |
|--|--|--------------|
| OTHER INCOME | | |
| Foreign exchange gain (loss) and other income (loss) | | (122) |
| Fair value adjustments to investment properties (note 4) | | (159) |
| TOTAL OTHER INCOME (EXPENSES) | | (281) |

| | | |
|--|--|---------------|
| OTHER EXPENSES | | |
| Interest (note 6 and 15b) | | 1,028 |
| General and administrative | | 63 |
| Management services provided by related party (note 15a) | | 248 |
| Legal and professional fees | | 16 |
| Change in non-controlling interest | | 5 |
| TOTAL OTHER EXPENSES | | 1,360 |
| NET INCOME AND COMPREHENSIVE INCOME | | \$ 290 |

**For the three
months ended
March 31, 2019**

| Cash and cash equivalents provided by (used in) | |
|--|----------------|
| OPERATIONS | |
| Net income and comprehensive income | \$ 290 |
| Items not involving cash and cash equivalents: | |
| Recognition of rental revenue on a straight-line basis | (159) |
| Interest expense | 1,028 |
| Fair value adjustments to investment properties (note 4) | 159 |
| Foreign exchange loss on credit facilities | 110 |
| Change in non-controlling interest | 6 |
| Change in restricted cash – free rent account | 13 |
| Change in non-cash working capital items | 46 |
| | 1,493 |
| FINANCING | |
| Proceeds from issuance of units (note 10) | 3,770 |
| Unit issuance costs (note 10) | (123) |
| Distributions to trust unitholders (note 10) | (331) |
| Repayment of credit facilities (notes 7 and 15b) | (3,365) |
| Net changes in restricted cash for direct leasing costs and capital expenditures | (123) |
| Interest paid | (875) |
| | (1,047) |
| Change in cash and cash equivalents during the period | 446 |
| Cash and cash equivalents, beginning of period | 427 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 873 |

For the three months ended March 31, 2019, the Opportunity Fund did not incur any cashflows for Investing activities.

1. NATURE OF BUSINESS

Adventus Opportunity Fund (the Opportunity Fund) is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein. The Opportunity Fund's head office is located at 1660 – 999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

The principal business of the Opportunity Fund is to invest in units of Adventus US Opportunity LP (REIT 2). The principal business of REIT 2 is to invest the proceeds from the issuance of REIT 2 units in the acquisition of units of limited partnership structures which own commercial real estate. As at March 31, 2018, REIT 2 has invested in two limited partnerships as follows:

- i. Adventus AOF #1 LP (Property 1 LP), through REIT 2, which holds title to the Town Park Commons Property;
- ii. Adventus AOF #2 LP (Property 2 LP), through REIT 2, which holds title to the 1600 Parkwood Property;

collectively, the "Property LPs". The above entities are subsidiaries of the Opportunity Fund. The Trustee of the Opportunity Fund is Adventus Opportunity Services Inc., which was incorporated pursuant to the Canada Business Corporations Act on April 30, 2018.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These condensed financial statements have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These condensed financial statements were approved by the Trustee for issue on May 14, 2019.

a. Basis of consolidation

These condensed financial statements include the accounts of the Opportunity Fund and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Opportunity Fund has control. The Opportunity Fund controls an entity when the Opportunity Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Opportunity Fund and are de-consolidated from the date that control ceases. Intercompany balances and transactions with subsidiaries have been eliminated upon consolidation.

Certain information and footnote disclosures required by IFRS for complete annual financial statements have been omitted and, therefore these interim unaudited condensed financial statements should be read in conjunction with the Opportunity Fund's audited consolidated financial statements for the period from April 30, 2018 (date of inception) to December 31, 2018. In the opinion of management, these unaudited interim condensed financial statements reflect all adjustments, consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Opportunity Fund's condensed financial position, results of operations and cash flows for the period presented.

b. Non-controlling interest

Non-controlling interest represents a nominal ownership interest of 0.50% by separate General Partners in each of the Property LP's. Distributions shall be made 99.5% to the Limited Partner and 0.5% to the General Partner at the times and aggregate amounts determined by the General Partner. The non-controlling interest has been presented in these condensed financial statements as a liability as opposed to equity.

c. *Functional and presentation currency*

Items in the financial statements of each of the Opportunity Fund's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

These condensed financial statements are presented in U.S. dollars, which is also the Opportunity Fund's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the condensed statement of income and comprehensive income.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards adopted

IFRS 16 – Leases

IFRS 16 deals with the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The amendment to IFRS 16 has no material impact on the Opportunity Fund's condensed financial statements or note disclosures.

4. INVESTMENT PROPERTIES

On August 2, 2018, the Opportunity Fund, through Property 1 LP, acquired a multi-tenant office property containing 350,012 square feet of rentable area located in the Kennesaw Town Center submarket of Atlanta, Georgia (Town Park Commons Property). The total purchase price was \$73.6 million including transaction costs of \$1.0 million and restricted cash of \$2.7 million, net of working capital items of \$2.1 million. The Opportunity Fund, through Property 1 LP, financed the acquisition with deposits, cash, short term credit facilities and a new mortgage in the amount of \$47.6 million.

On December 21, 2018, the Opportunity Fund, through Property 2 LP, acquired a multi-tenant office property containing 154,668 square feet of rentable area located in the Cumberland Galleria submarket of suburban Atlanta, Georgia (1600 Parkwood Property). The total purchase price was \$23.6 million including transaction costs of \$0.4 million and net of working capital items of \$0.1 million. The Opportunity Fund, through Property 1 LP, financed the acquisition with cash, and a new mortgage in the amount of \$14.0 million.

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|----------------------|
| Opening balance | \$ 105,400 | \$ - |
| Acquisitions | - | 97,204 |
| Recognition of rental revenue on a straight-line basis | 159 | 108 |
| Change in fair value of investment properties | (159) | 8,088 |
| Ending balance | \$ 105,400 | \$ 105,400 |

Investment properties are initially recorded at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, appraisal fees and any other related acquisition costs.

The balance of investment properties includes \$0.3 million (December 31, 2018 – \$0.1 million) of straight-line rent adjustments.

Subsequent to initial recognition, investment properties are remeasured at fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Therefore, the fair value of a recently acquired investment property would normally be the purchase price. Any subsequent valuations performed on an investment property, after the 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 condensed statement of income and comprehensive income in the year in which they arise. Management and the independent valuers have used their market knowledge and judgment in determining fair value. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.
- Stabilized net operating income – based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted net operating income, among other inputs as described above. Generally, an increase in net operating income will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

5. ACCOUNTS RECEIVABLE

As at March 31, 2019, the aging of tenant receivables were:

| | March 31, 2019 | December 31, 2018 |
|---------------------------|---------------------------|----------------------|
| Tenant receivables | | |
| Current | \$ 60 | \$ 61 |
| Aged between 61-90 days | 12 | 9 |
| Aged greater than 90 days | 21 | - |
| Total | \$ 93 | \$ 70 |

As at March 31, 2019, an expected credit loss of \$nil (December 31, 2018 – \$nil) was recorded against outstanding receivables.

In the following table, revenue is disaggregated by base rental revenue, recoverable costs related to the provision of services, and other income:

| | Three months ended March 31, 2019 | |
|-----------------------------|--|--------------|
| Base rental revenue | \$ | 2,755 |
| Reimbursable expense income | | 290 |
| Other income | | 10 |
| Total Revenues | \$ | 3,055 |

6. MORTGAGES PAYABLE

A summary of mortgages payable is as follows:

| | March 31, 2019 | | December 31, 2018 | |
|---|---------------------------|--------|------------------------------|--------|
| Principal amount of mortgages | \$ | 61,610 | \$ | 61,610 |
| Less unamortized mortgage transaction costs | | (419) | | (431) |
| Balance | | 61,191 | | 61,179 |
| Less current portion of mortgages payable | | - | | - |
| Non-current portion of mortgages payable | \$ | 61,191 | \$ | 61,179 |

Mortgages payable comprise two mortgages which are recorded at amortized cost. The mortgages are secured by fixed charges against the associated investment properties. The weighted-average interest rate as at March 31, 2019 is 4.75% (December 31, 2018 – 4.76%).

The following table summarizes the key provisions of each mortgage:

| Mortgage | Stated interest rate | Effective interest rate | Principal & interest payments (monthly) | Maturity date | Outstanding at March 31, 2019 |
|-----------------|-----------------------------|--------------------------------|--|----------------------|--------------------------------------|
| #1 | 4.861% | 4.983% | \$ 199 | Sep 1, 2023 | \$ 47,610 |
| #2 | LIBOR+1.9% | 4.682% | 70 | Jan 5, 2024 | 14,000 |
| Total | | | \$ 269 | | \$ 61,610 |

Scheduled principal repayments, excluding amortization of transaction costs, to be made over the next five years and thereafter are as follows:

| | |
|------------|------------------|
| 2019 | - |
| 2020 | - |
| 2021 | - |
| 2022 | 195 |
| 2023 | 47,822 |
| Thereafter | 13,593 |
| | \$ 61,610 |

During the period from April 30, 2018 (date of inception) to December 31, 2018, the following new mortgages were entered into:

- Property 1 LP entered into a new Mortgage #1, receiving new mortgage proceeds of \$47.6 million. The loan matures September 21, 2023. In accordance with the terms of the mortgage, payments during the full five year term comprise interest only. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.
- Property 2 LP entered into a new Mortgage #2, receiving new mortgage proceeds of \$14.0 million. The loan matures January 5, 2024. In accordance with the terms of the mortgage, payments during the years ended December 31, 2019, 2020, and 2021, comprise interest only, with principal to be paid commencing February 2022. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.

The interest on mortgages payable incurred and charged to the condensed statement of income and comprehensive income is recorded as follows:

| | Three months ended March 31, 2019 | |
|--|--|--------------|
| Interest on mortgages payable | \$ | 731 |
| Interest on credit facilities and convertible debentures | | 231 |
| Amortization of debt issuance costs | | 66 |
| Interest expense | \$ | 1,028 |

The mortgages payable loan agreements contain various affirmative and negative debt covenants. At March 31, 2019, the Opportunity Fund was in compliance with all default provisions of the mortgages payable.

7. CREDIT FACILITIES

On July 30, 2018, the Opportunity Fund agreed the terms of a short term credit facility in an amount of \$4.5 million (Credit Facility #1). The full amount available under the facility was drawn and proceeds were used in the Town Park Commons Property acquisition (see note 4). On December 19, 2018, the Opportunity Fund agreed to exchange the full amount outstanding on the short term credit facility with 9% convertible unsecured subordinated debentures (see note 8).

On July 19, 2018, the Opportunity Fund agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$7.5 million (Credit Facility #2). The loan bears interest at a rate of 9% per annum. On July 31, 2018, CAD \$6.5 million under the facility was drawn with proceeds used to fund the Town Park Commons Property acquisition. On October 18, 2018, the Opportunity Fund repaid CAD \$4.0 million of the outstanding balance. On December 17, 2018 the Opportunity Fund executed an amendment to extend the maturity date to April 30, 2019, and revise the available credit to CAD \$7.25 million. On December 20, 2018, the remaining available CAD \$4.75 million was drawn on the facility with proceeds used to fund the 1600 Parkwood Property acquisition. As at December 31, 2018, CAD \$7.25 million (US \$5.3 million) was drawn and outstanding, net of unamortized debt issuance costs. During the period ended March 31, 2019, the Opportunity Fund repaid CAD \$4.5 million of the principal balance. As at March 31, 2019, CAD \$2.75 million (US \$2.1 million) was outstanding on the facility. Subsequent to period end the full amount outstanding on the facility was repaid (see note 17).

8. CONVERTIBLE DEBENTURES

On December 19, 2018, the Opportunity Fund issued 9% convertible unsecured subordinated debentures (collectively “Convertible Debentures”) for gross proceeds of \$5.5 million (\$4.5 million exchanged short term credit facility, plus \$1.0 million cash).

The Convertible Debentures issued on December 19, 2018 mature on December 19, 2020. The entire principal balance is convertible at the holder’s option at any time to maturity at a conversion price of \$10.50 per common unit of the Opportunity Fund. The Opportunity Fund at its option is able to redeem the full amount of the principal at any time after one year, at a rate of par plus 3%.

At March 31, 2019, \$5.5 million (December 31, 2018, \$5.5 million) of the face value of the Convertible Debentures was outstanding; the conversion feature of the Convertible Debentures has a nominal value.

9. PREFERRED UNITS

In order to maintain REIT status for US taxation purposes, REIT 2 must maintain a minimum of at least 100 direct shareholders. REIT 2 has issued 125 preferred units to meet this requirement in the face amount of \$1,000 per unit. Each unitholder is entitled to cumulative dividends of 12% per annum of the face amount, payable semi-annually.

In November 2018, 125 preferred units were issued by Adventus US Opportunity LP for gross subscription proceeds of \$125,000.

10. UNITHOLDERS’ EQUITY

The Opportunity Fund is authorized to issue an unlimited number of redeemable common units of beneficial interest. Each common unit entitles the common unitholder to the same rights and obligations as any other common unitholder and no common unitholder is entitled to any privilege, priority or preference in relation to any other common unitholder.

Each common unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains. On termination, the common unitholders of record are entitled to receive all of the assets of the Opportunity Fund remaining after payment of all debts, liabilities and liquidation expenses of the Opportunity Fund.

During the period ended March 31, 2019, the Realty Trust issued 377,000 common units for proceeds of \$3.8 million, and incurred unit issuance costs of \$0.1 million.

During the period from April 30, 2018 (date of inception) to December 31, 2018, the Opportunity Fund issued 2,255,564 common units for proceeds of \$22.6 million, and incurred unit issuance costs of \$0.5 million.

On July 31, 2018, the Opportunity Fund implemented a distribution reinvestment plan (the “DRIP”), which allows common unitholders to direct cash distributions paid on their existing common units to be reinvested in additional common units directly from the Opportunity Fund. The common units are issued at 97% of the Average Market Price of the common units. The Average Market Price is regularly reviewed and set by the Trustee. During the period ended March 31, 2019, the Opportunity Fund issued 3,461 units (2018 – 1,908) under the DRIP.

Distributions are declared and paid by the Opportunity Fund subject to the approval of the Trustee. During the period from April 30, 2018 (date of inception) to December 31, 2018, the Opportunity Fund declared distributions of \$0.7 million, of which \$0.1 million is included in accounts payable and accrued liabilities as at December 31, 2018. During the period ended March 31, 2019, the Opportunity Fund declared distributions of \$0.4 million, of which \$0.1 million was included in accounts payable and accrued liabilities at March 31, 2019.

11. CAPITAL MANAGEMENT

The Opportunity Fund defines capital as the aggregate of unitholders' equity, non-controlling interest, mortgages payable, credit facilities, convertible debentures and preferred units. The Opportunity Fund's objectives in managing capital are to maintain a level of capital that funds its business strategies and builds long-term unitholders' value. The Opportunity Fund's capital structure is approved by the Trustee through its periodic reviews. The capital structure consists of the following components:

| | | March 31, 2019 |
|--------------------------|----|-----------------------|
| Capital | | |
| Mortgages payable | \$ | 61,191 |
| Credit facilities | | 2,059 |
| Convertible debentures | | 5,500 |
| Non-controlling interest | | 53 |
| Preferred units | | 125 |
| Unitholders' equity | | 32,598 |
| Total capital | \$ | 101,526 |

During the period ended March 31, 2019 and the period from April 30, 2018 (date of inception) to December 31, 2018, the total capital of the Opportunity Fund increased due to proceeds received from units issued during the period, drawdown of credit facilities, convertible debenture proceeds received and net income and comprehensive income earned. The increase was partially offset by the distributions to trust unitholders, and payments made against outstanding debt.

12. FAIR VALUE MEASUREMENT

Financial assets and liabilities accounted for or disclosed at fair value on a recurring basis are classified within a fair value hierarchy that reflects the significance of the inputs used in determining fair value. There are three levels of fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets

Instruments that have unadjusted quoted prices available in an active market for identical assets or liabilities.

Level 2 – Significant other observable inputs

Instruments that do not have quoted prices in active markets but for which market observable inputs are used as the inputs in the determination of fair value.

Level 3 – Unobservable inputs

Instruments that have a significant input into the fair value measurement that is derived from management's best estimates, and market observable information is not available.

For certain of the Opportunity Fund's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities, the carrying amounts approximate their fair values due to the short term nature of these instruments. Non-controlling interest carrying amount approximates its fair value as non-controlling interest is measured at the respective proportionate share of each Property LP's net identifiable assets.

Investment properties – Investment properties are measured on a recurring basis on the balance at fair value in the condensed statement of financial position and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 4).

Mortgages payable – The disclosure of fair value of mortgage payables is measured using discounted cash flow analyses, based on rates currently available for mortgages with similar terms and remaining maturities and the current credit worthiness of the Opportunity Fund.

Convertible debentures – the debt component of the convertible debenture is measured on a recurring basis on the balance at fair value of similar debt instruments without a conversion feature.

Preferred units – The preferred units carrying amount approximates their fair value which is equivalent to the defined redemption price at which the units may be redeemed at the option of Adventus US Opportunity LP.

The following tables includes the estimated fair value, carrying value, and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring basis:

| March 31, 2019 | | | | | |
|--------------------------|---------------------------------------|----|--|----|---|
| | Fair value hierarchy level | | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ | 105,400 | \$ | 105,400 |
| Mortgages payable | Level 3 | | (61,610) | | (62,079) |
| Convertible debentures | Level 3 | | (5,500) | | (5,500) |
| Preferred units | Level 2 | | (125) | | (125) |
| Unit options payable | Level 3 | | (56) | | (56) |
| December 31, 2018 | | | | | |
| | Fair value hierarchy level | | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ | 105,400 | \$ | 105,400 |
| Mortgages payable | Level 3 | | (61,610) | | (61,540) |
| Convertible debentures | Level 3 | | (5,500) | | (5,500) |
| Preferred units | Level 2 | | (125) | | (125) |
| Unit options payable | Level 3 | | (41) | | (41) |

13. FINANCIAL RISK MANAGEMENT

The Trustee of the Opportunity Fund has the overall responsibility for the establishment and oversight of the Opportunity Fund's risk management framework. The Opportunity Fund's risk management policies are established to identify and analyze the risks faced by the Opportunity Fund, 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 Opportunity Fund's activities.

In the normal course of business, the Opportunity Fund is exposed to a number of risks that can affect its operating performance. 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 Opportunity Fund if a tenant or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Opportunity Fund's accounts receivable, cash and cash equivalents, and restricted cash.

Exposure to credit risk on tenant receivables is influenced mainly by the individual characteristics of each tenant. The Opportunity Fund minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

Credit risk associated with cash and cash equivalents and restricted cash is minimized by ensuring that such amounts are held by high-quality financial institutions.

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 Opportunity Fund has primarily entered into fixed interest rate mortgages, credit facilities, and convertible debentures, and accordingly does not face material interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that the Opportunity Fund 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 Opportunity Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Opportunity Fund were required to liquidate a real estate property investment, the proceeds to the Opportunity Fund might be significantly less than the aggregate carrying value of such property.

The Opportunity Fund's approach to managing liquidity is to endeavor to ensure that it will have sufficient cash available to meet its liabilities when due. The Opportunity Fund actively manages its outstanding obligations through repayment of debt and execution of extension agreements.

d. Currency risk

Currency risk is the risk associated with a fluctuation in the value of the US dollar as related to other foreign currencies. The Opportunity Fund is exposed to currency risk as certain transactions related to payment of the Opportunity Fund's expenses, and receipt of proceeds from certain debt financings, are denominated in Canadian dollars.

e. Redemption risk

The Opportunity Fund's unitholders are entitled to redeem units at any time on demand. The aggregate redemption price payable by the Opportunity Fund is subject to limitations. The Opportunity Fund will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Opportunity Fund in any quarter will exceed the lesser of CAD \$100,000 and the amount that is 0.75% of the aggregate subscription price of all trust units that were issued and outstanding at the start of such 12-month period.

14. LEASES

The Opportunity Fund has entered into lease agreements on its property portfolio. The following table summarizes the future minimum revenue receivable under non-cancellable operating leases as at March 31, 2019:

| | | |
|--|----|---------------|
| Not later than 1 year | \$ | 9,808 |
| Later than 1 year and not later than 5 years | | 35,967 |
| Later than 5 years | | 22,219 |
| | \$ | 67,994 |

15. RELATED PARTY TRANSACTIONS

- a) The Opportunity Fund through REIT 2 has entered into the Advisory Management Agreement with Adventus Capital Partners Ltd. (“ACP”), the ultimate parent of the General Partner. ACP is responsible for providing administrative and financial services at 0.75% of gross revenue per month. Certain management and overhead costs incurred by ACP in relation to the management of the Opportunity Fund, have also been allocated to the Opportunity Fund during the period.

ACP is responsible for providing property services for evaluating and recommending the acquisition or sale of any investment property. Property services include acquisition fees (0.5% of the Purchase Price of any investment property acquired).

Amounts incurred by the Opportunity Fund for such services for the periods indicated below were as follows:

| | | Three months ended March 31, 2019 |
|--|----|--|
| Management services provided by related party | | |
| Administrative and financial services | \$ | 27 |
| Cost allocations | | 248 |
| | | 275 |

For the period ended March 31, 2019, no amounts were incurred by the Opportunity Fund for acquisition fees or disposition fees.

As at March 31, 2019 and December 31, 2018, \$0.1 million was payable to ACP in relation to acquisition fees pursuant to the Advisory Management Agreement. As at March 31, 2019, \$3.8 million was payable to ACP (December 31, 2018 - \$4.0 million) in short term working capital. These amounts owing, which are reflected in the condensed statement of financial position as accounts payable and accrued liabilities, are without interest.

- b) On July 19, 2018, the Opportunity Fund agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$7.5 million (see note 7). On December 17, 2018, the Opportunity Fund executed an amendment to extend the maturity date to April 30, 2019, and revise the available credit to \$7.25 million. During the period ended March 31, 2019, the Opportunity Fund repaid CAD \$4.5 million of the principal balance. As at March 31, 2019, CAD \$2.75 million (US \$2.1 million) was outstanding on the facility. Subsequent to period end the full amount outstanding on the facility was repaid (see note 17).

16. COMMITMENTS AND CONTINGENCIES

The Opportunity Fund and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, and with respect to litigation and claims that arise from time to time. Tenant incentive commitments for executed lease agreements commencing after period end have been appropriately accrued.

17. SUBSEQUENT EVENTS

In April 2019, the Opportunity Fund repaid the full balance owing on Credit Facility #2 (CAD \$2.75 million).

Subsequent to March 31, 2019, the Opportunity Fund issued an additional 349,203 units for proceeds of \$3.5 million.

Subsequent to March 31, 2019, the Opportunity Fund entered into a Plan of Arrangement (“the Arrangement”). The purpose of the Arrangement and other transactions is to merge the business and properties indirectly conducted and owned by Adventus Opportunity Fund (“AOF”) and Adventus Realty Trust (“ART”) in one entity, ART and to internalize the management of AOF and ART in ART.

Pursuant to the Arrangement, all of the AOF Units, ACP Voting Shares, ACP Non Voting Shares and Adventus Realty Limited Partnership (“ARLP”) Units are to be acquired and owned by ART. AOF Unitholders are to receive ART Units for each AOF Unit being acquired at an exchange ratio of 0.6651 of an ART Unit for each AOF Unit; holders of ARLP Units are to receive \$0.01 per ARLP Unit payable in cash and holders of ACP Shares are to receive one ART Units for each ACP Share.

The Arrangement contemplates the exchange of AOF Units for Adventus Mutual Fund ULC (“MFC”) Shares as the first step in the acquisition of the AOF Units by ART. This step is designed so that the disposition of the AOF Units and the acquisition of the ART Units by the existing AOF Unitholders will be completed on a “tax deferred” basis for purposes of the Income Tax Act (Canada).

Management of ART has been advised that the transfer of the ARLP Units to ART for ART Units, the transfer of AOF Units to MFC for MFC Shares, the acquisition of the AOF Units by ART for ART Units and the transfer of the ART Units to the former AOF Unitholders on the redemption of the MFC Shares issued to them will not give rise to any liability for income taxes under the Internal Revenue Code of the United States and will not require any filing under the Internal Revenue Code of the United States.

ADVENTUS REALTY LIMITED PARTNERSHIP

Unaudited Statements of Financial Position

As at March 31, 2019, and December 31, 2018, and December 31, 2017

Expressed in Canadian dollars

Prepared by Management

Adventus Realty Limited Partnership
Statement of Financial Position
Unaudited – prepared by management
(in Canadian dollars)

| | March 31, 2019 | December 31, 2018 | December 31, 2017 |
|------------------------------------|---------------------------|------------------------------|------------------------------|
| <hr/> | | | |
| ASSETS | | | |
| Due from related parties | 8,043 | 8,043 | 7,768 |
| <hr/> | | | |
| UNITHOLDERS' EQUITY | | | |
| Limited partnership units (note 3) | 8,043 | 8,043 | 7,768 |
| <hr/> | | | |

Approved by the General Partner, Adventus Realty Services Inc.

/s/ Rodney B. Johnston **Director**

Rodney B. Johnston

Adventus Realty Limited Partnership
Notes to Statement of Financial Statements
For the period ended March 31, 2019, and December 31, 2018, and December 31, 2017
(in Canadian dollars)

1. NATURE OF BUSINESS

Adventus Realty Limited Partnership (the Realty LP) is a limited partnership formed pursuant to and governed by the laws of the Province of British Columbia.

The Realty LP was formed for the business of the provision of management and advisory services with respect to the investment in real estate property and any other business or activity ancillary thereto. The general partner is Adventus Realty Services Inc., a corporation duly incorporated under the laws of Canada.

2. BASIS OF PRESENTATION

The statement of financial position has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(a) Use of estimates

The preparation of the statement of financial position requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet date. Actual amounts could differ from these estimates.

3. UNITHOLDERS' EQUITY

Authorized

An unlimited number of limited partnership voting Units.

Issued

| | Number of Units | Amount (\$) |
|--------------------------------|--------------------|----------------|
| Balance, December 31, 2017 | 776,796 | 7,768 |
| Issued during the year | 27,510 | 275 |
| Balance, December 31, 2018 | 804,306 | 8,043 |
| Issued during the period | - | - |
| Balance, March 31, 2019 | 804,306 | 8,043 |

4. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared as it would not provide any additional meaningful information not already discernable from the statement of financial position.

ADVENTUS REALTY TRUST
Consolidated Financial Statements
For the Year Ended December 31, 2018
Expressed in thousands of United States dollars



Independent auditor's report

To the Unitholders of Adventus Realty Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Adventus Realty Trust and its subsidiaries (together, the Trust) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Trust's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

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 consolidated 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 Trust'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 Trust’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 consolidated 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Trust 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2019

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| ASSETS | | |
| Non-current assets | | |
| Investment properties (note 4) | \$ 742,700 | \$ 718,900 |
| Current assets | | |
| Prepaid expenses and other current assets | 691 | 1,046 |
| Accounts receivable (note 5) | 1,406 | 699 |
| Restricted cash (note 2f) | 16,643 | 21,823 |
| Cash and cash equivalents | 918 | 5,193 |
| | 19,658 | 28,761 |
| TOTAL ASSETS | \$ 762,358 | \$ 747,661 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Mortgages payable (note 6) | \$ 410,591 | \$ 395,501 |
| Convertible debentures (note 8) | 25,532 | - |
| Preferred units (note 11) | 125 | 125 |
| Unit options payable (note 10) | 823 | 1,463 |
| Non-controlling interest (note 9) | 839 | 689 |
| | 437,910 | 397,778 |
| Current liabilities | | |
| Mortgages payable - current portion (note 6) | 5,694 | 33,896 |
| Convertible debentures (note 8) | - | 20,900 |
| Credit facilities (note 7) | 4,000 | - |
| Prepaid rent | 3,193 | 3,301 |
| Accounts payable and accrued liabilities (note 17a) | 19,906 | 23,185 |
| | 32,793 | 81,282 |
| TOTAL LIABILITIES | 470,703 | 479,060 |
| UNITHOLDERS' EQUITY (note 12) | 291,655 | 268,601 |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | \$ 762,358 | \$ 747,661 |

Commitments and contingencies (note 18)
Subsequent events (note 20)

Approved by the Trustee, Adventus Realty Services Inc.

/s/ Gerald G. Cameron Director

Gerald G. Cameron

/s/ Rodney B. Johnston Director

Rodney B. Johnston

| | Units | | Unitholders' Equity |
|---|-------------------|-----------|------------------------|
| Balance, December 31, 2016 | 12,613,845 | \$ | 220,771 |
| Units issued during the year for cash (note 12) | 2,021,569 | | 30,179 |
| Units issued during the year under distribution reinvestment plan (note 12) | 74,366 | | 1,119 |
| Net income and comprehensive income | - | | 30,939 |
| Distributions to trust unitholders (note 12) | - | | (14,407) |
| Balance, December 31, 2017 | 14,709,780 | \$ | 268,601 |
| Units issued during the year for cash (note 12) | 549,800 | | 9,271 |
| Units issued during the year under distribution reinvestment plan (note 12) | 73,726 | | 1,202 |
| Net income and comprehensive income | - | | 28,186 |
| Distributions to trust unitholders (note 12) | - | | (15,605) |
| Balance, December 31, 2018 | 15,333,306 | \$ | 291,655 |

| | For the year ended December 31, 2018 | For the year ended December 31, 2017 |
|--|--|--|
| REVENUES | | |
| Rental | \$ 100,169 | \$ 100,881 |
| Amortization of tenant incentives | (3,022) | (1,850) |
| Services | 1,209 | 1,185 |
| TOTAL REVENUES (note 5) | 98,356 | 100,216 |
| OPERATING EXPENSES | | |
| Insurance | 1,214 | 1,186 |
| Property taxes | 15,211 | 14,689 |
| Utilities | 7,791 | 6,930 |
| Property operating expenses | 24,203 | 23,575 |
| Amortization of leasing costs and capital expenditures | 1,828 | 1,112 |
| TOTAL OPERATING EXPENSES | 50,247 | 47,492 |
| NET OPERATING INCOME | 48,109 | 52,724 |
| OTHER INCOME | | |
| Foreign exchange gain (loss) and other income (expenses) | 314 | (331) |
| Fair value adjustments to investment properties (note 4) | 6,360 | 6,570 |
| TOTAL OTHER INCOME | 6,674 | 6,239 |
| OTHER EXPENSES | | |
| Interest (notes 6 and 17c) | 23,190 | 24,835 |
| General and administrative | 1,289 | 889 |
| Management services provided by related party (note 17a) | 1,280 | 1,299 |
| Legal and professional fees | 688 | 829 |
| Change in non-controlling interest (note 9) | 150 | 172 |
| TOTAL OTHER EXPENSES | 26,597 | 28,024 |
| NET INCOME AND COMPREHENSIVE INCOME | \$ 28,186 | \$ 30,939 |

| | For the year ended December 31, 2018 | For the year ended December 31, 2017 |
|--|--|--|
| Cash and cash equivalents provided by (used in) | | |
| OPERATIONS | | |
| Net income and comprehensive income | \$ 28,186 | \$ 30,939 |
| Items not involving cash and cash equivalents: | | |
| Recognition of rental revenue on a straight-line basis | (2,451) | (3,828) |
| Amortization (note 4) | 4,850 | 2,962 |
| Interest expense | 23,190 | 24,835 |
| Fair value adjustments to investment properties (note 4) | (6,360) | (6,570) |
| Foreign exchange loss on credit facilities | (382) | 270 |
| Change in non-controlling interest | 150 | 172 |
| Change in restricted cash – free rent account | 116 | 1,019 |
| Change in non-cash working capital items (note 19) | (3,609) | (2,953) |
| Direct leasing costs - renewals | (4,728) | (2,934) |
| | 38,962 | 43,912 |
| INVESTING | | |
| Payments on acquisition of investment properties | (3,642) | (309) |
| Payments for capital improvements | (5,538) | (2,924) |
| Other investment property expenditures | (2,238) | (2,086) |
| | (11,418) | (5,319) |
| FINANCING | | |
| Proceeds from issuance of units (note 12) | 9,271 | 29,803 |
| Distributions to trust unitholders (note 12) | (14,312) | (13,079) |
| Proceeds from mortgages payable (note 6) | 20,750 | - |
| Repayment of mortgages payable | (33,948) | (5,097) |
| Drawdown on credit facilities (notes 7 and 17c) | 8,194 | 1,148 |
| Repayment of credit facilities (notes 7 and 17c) | (4,117) | (26,175) |
| Proceeds from issuance of convertible debentures (note 8) | 15,762 | 3,800 |
| Repayment of convertible debentures (note 8) | (10,450) | - |
| Debt issuance costs | (973) | (325) |
| Net changes in restricted cash for direct leasing costs and capital expenditures | 966 | (3,246) |
| Interest paid | (22,962) | (23,864) |
| | (31,819) | (37,035) |
| Change in cash and cash equivalents during the year | (4,275) | 1,558 |
| Cash and cash equivalents, beginning of year | 5,193 | 3,635 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 918 | \$ 5,193 |

Supplemental cash flow information (note 19)

1. NATURE OF BUSINESS

Adventus Realty Trust (the Realty Trust) is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated December 13, 2011, as amended February 17, 2015 and April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein. The Realty Trust's head office is located at 1660 – 999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

The principal business of the Realty Trust is to invest in Adventus Realty Canada Holdings Limited Partnership (the Canadian Investment LP). The principal business of the Canadian Investment LP is to invest the proceeds from the issuance of Canadian Investment LP units and promissory notes payable in the acquisition of units of Adventus Holdings LP (REIT 1). The principal business of REIT 1 is to invest the proceeds from the issuance of REIT 1 units in the acquisition of units of limited partnership structures which own commercial real estate. As at December 31, 2018, REIT 1 has invested in thirteen limited partnerships as follows:

- i. Adventus US Realty #1 LP (Property 1 LP), through REIT 1, which holds title to the Elgin Complex;
- ii. Adventus US Realty #2 LP (Property 2 LP), through REIT 1, which holds title to the Oak Brook Office Center;
- iii. Adventus US Realty #3 LP (Property 3 LP), through REIT 1, which holds title to the Deerfield Property;
- iv. Adventus US Realty #4 LP (Property 4 LP), through REIT 1, which holds title to the Crossings Office Complex;
- v. Adventus US Realty #5 LP (Property 5 LP), through REIT 1, which holds title to the Cantera Meadows Property;
- vi. Adventus US Realty #6 LP (Property 6 LP), through REIT 1, which holds title to the Columbia Centre I & II Property;
- vii. Adventus US Realty #7 LP (Property 7 LP), through REIT 1, which holds title to the Columbia Centre III Property;
- viii. Adventus US Realty #8 LP (Property 8 LP), through REIT 1, which holds title to the Barrett Lakes Property Buildings;
- ix. Adventus US Realty #9 LP (Property 9 LP), through REIT 1, which holds title to the Highland Landmark V Property;
- x. Adventus US Realty #10 LP (Property 10 LP), through REIT 1, which holds title to the Barrett Lakes Property Land;
- xi. Adventus US Realty #11 LP (Property 11 LP), through REIT 1, which holds title to the Parkwood Property;
- xii. Adventus US Realty #12 LP (Property 12 LP), through REIT 1, which holds title to the Riverway Property;
- xiii. Adventus US Realty #13 LP (Property 13 LP), through REIT 1, which holds title to the Milton Park Property;

collectively, the “Property LPs”. The above entities are subsidiaries of the Realty Trust. The Trustee of the Realty Trust is Adventus Realty Services Inc., which was incorporated pursuant to the Canada Business Corporations Act on December 9, 2011.

On March 27, 2018, a special meeting of unitholders of the Realty Trust was held to pass a special resolution authorizing the management and Board of the Trustee of the Realty Trust to form a new trust, initially with a smaller size and a similar investment policy to the Realty Trust.

Following the special meeting, management has suspended additional property acquisitions by the Realty Trust and will continue to manage and operate the Realty Trust's existing portfolio of office buildings for cash flow, capital appreciation and strategic refinancing opportunities.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved by the Trustee for issue on March 19, 2019.

a. *Basis of consolidation*

These consolidated financial statements include the accounts of the Realty Trust and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Realty Trust has control. The Realty Trust controls an entity when the Realty Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Realty Trust and are de-consolidated from the date that control ceases. Intercompany balances and transactions with subsidiaries have been eliminated upon consolidation.

b. *Non-controlling interest*

Non-controlling interest represents a nominal ownership interest of 0.50% by separate General Partners in each of the Property LP's. Distributions shall be made 99.5% to the Limited Partner and 0.5% to the General Partner at the times and aggregate amounts determined by the General Partner. The non-controlling interest has been presented in these consolidated financial statements as a liability as opposed to equity.

c. *Functional and presentation currency*

Items in the financial statements of each of the Realty Trust's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

These consolidated financial statements are presented in U.S. dollars, which is also the Realty Trust's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of income and comprehensive income.

d. *Investment properties*

Investment properties are held to earn rental income and/or for capital appreciation. At the time of acquisition of an investment property, the Realty Trust determines whether the acquisition constitutes a business combination or an asset acquisition.

For asset acquisitions, an investment property is initially measured at its cost, which includes purchase price plus any directly attributable acquisition costs. For business combinations, an investment property is initially recorded at fair value, and acquisition costs are expensed as incurred.

After initial recognition, investment properties are carried at fair value. Adjustments are made to the carrying values of the investment properties when changes in the underlying valuation assumptions occur. Changes in fair values are recognized in the consolidated statement of income and comprehensive income.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that the Realty Trust will receive future economic benefits associated with the expenditure. All other repair and maintenance costs are expensed when incurred.

Depreciation is not taken on the investment property's base building. Depreciation is taken on capitalized expenditures made to the investment property subsequent to acquisition. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over their estimated useful lives. The useful lives vary depending on the nature of the capital expenditure but are generally between three and ten years.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on the derecognition of an investment property is recognized in the consolidated statement of income and comprehensive income in the period in which the investment property is derecognized.

e. *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held with banks, and money market funds.

f. *Restricted cash*

Restricted cash includes amounts required by the Realty Trust's mortgage lenders to be set aside and held on deposit by agents of the Realty Trust's mortgage lenders for ongoing current and future expenses. Restricted cash accounts include amounts held for payment of property taxes, property insurance, capital expenditures, tenant improvements and leasing commissions, and for amounts transferred to a cash management account resulting from not achieving certain performance conditions prescribed in the mortgage agreement. Property taxes are paid directly from the reserve accounts. The Realty Trust is able to seek reimbursement from the reserve accounts for qualifying expenditures made for insurance, tenant improvements, leasing commissions, and capital expenditures. Any balances remaining in reserve upon maturity of the corresponding mortgage will be returned to the Realty Trust.

g. *Leases*

The Realty Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Properties leased out under operating leases are included in investment properties in the consolidated statement of financial position.

Direct leasing costs include tenant incentives and leasing commissions. Tenant incentives include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, and are included in the carrying amount of the related investment property. Such incentives are recognized as a reduction of rental income on a straight-line basis over the term of the applicable lease. Leasing commissions are fees paid in connection with negotiating lease contracts with lessees. Such fees are included in the carrying amount of the related investment property and are amortized to property operating expenses on a straight-line basis over the term of the applicable lease.

h. *Revenue recognition*

Rental revenue from investment properties includes base rent and recoveries of specific operating expenses, in accordance with the terms of the lease agreement. Base rent is recognized on a straight-line basis over the applicable lease term, a straight-line rent receivable is recognized in investment properties and is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries are recognized in the period in which the related operating expense is incurred and collectibility is reasonably assured.

Services revenue, which includes services requested by tenants not covered under the leases, is recorded monthly as services are provided.

Revenue is reported in the consolidated statement of income and comprehensive income as rental or services revenue, and is further disaggregated in these notes to consolidated financial statements as base rental revenue, reimbursable expense income or other income and amortization of tenant incentives (see note 5).

i. *Income taxes*

The Realty Trust qualifies as a "mutual fund trust" for Canadian income tax purposes under Part I of the Income Tax Act (Canada) (the Tax Act). The Realty Trust intends to distribute all of its taxable income to unitholders and to deduct such distributions for income tax purposes. Canadian income tax obligations relating to distributions of the Realty Trust are the obligations of the unitholders. Accordingly, no provision has been made in these consolidated financial statements for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains certain provisions (the SIFT Measures) which levy tax on certain trusts and partnerships that are specified investment flow-through entities (SIFTs) in defined circumstances. Certain distributions attributable to a SIFT's "non-portfolio earnings" will not be deductible in computing a SIFT's income and the SIFT will be subject to Canadian income tax on such distributions at regular Canadian corporate rates. The SIFT Measures do not apply to tax a SIFT that qualifies as a "real estate investment trust" or REIT (the REIT Exception). Management believes that the Realty Trust is not a SIFT and therefore not subject to the SIFT Measures. Management further believes that the Realty Trust would also either qualify for the REIT Exception or would not have any non-portfolio earnings for the reporting period. Accordingly, no provision has been made for tax under the SIFT Measures. Management intends to operate the Realty Trust in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. However, the Realty Trust's continued exemption will depend upon meeting, through operating results, various conditions imposed by the SIFT Measures. If the Realty Trust becomes a SIFT and does not qualify for the REIT Exception, it will be subject to federal and provincial income taxes at regular Canadian corporate rates on its non-portfolio earnings, if any, distributed to unitholders.

The Realty Trust has elected to be treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code").

Furthermore, the Realty Trust's subsidiary (REIT 1) made an election to be taxed as a real estate investment trust (U.S. REIT) under the Code. In order for REIT 1 to qualify as a U.S. REIT, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its unitholders equal to a minimum of 90% of their REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. REIT 1 intends to qualify as a U.S. REIT. As a U.S. REIT, REIT 1 generally will not be subject to US federal income tax on its taxable income to the extent such income is distributed to unitholders annually as a dividend. Management believes that all U.S. REIT conditions necessary to eliminate income taxes for the reporting period have been met. Accordingly, no provision for U.S. federal and state income taxes has been made.

Management intends to operate REIT 1 in such a manner so as to qualify as a U.S. REIT on a continuous basis in the future. However, qualification as a REIT will depend upon meeting, through annual and quarterly operating results, the various conditions imposed by the Code. If REIT 1 fails to qualify as an U.S. REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, REIT 1 may not be able to requalify as an U.S. REIT for the four subsequent taxable years. Even if REIT 1 qualifies for taxation as a U.S. REIT, REIT 1 may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

j. Provisions

Provisions for restructuring costs, warranties and legal claims, where applicable, are recognized when the Realty Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

k. Convertible debentures

Convertible debentures issued by the Realty Trust are convertible into common units of the Realty Trust at the option of the holder, and the number of common units of the Realty Trust to be issued is fixed per the terms of the agreements.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest rate method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into common units of the Realty Trust at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into equity and accordingly the conversion feature component of the convertible debentures is also equity. As a result, the conversion feature component of the convertible debenture, if deemed material, is recorded in the consolidated statement of unitholders' equity. Direct attributable transaction costs, if any, are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

I. Financial instruments

Financial instruments are recognized when the Realty Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Realty Trust has transferred substantially all of the risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset amounts and the intention is to settle on a net basis, or realize the asset and settle the liability simultaneously.

Financial instruments are initially recognized in the consolidated statement of financial position at fair value. Subsequent measurement depends on management's classification of the financial instruments. The classification of financial instruments depends on the nature and purpose of the financial instruments, management's choice and, in some circumstances, management's intentions.

Effective January 1, 2018, the Realty Trust has adopted IFRS 9, "Financial Instruments" on a prospective basis (see note 3). The adoption of IFRS 9 has resulted in new classification categories for financial assets and liabilities.

The following table summarizes the Realty Trust's selected financial instrument classifications:

| Financial instruments | IFRS 9 - Classification | IAS 39 - Classification |
|--|---|---|
| Cash and cash equivalents | Financial asset at amortized cost | Loans and receivables |
| Restricted cash | Financial asset at amortized cost | Loans and receivables |
| Accounts receivable | Financial asset at amortized cost | Loans and receivables |
| Accounts payable and accrued liabilities | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Preferred units | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Unit options payable | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Credit facilities | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Convertible debentures | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Mortgages payable | Financial liabilities amortized at cost | Financial liabilities amortized at cost |
| Non-controlling interest | Financial liabilities amortized at cost | Financial liabilities amortized at cost |

The classification and related measurement of the Realty Trust's significant financial instruments are as follows:

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at the amount expected to be received, less a discount, when significant, to reduce the financial assets at amortized cost to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method. Accounts receivable are initially measured at fair value and are subsequently measured at amortized cost less any expected credit loss allowance.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, if reliably measured. Unrealized gains and losses, interest, impairment losses, and foreign exchange gains or losses are recognized in the consolidated statement of income and comprehensive income.

Financial liabilities amortized at cost

Financial liabilities at amortized cost are initially recognized at the amount expected to be paid, less a discount, when significant, to reduce the payable to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

m. *Impairment of financial assets at amortized cost*

The Realty Trust recognizes an allowance for expected credit losses (“allowance”) for all financial assets at amortized cost. For amounts receivable, the Realty Trust applies the simplified approach permitted by IFRS which requires expected lifetime losses to be recognized upon initial recognition of the receivables.

An allowance for impairment is established based on expected lifetime losses, which is determined based on an analysis of historical delinquency of payment and other economic factors. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statement of income and comprehensive income.

In certain cases, the Realty Trust may consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. Default losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the loss was recognized.

n. *Transaction costs and debt premiums or discounts*

Transaction costs related to debt financing and debt premiums or discounts are deferred and amortized over the estimated term of the related financial liability using the effective interest method. Transaction costs on revolving credit facilities are initially deferred and recognized as interest expense using the effective interest method when the facility is drawn upon to the extent that a drawdown of the facility is probable. Transaction costs on credit facilities that represent a prepayment for liquidity services are amortized over the term of the facility.

o. *Critical accounting judgments, estimates and assumptions*

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.

i. Judgments

In the process of applying the Realty Trust’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:

Deferred income taxes

Deferred income taxes are not recognized in the Realty Trust’s consolidated financial statements on the basis that the Realty Trust intends to continue to distribute all of its taxable income and not be a SIFT trust pursuant to the Tax Act for the foreseeable future and that each Property LP intends to continue to distribute all of its taxable income and qualify as a US REIT for the foreseeable future.

ii. Estimates and assumptions

Management's estimates and assumptions are based on historical experience and other factors considered to be reasonable, including expectations of future events. The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

Fair value of investment properties

The Realty Trust carries its investment properties at fair value. The estimated fair value is based primarily on assumptions relating to cash flow from current leases, rental income from future leases in light of current market conditions and capitalization rates at the consolidated statement of financial position date, less estimated future cash outflows in respect of such properties. To determine fair value, the Realty Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and subject to similar leases and other contracts. The Realty Trust has concluded there is insufficient market evidence on which to base investment property valuation using this approach and has therefore determined to use the income approach.

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 properties 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 valuations, in its determination of the fair value of the investment properties:

The income approach estimates fair value by capitalizing the net operating income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method whereby the net operating income is capitalized at the requisite overall capitalization rate; and/or the discounted cash flow method in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

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

When valuations are obtained, they are performed by independent real estate valuation experts with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued.

Fair value of mortgages payable

The Realty Trust makes estimates and assumptions relating to fair value disclosure of the mortgages payable. The critical assumptions underlying the fair value disclosure include the credit spread. The Realty Trust reviews various comparable debt securities and determines a reasonable credit spread applicable to the debt securities.

Fair value of unit options payable

The Realty Trust makes estimates and assumptions relating to fair value disclosure of the unit options payable. The fair value of the unit options is re-measured at each reporting period using the Black-Scholes model. Measurement inputs include unit price on the measurement date, exercise price of the instrument, expected volatility (based on comparable public company share price volatility), expected life of the instruments, expected distributions, and the risk-free interest rate.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a. New and amended standards adopted

IAS 7 – Statement of Cash Flows

IAS 7 requires the presentation of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows, which classifies cash flows during the period according to operating, investing, and financing activities. The amendments to IAS 7 intend to clarify the guidance to improve information provided to users of financial statements about an entity's financing activities. The amendment is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The amendment to IAS 7 has no material impact on the Realty Trust's consolidated financial statements or note disclosures.

IFRS 2 – Share Based Payments

IFRS 2 requires an entity to recognize share-based payment in its financial statements. The amendment to IFRS 2 clarifies the measurement and classification of certain share-based payment transactions. The amendment is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The amendment to IFRS 2 has no material impact on the Realty Trust's consolidated financial statements or note disclosures.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities and derecognition of financial instruments. The standard also introduced a new expected credit loss impairment model for all financial assets measured at amortized cost whereby credit losses are recognized earlier than under IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The amendment to IFRS 9 has no material impact on the Realty Trust's consolidated financial statements or note disclosures.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The standard has been adopted using the modified retrospective method effective January 1, 2018. Base rental income earned from leases is outside the scope of IFRS 15 and is therefore not impacted by the new standard. The adoption of the new standard has no material impact on the consolidated statements of income and comprehensive income or the consolidated statements of cash flows, but requires additional note disclosure to disaggregate revenue recognized from contracts with customers from other sources of revenue. The Realty Trust has included disclosure of the separate components of each revenue stream in these notes to consolidated financial statements (see note 5).

IAS 40 – Investment Property

IAS 40 clarifies the principles for transfers into, or out of, investment property when there has been a change in use. The amendments to IAS 40 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted. The amendment to IAS 40 has no material impact on the Realty Trust's consolidated financial statements or note disclosures.

b. New standards and interpretations not yet adopted

IFRS 16 – Leases

IFRS 16 deals with the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The Realty Trust is currently assessing the impact on the consolidated financial statements upon the adoption of IFRS 16.

4. INVESTMENT PROPERTIES

| | December 31, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| Opening balance | \$ 718,900 | \$ 700,934 |
| Acquisitions (purchase price reimbursement) | - | (545) |
| Recognition of rental revenue on a straight-line basis | 2,451 | 3,828 |
| Leasing commissions and tenant incentives incurred | 14,447 | 7,613 |
| Tenant incentives amortized | (3,022) | (1,850) |
| Leasing commissions amortized | (1,039) | (689) |
| Capital improvements amortized | (789) | (423) |
| Capital improvements made to investment properties | 5,392 | 3,462 |
| Change in fair value of investment properties | 6,360 | 6,570 |
| Ending balance | \$ 742,700 | \$ 718,900 |

Investment properties are initially recorded at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, appraisal fees and any other related acquisition costs.

The balance of investment properties includes \$14.7 million (December 31, 2017 - \$12.3 million) of straight-line rent adjustments.

Subsequent to initial recognition, investment properties are remeasured at fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Therefore, the fair value of a recently acquired investment property would normally be the purchase price. Any subsequent valuations performed on an investment property, after the 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 income and comprehensive income in the year in which they arise. Management and the independent valuers have used their market knowledge and judgment in determining fair value. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.

- Stabilized net operating income – based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted net operating income, among other inputs as described above. Generally, an increase in net operating income will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

Weighted average stabilized net operating income for investment properties is \$53.1 million (2017 - \$51.0 million). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

The following table provides a sensitivity analysis for the weighted average capitalization rate applied at December 31, 2018:

| Capitalization rate increase (decrease) | Capitalization rate | Fair value of investment properties | Fair value variance | Change |
|---|---------------------|-------------------------------------|---------------------|--------|
| % | % | \$ | \$ | % |
| -0.75% | 6.40% | 829,755 | 87,055 | 11.7% |
| -0.50% | 6.65% | 798,554 | 55,854 | 7.5% |
| -0.25% | 6.90% | 769,615 | 26,915 | 3.6% |
| December 31 | 7.15% | 742,700 | - | 0.0% |
| +0.25% | 7.40% | 717,604 | 25,096 | -3.4% |
| +0.50% | 7.65% | 694,148 | 48,552 | -6.5% |
| +0.75% | 7.90% | 672,177 | 70,523 | -9.5% |

The weighted average capitalization rate applied at December 31, 2017 was 7.09%.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

| | December 31, 2018 | December 31, 2017 |
|-----------------------------------|-------------------|-------------------|
| Tenant receivables | \$ 1,343 | \$ 636 |
| Due from related parties (note 9) | 63 | 63 |
| Total | \$ 1,406 | \$ 699 |

As at December 31, 2018, the aging of tenant receivables were:

| | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Tenant receivables | | |
| Current | \$ 1,105 | \$ 588 |
| Aged between 61-90 days | 4 | 8 |
| Aged greater than 90 days | 234 | 40 |
| Total | \$ 1,343 | \$ 636 |

As at December 31, 2018, \$203,558 (December 31, 2017 - \$44,698) was written off as a default loss, with an expected credit loss of \$nil (December 31, 2017 - \$nil) against outstanding receivables. Subsequent to year end, the Realty Trust collected \$52,425 of the tenant receivables which were outstanding greater than 90 days as at December 31, 2018.

In the following table, revenue is disaggregated by base rental revenue, recoverable costs related to the provision of services, and other income:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|--|---------------------------------|---------------|---------------------------------|----------------|
| Base rental revenue | \$ | 69,750 | \$ | 70,732 |
| Reimbursable expense income | | 30,419 | | 30,149 |
| Other income and amortization of tenant incentives | | (1,813) | | (665) |
| Total Revenues | \$ | 98,356 | \$ | 100,216 |

6. MORTGAGES PAYABLE

A summary of mortgages payable is as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|-------------------|----------------|-------------------|----------------|
| Principal amount of mortgages | \$ | 418,358 | \$ | 431,556 |
| Less unamortized mortgage transaction costs | | (2,073) | | (2,159) |
| Balance | | 416,285 | | 429,397 |
| Less current portion of mortgages payable | | (5,694) | | (33,896) |
| Non-current portion of mortgages payable | \$ | 410,591 | \$ | 395,501 |

Mortgages payable comprise eleven mortgages which are recorded at amortized cost. The mortgages are secured by fixed charges against the associated investment properties. The weighted-average interest rate as at December 31, 2018 is 4.74% (December 31, 2017 – 4.71%). The following table summarizes the key provisions of each mortgage:

| Mortgage | Stated interest rate | Effective interest rate | Principal & interest payments (monthly) | Maturity date | Outstanding at December 31, 2018 |
|--------------|----------------------|-------------------------|---|---------------|----------------------------------|
| #1b | 5.128% | 5.252% | \$ 123 | Aug 1, 2028 | \$ 20,750 |
| #2 | 4.380% | 4.544% | 120 | Apr 1, 2023 | 21,607 |
| #3 | - | - | - | - | - |
| #4 | 5.073% | 5.154% | 135 | Oct 1, 2023 | 22,871 |
| #5 | 4.977% | 5.092% | 106 | Apr 1, 2024 | 18,446 |
| #6 | 4.220% | 4.357% | 183 | Nov 1, 2024 | 35,887 |
| #7 | 4.220% | 4.354% | 143 | Dec 1, 2025 | 28,238 |
| #8 | 4.900% | 5.061% | 183 | Feb 1, 2026 | 34,553 |
| #9 | 4.451% | 4.539% | 176 | Nov 1, 2020 | 46,540 |
| #10 | 4.550% | 4.705% | 129 | Jun 1, 2026 | 25,285 |
| #11 | 4.960% | 5.004% | 684 | Dec 1, 2026 | 124,281 |
| #12 | 4.940% | 5.151% | 213 | Jan 1, 2022 | 39,900 |
| Total | | | \$ 2,195 | | \$ 418,358 |

On August 1, 2018, the Realty Trust completed the refinancing of Property 1 LP, whereby the outstanding obligation on Mortgage #1 was repaid in full (\$18.2 million), with proceeds from a new mortgage payable of \$20.8 million (Mortgage #1b). The new loan matures August 1, 2028. In accordance with the terms of the mortgage, payments during the first year of the mortgage comprise interest only. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.

On November 1, 2018, the Realty Trust repaid the outstanding principal balance on Mortgage #3 (\$10.7 million) with available cash on hand and proceeds from Credit Facility #1 and #5 (note 7).

Scheduled principal repayments, excluding amortization of transaction costs, to be made over the next five years and thereafter are as follows:

| | |
|------------|-------------------|
| 2019 | 5,694 |
| 2020 | 53,114 |
| 2021 | 6,949 |
| 2022 | 44,801 |
| 2023 | 46,279 |
| Thereafter | 261,521 |
| | \$ 418,358 |

The interest on mortgages payable incurred and charged to the consolidated statement of income and comprehensive income is recorded as follows:

| | Year ended December 31, 2018 | Year ended December 31, 2017 |
|--|---------------------------------|---------------------------------|
| Interest on mortgages payable | \$ 20,484 | \$ 20,700 |
| Interest on credit facilities and convertible debentures | 2,355 | 3,266 |
| Amortization of debt issuance costs | 351 | 869 |
| Interest expense | \$ 23,190 | \$ 24,835 |

The mortgages payable loan agreements contain various affirmative and negative debt covenants. At December 31, 2018, the Realty Trust was in compliance with all default provisions of the mortgages payable.

7. CREDIT FACILITIES

Adventus Holdings LP entered into an unsecured revolving credit facility in an amount of \$4.0 million (Credit Facility #1) with a maturity date of February 13, 2019. Any borrowing under the facility shall bear interest at a fluctuating rate of interest equal to the LIBOR daily floating rate plus two hundred seventy five (275) basis points per annum. Standby fees of twenty basis points on the unused portion of the facility are also payable quarterly. The credit agreement evidencing the facility contains customary representations, warranties, covenants, and events of default. The Realty Trust guarantees the facility. As at December 31, 2018, \$4.0 million was drawn and outstanding on the facility (2017 - \$nil). On February 13, 2019, Adventus Holdings LP executed an agreement to extend the maturity date to February 13, 2020.

On October 29, 2015, the Realty Trust agreed the terms of a short term credit facility in an amount of CAD \$13.0 million (Credit Facility #2). The full amount available under the credit facility was drawn and proceeds were primarily used for the Barrett Lakes Center acquisition. During the year ending December 31, 2016, the Realty Trust executed amendments to extend the maturity date to October 31, 2018, increase the available credit to CAD \$16.3 million, and effective January 1, 2017, reduce the interest rate to 11% from 12%. In January 2017, the remaining \$1.1 million (CAD \$1.5 million) was drawn. On June 29, 2017, the Realty Trust repaid the full amount outstanding on the short term credit facility.

On August 23, 2016, the Realty Trust agreed the terms of a short term credit facility in an amount of \$10.0 million (Credit Facility #3). The full amount available under the facility was drawn and proceeds were used to fund a deposit on the Riverway Property acquisition. On November 14, 2016, the Realty Trust executed an amendment to extend the maturity date to October 31, 2018, increase the available credit to \$11.5 million, and reduce the interest rate to 11% from 12%. During the year ended December 31, 2017, the Realty Trust repaid the full amount outstanding on the short term credit facility.

On September 19, 2016, the Realty Trust agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$6.0 million (Credit Facility #4). The full amount available under the facility was drawn with proceeds used to fund the Riverway Property acquisition. On December 20, 2016, the Realty Trust executed an amendment to extend the maturity date to October 31, 2018, reduce the facility to CAD \$3.0 million, which was repaid by the Realty Trust on December 22, 2016, and effective January 1, 2017, reduce the interest rate to 11% from 12%. On June 29, 2017, the Realty Trust repaid the full amount outstanding on the short term credit facility.

On October 17, 2018, the Realty Trust agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$5.5 million (Credit Facility #5), maturing December 31, 2018. The full amount available under the credit facility was drawn and proceeds were primarily used for settlement of Mortgage #3. On December 13, 2018, the Realty Trust repaid the full amount outstanding on the short term credit facility.

8. CONVERTIBLE DEBENTURES

The Realty Trust has issued convertible unsecured subordinated debentures (collectively “Convertible Debentures”) over seven tranches as follows:

| Original Principal | Interest Rate | Maturity Date | Outstanding at December 31, 2018 | Outstanding at December 31, 2017 |
|--|----------------------|----------------------|---|-------------------------------------|
| \$ 11,400 | 10.5% | November 2018 | \$ - | \$ 11,400 |
| 9,500 | 10.5% | December 2018 | - | 9,500 |
| 1,000 | 8.0% | November 2020 | 1,000 | - |
| 10,797 | 8.0% | December 2020 | 10,797 | - |
| 20,000 ⁽¹⁾ | 8.0% | December 2020 | 14,659 | - |
| Principal amount of convertible debentures | | | \$ 26,456 | \$ - |
| Less unamortized transaction costs | | | (924) | - |
| Balance | | | \$ 25,532 | \$ 20,900 |

⁽¹⁾ amount in thousands of Canadian dollars

During the year ended December 31, 2018, the Realty Trust issued 8% convertible unsecured debentures for gross proceeds of \$11.8 million and CAD \$20.0 million. During the year ended December 31, 2018, the Realty Trust settled the outstanding 10.5% convertible debentures with \$10.45 million in cash, and exchanged \$10.45 million for the newly issued 8% convertible debentures.

For the 8% convertible debentures outstanding as at December 31, 2018, the entire principal balance is convertible at the holder’s option at any time, at \$17.50 per common unit of the Realty Trust. The Realty Trust at its option is able to redeem the full amount of the principal at any time after one year, at various rates between par, and par plus 3%.

At December 31, 2018, \$26.5 million of the principal value of the 8% convertible debentures was outstanding, net of deferred transaction costs (December 31, 2017 – \$20.9 million); the conversion feature of the convertible debentures has a nominal value.

9. NON-CONTROLLING INTEREST

| | | General Partner |
|--|-------------|----------------------------|
| December 31, 2016 | 0.5% | \$ 517 |
| Change in non-controlling interest charged to other expenses | - | 172 |
| December 31, 2017 | 0.5% | \$ 689 |
| Change in non-controlling interest charged to other expenses | - | 150 |
| December 31, 2018 | 0.5% | \$ 839 |

Non-controlling interest comprises:

- i. 0.5% General Partner interest in each of the Property LP's.
- ii. During the year ended December 31, 2014, Adventus Holdings LP (REIT 1) transferred 0.40% of its interest in Property 1 LP to Adventus Elgin GP LLC, Property 1 LP's General Partner. The fair value of the transferred interest was based on the equity value of Property 1 LP at the date of transfer. The transaction involved no cash consideration. Adventus Holdings LP (REIT 1) recorded the fair value as an amount due from a related party. At December 31, 2018, \$62,547 remained outstanding and has been included in accounts receivable (see note 5).

10. UNIT OPTION PLAN

On April 28, 2014, the Board of Trustees approved a unit option plan under which options can be granted at the discretion of the Board to any Trustee, Officer, Director, current employee, or consultant. The maximum number of units reserved for issuance under the plan at any time shall be limited to 10% of the total issued and outstanding units of the Trust. The exercise price for units that are the subject of any option shall be fixed by the Board when such option is granted, provided that such exercise price shall not be less than the fair market value of the units at the time of the grant.

Liquidity options are tied to a liquidity event as defined in the plan, whereby option holders can only exercise when a liquidity event occurs. The regular options vest at 33.33% per year from the grant date, will be fully vested after three years, and expire on the fifth anniversary of the Date of Grant. The liquidity options vest over the time period assumed to the liquidity event date and fully vest at the time of the liquidity event.

The unit option plan is considered a cash-settled plan with the fair value of the units recorded as a liability on the consolidated statement of financial position. The liability is released to equity when the unit options are converted to trust units at the option of the holder. The liability can also be released if the option-holder elects for a cashless exercise whereby the Realty Trust will make a cash payment to the option-holder of the in-the-money amount calculated as the fair market value of the units issuable under such option less the exercise price.

During the year ended December 31, 2018, a total of 270,000 regular options were granted with an exercise price of USD \$16.50 per unit. A total of 46,333 options were forfeited with an average exercise price of USD \$14.94, and 10,000 options were forfeited with an average exercise prices of CAD \$14.00. A total of 262,667 options were exercised at an average price of CAD \$14.67, and 160,333 options were exercised at an average price of USD \$13.87 during the period.

During the year ended December 31, 2017, total of 254,000 options were granted with an exercise price of USD \$14.75 per unit, comprising 234,000 regular options, and 20,000 liquidity options. No options were forfeited, 58,000 options were exercised at an average price of CAD \$14.34, and 32,333 options were exercised at an average price of USD \$13.93 during the year.

The fair value of the unit options is re-measured at each reporting period using the Black-Scholes model. Measurement inputs include unit price on the measurement date, exercise price of the instrument, expected volatility (based on comparable public company share price volatility), expected life of the instruments, expected distributions, and the risk-free interest rate (based on zero coupon government of Canada bonds with a similar expected life).

The assumptions used for the period ended December 31, 2018 are as follows:

| Input | Assumption |
|--|-------------------|
| Unit price on measurement date (USD) | \$17.00 |
| Exercise price of the instrument (USD) | \$13.50-\$16.50 |
| Exercise price of the instrument (CAD) | \$14.00-\$15.25 |
| Expected volatility | 16.56% |
| Expected remaining life | 0-3.2 years |
| Expected distributions | 6.18% |
| Risk-free interest rate | 2.12% |

At December 31, 2018, the fair value of the unit options was \$0.8 million (December 31, 2017 - \$1.5 million). Unit-based compensation expense of \$1.2 million for the period ended December 31, 2018 (December 31, 2017 - \$0.6 million) was included in general and administrative expenses in the consolidated statement of income and comprehensive income.

A summary of the status of the unit option plan as at December 31, 2018 and the changes during the respective period are as follows:

| | Units | December 31, 2018 | |
|----------------------------------|-----------|---------------------------------------|---------------------------------------|
| | | Weighted average exercise price (CAD) | Weighted average exercise price (USD) |
| Outstanding, beginning of year | 776,667 | \$14.54 | \$14.20 |
| Granted | 270,000 | - | \$16.50 |
| Exercised | (423,000) | \$14.67 | \$13.87 |
| Forfeited | (56,333) | \$14.00 | \$14.94 |
| Outstanding, end of year | 567,334 | \$14.13 | \$15.50 |
| Options Exercisable, end of year | 54,333 | \$15.25 | \$14.32 |

The options outstanding at December 31, 2018 are exercisable at a weighted average exercise price of CAD \$14.13, and USD \$15.50 with an average remaining life of 3.1 years.

11. PREFERRED UNITS

In order to maintain REIT status for US taxation purposes, REIT 1 must maintain a minimum of at least 100 direct shareholders. REIT 1 has issued 125 preferred units to meet this requirement in the face amount of \$1,000 per unit. Each unitholder is entitled to cumulative dividends of 12.5% per annum of the face amount, payable semi-annually.

In January 2013, 125 preferred units were issued by Adventus Holdings LP for gross subscription proceeds of \$125,000. During the year ended December 31, 2018, Adventus Holdings LP paid dividends to preferred unitholders of \$15,625 (2017 - \$15,625).

Holdings LP at its option may redeem some or all of the preferred units for a redemption price equal to \$1,000 per unit plus all accrued and unpaid distributions on the date of redemption. No preferred units were redeemed by Adventus Holdings LP during the year ended December 31, 2018.

12. UNITHOLDERS' EQUITY

Unitholders' equity includes the initial capital contribution to the Realty Trust made by Adventus Capital Partners Ltd. (ACP Ltd.), a related party by virtue of being the ultimate parent of the Trustee.

The Realty Trust is authorized to issue an unlimited number of redeemable common units of beneficial interest. Each common unit entitles the common unitholder to the same rights and obligations as any other common unitholder and no common unitholder is entitled to any privilege, priority or preference in relation to any other common unitholder.

Each common unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains. On termination, the common unitholders of record are entitled to receive all of the assets of the Realty Trust remaining after payment of all debts, liabilities and liquidation expenses of the Realty Trust.

On September 23, 2016, a resolution was passed at a special meeting of common unitholders of the Realty Trust authorizing the creation of a new class of preferred units. The preferred units may be issued in one or more series, and the Trustee may fix the number of preferred units which is to comprise each series and the designation, rights, restrictions and conditions attaching to each series. The number of preferred units that is authorized and that may be issued is limited to the extent that the aggregate subscription price received for all preferred units that are issued shall not exceed \$25.0 million. As of December 31, 2018, there are no Realty Trust preferred units issued or outstanding.

During the year ended December 31, 2018, the Realty Trust issued 558,943 common units for proceeds of \$9.4 million and redeemed 9,143 common units for \$0.1 million.

During the year ended December 31, 2017, the Realty Trust issued 2,021,569 common units for proceeds of \$30.2 million.

On May 20, 2015, the Realty Trust implemented a distribution reinvestment plan (the "DRIP"), which allows common unitholders to direct cash distributions paid on their existing common units to be reinvested in additional common units directly from the Trust. The common units are issued at 97% of the Average Market Price of the common units. The Average Market Price is regularly reviewed and set by the Trustee. During the year ended December 31, 2018 the Realty Trust issued 73,726 common units (2017 – 74,366) under the DRIP.

Distributions are declared and paid by the Realty Trust subject to the approval of the Trustee. During the year ended December 31, 2018, the Realty Trust declared distributions of \$15.6 million, of which \$1.3 million is included in accounts payable and accrued liabilities as at December 31, 2018. During the year ended December 31, 2017, the Realty Trust declared distributions of \$14.4 million, of which \$1.3 million is included in accounts payable and accrued liabilities as at December 31, 2017.

In the event of a sale of an investment property, distributions are subject to the incentive management interest, which is an allocation and distribution to be made to Adventus Realty Limited Partnership (see note 17b). No amount has been accrued December 31, 2018, or December 31, 2017, in respect of Adventus Realty Limited Partnership's interest in the cumulative gains on investment properties as it is contingent on the eventual timing of sale, if any, of the investment properties and the proceeds eventually resulting from any disposal.

13. CAPITAL MANAGEMENT

The Realty Trust defines capital as the aggregate of unitholders' equity, non-controlling interest, mortgages payable, credit facilities, convertible debentures and preferred units. The Realty Trust's objectives in managing capital are to maintain a level of capital that funds its business strategies and builds long-term unitholders' value. The Realty Trust's capital structure is approved by the Trustee through its periodic reviews.

The capital structure consists of the following components:

| | December 31, 2018 | December 31, 2017 |
|--------------------------|----------------------|----------------------|
| Capital | | |
| Mortgages payable | \$ 416,285 | \$ 429,397 |
| Credit facilities | 4,000 | - |
| Convertible debentures | 25,532 | 20,900 |
| Non-controlling interest | 839 | 689 |
| Preferred units | 125 | 125 |
| Unitholders' equity | 291,655 | 268,601 |
| Total capital | \$ 738,436 | \$ 719,712 |

During the year ended December 31, 2018, the total capital of the Realty Trust increased due to proceeds received from units issued during the year, drawdown of credit facilities, convertible debenture proceeds received and net income and comprehensive income earned. The increase was partially offset by the distributions to trust unitholders, and payments made against outstanding debt.

14. FAIR VALUE MEASUREMENT

Financial assets and liabilities accounted for or disclosed at fair value on a recurring basis are classified within a fair value hierarchy that reflects the significance of the inputs used in determining fair value. There are three levels of fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets

Instruments that have unadjusted quoted prices available in an active market for identical assets or liabilities.

Level 2 – Significant other observable inputs

Instruments that do not have quoted prices in active markets but for which market observable inputs are used as the inputs in the determination of fair value.

Level 3 – Unobservable inputs

Instruments that have a significant input into the fair value measurement that is derived from management's best estimates, and market observable information is not available.

For certain of the Realty Trust's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities, the carrying amounts approximate their fair values due to the short term nature of these instruments. Non-controlling interest carrying amount approximates its fair value as non-controlling interest is measured at the respective proportionate share of each Property LP's net identifiable assets.

Investment properties – Investment properties are measured on a recurring basis on the balance at fair value in the consolidated statement of financial position and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 4).

Mortgages payable – The disclosure of fair value of mortgage payables is measured using discounted cash flow analyses, based on rates currently available for mortgages with similar terms and remaining maturities and the current credit worthiness of the Realty Trust.

Convertible debentures – the debt component of the convertible debenture is measured on a recurring basis on the balance at fair value of similar debt instruments without a conversion feature.

Preferred units – The preferred units carrying amount approximates their fair value which is equivalent to the defined redemption price at which the units may be redeemed at the option of Holdings LP.

Unit options payable – Unit options payable are measured on a recurring basis on the balance at fair market value and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 10).

The following tables includes the estimated fair value, carrying value, and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring basis:

| December 31, 2018 | | | | | |
|------------------------|-------------------------------|----|--|----|-----------------------------------|
| | Fair value hierarchy level | | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ | 742,700 | \$ | 742,700 |
| Mortgages payable | Level 3 | | (418,358) | | (415,864) |
| Convertible debentures | Level 3 | | (25,532) | | (25,532) |
| Preferred units | Level 2 | | (125) | | (125) |
| Unit options payable | Level 3 | | (823) | | (823) |

| December 31, 2017 | | | | | |
|------------------------|-------------------------------|----|--|----|-----------------------------------|
| | Fair value hierarchy level | | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ | 718,900 | \$ | 718,900 |
| Mortgages payable | Level 3 | | (431,556) | | (428,635) |
| Convertible debentures | Level 3 | | (20,900) | | (20,900) |
| Preferred units | Level 2 | | (125) | | (125) |
| Unit options payable | Level 3 | | (1,463) | | (1,463) |

15. FINANCIAL RISK MANAGEMENT

The Trustee of the Realty Trust has the overall responsibility for the establishment and oversight of the Realty Trust's risk management framework. The Realty Trust's risk management policies are established to identify and analyze the risks faced by the Realty Trust, 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 Realty Trust's activities.

In the normal course of business, the Realty Trust is exposed to a number of risks that can affect its operating performance. 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 Realty Trust if a tenant or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Realty Trust's accounts receivable, cash and cash equivalents, and restricted cash.

Exposure to credit risk on tenant receivables is influenced mainly by the individual characteristics of each tenant. The Realty Trust minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

Credit risk associated with cash and cash equivalents and restricted cash is minimized by ensuring that such amounts are held by high-quality financial institutions.

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 Realty Trust has primarily entered into fixed interest rate mortgages, credit facilities, and convertible debentures, and accordingly does not face material interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that the Realty Trust 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 Realty Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Realty Trust were required to liquidate a real estate property investment, the proceeds to the Realty Trust might be significantly less than the aggregate carrying value of such property.

The Realty Trust's approach to managing liquidity is to endeavor to ensure that it will have sufficient cash available to meet its liabilities when due. The Realty Trust continues to actively manage its outstanding obligations through repayment of debt and execution of extension agreements. The Realty Trust believes it can refinance mortgages due to sufficiently cover liquidity requirements.

d. Currency risk

Currency risk is the risk associated with a fluctuation in the value of the US dollar as related to other foreign currencies. The Realty Trust is exposed to currency risk as certain transactions related to payment of the Realty Trust's expenses, and receipt of proceeds from certain debt financings, are denominated in Canadian dollars.

e. Redemption risk

The Realty Trust's unitholders are entitled to redeem units at any time on demand. The aggregate redemption price payable by the Realty Trust is subject to limitations. The Realty Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Realty Trust in any quarter will exceed the lesser of CAD \$100,000 and the amount that is 0.75% of the aggregate subscription price of all trust units that were issued and outstanding at the start of such 12-month period.

16. LEASES

The Realty Trust has entered into lease agreements on its property portfolio. The following table summarizes the future minimum revenue receivable under non-cancellable operating leases as at December 31, 2018:

| | | |
|--|----|----------------|
| Not later than 1 year | \$ | 63,176 |
| Later than 1 year and not later than 5 years | | 166,689 |
| Later than 5 years | | 32,672 |
| | \$ | 262,537 |

17. RELATED PARTY TRANSACTIONS

- a) The Realty Trust through REIT 1 has entered into the Advisory Management Agreement with ACP Ltd., the ultimate parent of the General Partner. ACP Ltd. is responsible for providing administrative and financial services at either: (i) 1.5% of gross revenue per month; or (ii) 0.5% of gross revenue per month, and property services for evaluating and recommending the acquisition or sale of any investment property. Property services include acquisition fees (1.5% of the Purchase Price (as defined in the Advisory Management Agreement) of any investment property acquired) and disposition fees (1.5% of the gross sales proceeds from any investment property disposed).

Amounts incurred by the Realty Trust for such services for the periods indicated below were as follows:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---------------------------------------|---------------------------------|-------|---------------------------------|-------|
| Administrative and financial services | \$ | 1,280 | \$ | 1,299 |

For the years ended December 31, 2018 and December 31, 2017 no amounts were incurred by the Realty Trust for acquisition or disposition fees. As at December 31, 2018 and December 31, 2017, \$0.3 million and \$3.9 million, respectively, was payable to ACP Ltd. in relation to acquisition fees pursuant to the Advisory Management Agreement. These amounts owing, which are reflected in the consolidated statement of financial position as accounts payable and accrued liabilities, are without interest.

- b) The Realty Trust has entered into a Limited Partnership Agreement with Adventus Realty Limited Partnership, a partnership related by virtue of having officers and directors in common, whereby Adventus Realty Limited Partnership earns an incentive management fee. The incentive management interest, which is an allocation and distribution to be made to Adventus Realty Limited Partnership, subject to the payment of the Realty Trust's minimum return, in an amount equal to 20% Cumulative Capital Gains Account less Aggregate Net Abort Costs and Aggregate Net Disposition Fee (all as defined in the Limited Partnership Agreement). Since the Realty Trust has not triggered any capital gains from the disposal of assets, no accrual has been recognized in these consolidated financial statements for the incentive management interest during the years ended December 31, 2018 or December 31, 2017.
- c) On October 29, 2018, the Realty Trust borrowed CAD \$5.5 million (Credit Facility #5) from a company controlled by a Director. The proceeds were used primarily for settlement of Mortgage #3 (see note 7). As at December 31, 2018 the full amount drawn on the credit facility had been repaid.

18. COMMITMENTS AND CONTINGENCIES

The Realty Trust and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, and with respect to litigation and claims that arise from time to time. Tenant incentive commitments for executed lease agreements commencing after year end have been appropriately accrued.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items

The following represents the changes in non-cash working capital items during the year:

| | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|---|---------------------------------|
| Restricted cash | \$ (911) | \$ (3,198) |
| Prepaid expenses and other current assets | 355 | (106) |
| Accounts receivable | (707) | 397 |
| Prepaid rent | (108) | 214 |
| Accounts payable and accrued liabilities | (1,598) | (781) |
| Unit options payable | (640) | 521 |
| Net change | \$ (3,609) | \$ (2,953) |

20. SUBSEQUENT EVENTS

In February 2019, Adventus Holdings LP and the lender signed an amendment to Credit Facility #1 to extend the maturity date of the facility to February 13, 2020.

Subsequent to December 31, 2018, the Realty Trust issued new 8.0% convertible unsecured subordinated debentures for gross proceeds of \$2.4 million, maturing in December 2020.

ADVENTUS REALTY TRUST

Condensed Financial Statements

For the three months ended March 31, 2019, and 2018

Unaudited – prepared by management

Expressed in United States dollars

| | March 31, 2019 | December 31, 2018 |
|---|-------------------|----------------------|
| ASSETS | | |
| Non-current assets | | |
| Investment properties (note 4) | \$ 742,700 | \$ 742,700 |
| Current assets | | |
| Prepaid expenses and other current assets | 3,059 | 691 |
| Accounts receivable (note 5) | 1,467 | 1,406 |
| Restricted cash | 18,570 | 16,643 |
| Cash | 1,398 | 918 |
| | 24,494 | 19,658 |
| TOTAL ASSETS | \$ 767,194 | \$ 762,358 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Mortgages payable (note 6) | \$ 409,003 | \$ 410,591 |
| Convertible debentures (note 8) | 29,379 | 25,532 |
| Preferred units (note 11) | 125 | 125 |
| Unit options payable (note 10) | 895 | 823 |
| Non-controlling interest (note 9) | 872 | 839 |
| | 440,274 | 437,910 |
| Current liabilities | | |
| Mortgages payable - current portion (note 6) | 6,087 | 5,694 |
| Credit facilities (note 7) | 5,878 | 4,000 |
| Prepaid rent | 3,714 | 3,193 |
| Accounts payable and accrued liabilities (note 17a) | 19,047 | 19,906 |
| | 34,726 | 32,793 |
| TOTAL LIABILITIES | 475,000 | 470,703 |
| UNITHOLDERS' EQUITY (note 12) | 292,194 | 291,655 |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | \$ 767,194 | \$ 762,358 |

Commitments and contingencies (note 18)

Subsequent events (note 19)

Approved by the Trustee, Adventus Realty Services Inc.

/s/ Gerald G. Cameron Director

Gerald G. Cameron

/s/ Rodney B. Johnston

Director

Rodney B. Johnston

| | Units | | Unitholders' Equity |
|--|-------------------|-----------|------------------------|
| Balance, December 31, 2017 | 14,709,780 | \$ | 268,601 |
| Units issued during the year for cash (note 12) | 151,196 | | 2,495 |
| Units issued during the year under distribution reinvestment plan (note 12) | 22,255 | | 356 |
| Net income and comprehensive income | - | | 4,289 |
| Distributions to trust unitholders (note 12) | - | | (3,787) |
| Balance, March 31, 2018 | 14,883,231 | \$ | 271,954 |
| | | | |
| Balance, December 31, 2018 | 15,333,306 | \$ | 291,655 |
| Units issued during the period under distribution reinvestment plan, net (note 12) | 7,364 | | 124 |
| Net income and comprehensive income | - | | 4,441 |
| Distributions to trust unitholders (note 12) | - | | (4,026) |
| Balance, March 31, 2019 | 15,340,670 | \$ | 292,194 |

| | For the three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|--|--|---|
| REVENUES | | |
| Rental | \$ 25,145 | \$ 25,169 |
| Amortization of tenant incentives | (1,002) | (560) |
| Services | 303 | 262 |
| TOTAL REVENUES | 24,446 | 24,871 |
| OPERATING EXPENSES | | |
| Insurance | 301 | 299 |
| Property taxes | 4,098 | 3,825 |
| Utilities | 2,270 | 2,181 |
| Property operating expenses | 5,525 | 5,236 |
| Amortization of leasing costs and capital expenditures | 477 | 400 |
| TOTAL OPERATING EXPENSES | 12,671 | 11,941 |
| NET OPERATING INCOME | 11,775 | 12,930 |
| OTHER INCOME | | |
| Foreign exchange loss | (352) | (1) |
| Fair value adjustments to investment properties (note 4) | (584) | (1,851) |
| TOTAL OTHER INCOME (LOSS) | (936) | (1,852) |
| OTHER EXPENSES | | |
| Interest (note 6) | 5,780 | 5,717 |
| General and administrative (note 17a) | 400 | 905 |
| Legal and professional fees | 185 | 130 |
| Change in non-controlling interest (note 9) | 33 | 37 |
| TOTAL OTHER EXPENSES | 6,398 | 6,789 |
| NET INCOME AND COMPREHENSIVE INCOME | \$ 4,441 | \$ 4,289 |

| | For the three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|--|--|---|
| Cash provided by (used in) | | |
| OPERATIONS | | |
| Net income and comprehensive income | \$ 4,441 | \$ 4,289 |
| Items not involving cash: | | |
| Recognition of rental revenue on a straight-line basis | (551) | (573) |
| Amortization (note 4) | 1,479 | 961 |
| Interest expense | 5,780 | 5,717 |
| Fair value adjustments to investment properties | 584 | 1,851 |
| Foreign exchange loss on credit facilities | 348 | - |
| Change in non-controlling interest | 33 | 37 |
| Change in restricted cash – free rent account | - | 116 |
| Change in non-cash working capital items | (3,185) | (936) |
| Direct leasing costs - renewals | (1,403) | (912) |
| | 7,526 | 10,550 |
| INVESTING | | |
| Payments on acquisition of investment properties | (110) | - |
| Payments for capital improvements | (1,101) | (1,343) |
| Other investment property expenditures | (1,221) | (128) |
| | (2,432) | (1,471) |
| FINANCING | | |
| Proceeds from issuance of units (note 12) | - | 2,495 |
| Distributions to trust unitholders (note 12) | (3,901) | (3,444) |
| Repayment of mortgages payable | (1,244) | (1,354) |
| Drawdown on credit facilities (note 7) | 1,891 | - |
| Proceeds from issuance of convertible debentures (note 8) | 3,435 | - |
| Debt issuance costs | (49) | (32) |
| Net changes in restricted cash for direct leasing costs and capital expenditures | 500 | (903) |
| Interest paid | (5,246) | (5,618) |
| | (4,614) | (8,856) |
| Change in cash during the period | 480 | 223 |
| Cash, beginning of period | 918 | 5,193 |
| CASH, END OF PERIOD | \$ 1,398 | \$ 5,416 |

1. NATURE OF BUSINESS

Adventus Realty Trust (the Realty Trust) is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated December 13, 2011, as amended February 17, 2015, and April 30, 2018, under, and governed by, the laws of the Province of British Columbia and the federal laws in Canada applicable therein. The Realty Trust's head office is located at 1660 – 999 West Hastings Street, Vancouver, BC, V6C 2W2, Canada.

The principal business of the Realty Trust is to invest in Adventus Realty Canada Holdings Limited Partnership (the Canadian Investment LP). The principal business of the Canadian Investment LP is to invest the proceeds from the issuance of Canadian Investment LP units and promissory notes payable in the acquisition of units of Adventus Holdings LP (REIT 1). The principal business of REIT 1 is to invest the proceeds from the issuance of REIT 1 units in the acquisition of units of limited partnership structures which own commercial real estate. As at March 31, 2019, REIT 1 has invested in thirteen limited partnerships as follows:

- i. Adventus US Realty #1 LP (Property 1 LP), through REIT 1, which holds title to the Elgin Complex;
- ii. Adventus US Realty #2 LP (Property 2 LP), through REIT 1, which holds title to the Oak Brook Office Center;
- iii. Adventus US Realty #3 LP (Property 3 LP), through REIT 1, which holds title to the Deerfield Property;
- iv. Adventus US Realty #4 LP (Property 4 LP), through REIT 1, which holds title to the Crossings Office Complex;
- v. Adventus US Realty #5 LP (Property 5 LP), through REIT 1, which holds title to the Cantera Meadows Property;
- vi. Adventus US Realty #6 LP (Property 6 LP), through REIT 1, which holds title to the Columbia Centre I & II Property;
- vii. Adventus US Realty #7 LP (Property 7 LP), through REIT 1, which holds title to the Columbia Centre III Property;
- viii. Adventus US Realty #8 LP (Property 8 LP), through REIT 1, which holds title to the Barrett Lakes Property Buildings;
- ix. Adventus US Realty #9 LP (Property 9 LP), through REIT 1, which holds title to the Highland Landmark V Property;
- x. Adventus US Realty #10 LP (Property 10 LP), through REIT 1, which holds title to the Barrett Lakes Property Land;
- xi. Adventus US Realty #11 LP (Property 11 LP), through REIT 1, which holds title to the Parkwood Property;
- xii. Adventus US Realty #12 LP (Property 12 LP), through REIT 1, which holds title to the Riverway Property;
- xiii. Adventus US Realty #13 LP (Property 13 LP), through REIT 1, which holds title to the Milton Park Property;

collectively, the “Property LPs”. The above entities are subsidiaries of the Realty Trust. The Trustee of the Realty Trust is Adventus Realty Services Inc., which was incorporated pursuant to the Canada Business Corporations Act on December 9, 2011.

On March 27, 2018, a special meeting of unitholders of the Realty Trust was held to pass a special resolution authorizing the management and Board of the Trustee of the Realty Trust to form a new trust, initially with a smaller size and a similar investment policy to the Realty Trust.

Following the special meeting, management has suspended additional property acquisitions by the Realty Trust and will continue to manage and operate the Realty Trust's existing portfolio of office buildings for cash flow, capital appreciation and strategic refinancing opportunities.

2. BASIS OF PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These condensed financial statements have been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These condensed financial statements were approved by the Trustee for issue on May 14, 2019.

a. *Basis of consolidation*

These condensed financial statements include the accounts of the Realty Trust and its subsidiaries. Subsidiaries are all entities (including structured entities) that the Realty Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Realty Trust and are de-consolidated from the date that control ceases. Intercompany balances and transactions with subsidiaries have been eliminated upon consolidation.

Certain information and footnote disclosures required by IFRS for complete annual financial statements have been omitted and, therefore these interim unaudited condensed financial statements should be read in conjunction with the Realty Trust's audited consolidated financial statements for the year ended December 31, 2018. In the opinion of management, these unaudited interim condensed financial statements reflect all adjustments, consisting solely of a normal recurring nature, necessary to present fairly, in all material respects, the Realty Trust's condensed financial position, results of operations and cash flows for the period presented.

b. *Non-controlling interest*

Non-controlling interest represents a nominal ownership interest of 0.50% by separate General Partners in each of the Property LP's. Distributions shall be made 99.5% to the Limited Partner and 0.5% to the General Partner at the times and aggregate amounts determined by the General Partner. The non-controlling interest has been presented in these condensed financial statements as a liability as opposed to equity.

c. *Functional and presentation currency*

Items in the financial statements of each of the Realty Trust's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

These condensed financial statements are presented in U.S. dollars, which is also the Realty Trust's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the condensed statement of income and comprehensive income.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a. *New and amended standards adopted*

IFRS 2 – Share Based Payments

IFRS 2 requires an entity to recognize share-based payment in its financial statements. The amendment to IFRS 2 clarifies the measurement and classification of certain share-based payment transactions. The amendment is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The amendment to IFRS 2 has no material impact on the Realty Trust's condensed financial statements or note disclosures.

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB on November 12, 2009, and upon adoption will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities and derecognition of financial instruments. The standard also introduced a new expected credit loss impairment model for all financial assets measured at amortized cost whereby credit losses are recognized earlier than under IAS 39. IFRS 9 is effective for annual periods beginning on or after January

1, 2018. The amendment to IFRS 9 has no material impact on the Realty Trust's condensed financial statements or note disclosures.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The standard has been adopted using the modified retrospective method effective January 1, 2018. Base rental income earned from leases is outside the scope of IFRS 15 and is therefore not impacted by the new standard. The adoption of the new standard has no material impact on the condensed statements of income and comprehensive income or the condensed statements of cash flows, but requires additional note disclosure to disaggregate revenue recognized from contracts with customers from other sources of revenue. The Realty Trust has included disclosure of the separate components of each revenue stream in these notes to condensed financial statements (see note 5).

IAS 40 – Investment Property

IAS 40 clarifies the principles for transfers into, or out of, investment property when there has been a change in use. The amendments to IAS 40 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted. The amendment to IAS 40 has no material impact on the Realty Trust's condensed financial statements or note disclosures.

IFRS 16 – Leases

IFRS 16 deals with the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. The amendment to IFRS 16 has no material impact on the Realty Trust's condensed financial statements or note disclosures.

4. INVESTMENT PROPERTIES

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|----------------------|
| Opening balance | \$ 742,700 | \$ 718,900 |
| Recognition of rental revenue on a straight-line basis | 551 | 2,451 |
| Leasing commissions and tenant incentives incurred | 808 | 14,447 |
| Tenant incentives amortized | (1,002) | (3,022) |
| Leasing commissions amortized | (245) | (1,039) |
| Capital improvements amortized | (232) | (789) |
| Capital improvements made to investment properties | 704 | 5,392 |
| Change in fair value of investment properties | (584) | 6,360 |
| Ending balance | \$ 742,700 | \$ 742,700 |

Investment properties are initially recorded at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, appraisal fees and any other related acquisition costs.

The balance of investment properties includes \$15.3 million (December 31, 2018 - \$ 14.7 million) of straight-line rent adjustments.

Subsequent to initial recognition, investment properties are remeasured at fair value on a recurring basis and categorized as Level 3 in the fair value hierarchy. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Therefore, the fair value of a recently acquired investment property would normally be the purchase price. Any subsequent valuations performed on an investment property, after the 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 condensed statement of income and comprehensive income in the year in which they arise. Management and the independent valuers have used their market knowledge and judgment in determining fair value. The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate – based on location, size and quality of the properties and taking into account market data at the valuation date.
- Stabilized net operating income – based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted net operating income, among other inputs as described above. Generally, an increase in net operating income will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

| | | March 31, 2019 | | December 31, 2018 |
|--------------------------|-----------|---------------------------|-----------|----------------------|
| Tenant receivables | \$ | 1,404 | \$ | 1,343 |
| Due from related parties | | 63 | | 63 |
| Total | \$ | 1,467 | \$ | 1,406 |

As at March 31, 2019, the aging of tenant receivables were:

| | | March 31, 2019 | | December 31, 2018 |
|---------------------------|-----------|---------------------------|-----------|----------------------|
| Tenant receivables | | | | |
| Current | \$ | 933 | \$ | 1,105 |
| Aged between 61-90 days | | 38 | | 4 |
| Aged greater than 90 days | | 433 | | 234 |
| Total | \$ | 1,404 | \$ | 1,343 |

As at March 31, 2019, \$nil (December 31, 2018 - \$203,558) was written off as a default loss, with an expected credit loss of \$nil (December 31, 2018 - \$nil) against outstanding receivables. Subsequent to period end, the Realty Trust collected \$331,106 of the tenant receivables which were outstanding greater than 90 days as at March 31, 2019.

In the following table, revenue is disaggregated by base rental revenue, recoverable costs related to the provision of services, and other income:

| | | Three months ended March 31, 2019 | | Three months ended March 31, 2018 |
|--|-----------|--|-----------|--------------------------------------|
| Rental revenue | \$ | 17,297 | \$ | 17,436 |
| Reimbursable expense income | | 7,848 | | 7,733 |
| Other income and amortization of tenant incentives | | (699) | | (298) |
| Total Revenues | \$ | 24,446 | \$ | 24,871 |

6. MORTGAGES PAYABLE

A summary of mortgages payable is as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---------------------------|----------------------|
| Principal amount of mortgages | \$ 417,114 | \$ 418,358 |
| Less unamortized mortgage transaction costs | (2,024) | (2,073) |
| Balance | 415,090 | 416,285 |
| Less current portion of mortgages payable | (6,087) | (5,694) |
| Non-current portion of mortgages payable | \$ 409,003 | \$ 410,591 |

Mortgages payable comprise twelve mortgages which are recorded at amortized cost. The mortgages are secured by fixed charges against the associated investment properties. The weighted-average interest rate as at March 31, 2019 is 4.74% (December 31, 2018 – 4.74%). The following table summarizes the key provisions of each mortgage:

| Mortgage | Stated interest rate | Effective interest rate | Principal & interest payments (monthly) | Maturity date | Outstanding at March 31, 2019 |
|-----------------|-----------------------------|--------------------------------|--|----------------------|--------------------------------------|
| #1b | 5.128% | 5.252% | \$ 123 | Aug 1, 2028 | \$ 20,750 |
| #2 | 4.380% | 4.544% | 120 | Apr 1, 2023 | 21,484 |
| #3 | - | - | - | - | - |
| #4 | 5.073% | 5.154% | 135 | Oct 1, 2023 | 22,758 |
| #5 | 4.977% | 5.092% | 106 | Apr 1, 2024 | 18,356 |
| #6 | 4.220% | 4.357% | 183 | Nov 1, 2024 | 35,770 |
| #7 | 4.220% | 4.354% | 143 | Dec 1, 2025 | 28,105 |
| #8 | 4.900% | 5.061% | 183 | Feb 1, 2026 | 34,501 |
| #9 | 4.451% | 4.539% | 176 | Nov 1, 2020 | 46,540 |
| #10 | 4.550% | 4.705% | 129 | Jun 1, 2026 | 25,285 |
| #11 | 4.960% | 5.004% | 684 | Dec 1, 2026 | 123,768 |
| #12 | 4.940% | 5.151% | 213 | Jan 1, 2022 | 39,797 |
| Total | | | \$ 2,195 | | \$ 417,114 |

On August 1, 2018, the Realty Trust completed the refinancing of Property 1 LP, whereby the outstanding obligation on Mortgage #1 was repaid in full (\$18.2 million), with proceeds from a new mortgage payable of \$20.8 million (Mortgage #1b). The new loan matures August 1, 2028. In accordance with the terms of the mortgage, payments during the first year of the mortgage comprise interest only. Transaction costs of \$0.2 million were incurred upon origination of the mortgage. These transaction costs were capitalized and are being amortized over the term of the respective mortgage using the effective interest rate.

On November 1, 2018, the Realty Trust repaid the outstanding principal balance on Mortgage #3 (\$10.7 million) with available cash on hand and proceeds from Credit Facility #1 and #2 (note 7).

Scheduled principal repayments, excluding amortization of transaction costs, to be made over the next five years and thereafter are as follows:

| | |
|------------|-------------------|
| 2019 | 4,450 |
| 2020 | 53,114 |
| 2021 | 6,949 |
| 2022 | 44,801 |
| 2023 | 46,279 |
| Thereafter | 261,521 |
| | \$ 417,114 |

The interest on mortgages payable incurred and charged to the condensed statement of income and comprehensive income is recorded as follows:

| | Three months ended March 31, 2019 | | Three months ended March 31, 2018 | |
|--|--|--------------|--------------------------------------|-------|
| Interest on mortgages payable | \$ | 4,952 | \$ | 5,067 |
| Interest on credit facilities and convertible debentures | | 628 | | 546 |
| Amortization of debt issuance costs | | 200 | | 104 |
| Interest expense | \$ | 5,780 | \$ | 5,717 |

The mortgages payable contain covenants related to financial reporting and minimum debt service coverage ratio requirements. At March 31, 2019, the Realty Trust was in compliance with all default provisions of the mortgages payable.

7. CREDIT FACILITIES

Adventus Holdings LP entered into an unsecured revolving credit facility in an amount of \$4.0 million (Credit Facility #1) with a maturity date of February 13, 2019. Any borrowing under the facility shall bear interest at a fluctuating rate of interest equal to the LIBOR daily floating rate plus two hundred seventy-five (275) basis points per annum. Standby fees of twenty basis points on the unused portion of the facility are also payable quarterly. The credit agreement evidencing the facility contains customary representations, warranties, covenants, and events of default. The Realty Trust guarantees the facility. On February 13, 2019, Adventus Holdings LP executed an agreement to extend the maturity date to February 13, 2020. As at March 31, 2019 \$4.0 million (December 31, 2018 - \$4.0 million) was drawn and outstanding on the facility.

On October 17, 2018, the Realty Trust agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$5.5 million (Credit Facility #2), maturing December 31, 2018. The full amount available under the credit facility was drawn and proceeds were primarily used for settlement of Mortgage #3. On December 13, 2018, the Realty Trust repaid the full amount outstanding on the short term credit facility.

On February 20, 2019, the Realty Trust agreed the terms of a short term credit facility, with a company controlled by a Director, in an amount of CAD \$2.5 million (Credit Facility #3), maturing April 30, 2019. The full amount available under the credit facility was drawn during the period and was outstanding as at March 31, 2019.

8. CONVERTIBLE DEBENTURES

The Realty Trust has issued convertible unsecured subordinated debentures (collectively “Convertible Debentures”) in tranches as follows:

| Original Principal | Interest Rate | Maturity Date | Outstanding at March 31, 2019 | Outstanding at December 31, 2018 |
|--|----------------------|----------------------|--|-------------------------------------|
| 1,000 | 8.0% | November 2020 | 1,000 | 1,000 |
| 14,232 | 8.0% | December 2020 | 14,232 | 10,797 |
| 20,000 ⁽¹⁾ | 8.0% | December 2020 | 15,021 | 14,659 |
| Principal amount of convertible debentures | | | \$ 30,253 | \$ 26,456 |
| Less unamortized transaction costs | | | (874) | (924) |
| Balance | | | \$ 29,379 | \$ 25,532 |

⁽¹⁾ amount in thousands of Canadian dollars

During the year ended December 31, 2018, the Realty Trust issued 8% convertible unsecured debentures for gross proceeds of \$11.8 million and CAD \$20.0 million. During the year ended December 31, 2018, the Realty Trust settled the

outstanding 10.5% convertible debentures with \$10.45 million in cash, and exchanged \$10.45 million for the newly issued 8% convertible debentures.

During the period ended March 31, 2019, the Realty Trust issued 8% convertible unsecured debentures for gross proceeds of \$3.4 million.

For the 8% convertible debentures outstanding as at March 31, 2019, the entire principal balance is convertible at the holder's option at any time, at \$17.50 per common unit of the Realty Trust. The Realty Trust at its option is able to redeem the full amount of the principal at any time after one year, at various rates between par, and par plus 3%.

At March 31, 2019, \$30.3 million of the principal value of the 8% convertible debentures was outstanding, net of deferred transaction costs (December 31, 2018 – \$26.5 million); the conversion feature of the convertible debentures has a nominal value.

9. NON-CONTROLLING INTEREST

| | | General Partner |
|--|-------------|----------------------------|
| December 31, 2017 | 0.5% | \$ 689 |
| Change in non-controlling interest charged to other expenses | - | 150 |
| December 31, 2018 | 0.5% | \$ 839 |
| Change in non-controlling interest charged to other expenses | - | 33 |
| March 31, 2019 | 0.5% | \$ 872 |

Non-controlling interest comprises:

- i. 0.5% General Partner interest in each of the Property LP's.
- ii. During the year ended December 31, 2014, Adventus Holdings LP (REIT 1) transferred 0.40% of its interest in Property 1 LP to Adventus Elgin GP LLC, Property 1 LP's General Partner. The fair value of the transferred interest was based on the equity value of Property 1 LP at the date of transfer. The transaction involved no cash consideration. Adventus Holdings LP (REIT 1) recorded the fair value as an amount due from a related party. At March 31, 2019 \$62,547 remained outstanding and has been included in accounts receivable (see note 5).

10. UNIT OPTION PLAN

On April 28, 2014, the Board of Trustees approved a unit option plan under which options can be granted at the discretion of the Board to any Trustee, Officer, Director, current employee, or consultant. The maximum number of units reserved for issuance under the plan at any time shall be limited to 10% of the total issued and outstanding units of the Trust. The exercise price for units that are the subject of any option shall be fixed by the Board when such option is granted, provided that such exercise price shall not be less than the fair market value of the units at the time of the grant.

Liquidity options are tied to a liquidity event as defined in the plan, whereby option holders can only exercise when a liquidity event occurs. The regular options vest at 33.3% per year from the grant date, will be fully vested after three years, and expire on the fifth anniversary of the Date of Grant. The liquidity options vest over the time period assumed to the liquidity event date and fully vest at the time of the liquidity event.

The unit option plan is considered a cash-settled plan with the fair value of the units recorded as a liability on the condensed statement of financial position. The liability is released to equity when the unit options are converted to trust units at the option of the holder. The liability can also be released if the option-holder elects for a cashless exercise whereby the Realty Trust will make a cash payment to the option-holder of the in-the-money amount calculated as the fair market value of the units issuable under such option less the exercise price.

During the period ended March 31, 2019 no options were granted, forfeited, or exercised.

During the year ended December 31, 2018, a total of 270,000 regular options were granted with an exercise price of USD \$16.50 per unit. A total of 46,333 options were forfeited with an average exercise price of USD \$14.94, and 10,000 options were forfeited with an average exercise prices of CAD \$14.00. A total of 262,667 options were exercised at an average price of CAD \$14.67, and 160,333 options were exercised at an average price of USD \$13.87 during the period.

The fair value of the unit options is re-measured at each reporting period using the Black-Scholes model. Measurement inputs include unit price on the measurement date, exercise price of the instrument, expected volatility (based on comparable public company share price volatility), expected life of the instruments, expected distributions, and the risk-free interest rate (based on zero coupon government of Canada bonds with a similar expected life).

The assumptions used for the period ended March 31, 2019 are as follows:

| Input | Assumption |
|--|-------------------|
| Unit price on measurement date (USD) | \$17.00 |
| Exercise price of the instrument (USD) | \$13.50 - \$16.50 |
| Exercise price of the instrument (CAD) | \$14.00 - \$15.25 |
| Expected volatility | 16.56% |
| Expected remaining life | 0 – 3.1 years |
| Expected distributions | 6.18% |
| Risk-free interest rate | 2.12% |

At March 31, 2019, the fair value of the unit options was \$0.9 million (December 31, 2018 - \$0.8 million). Unit-based compensation expense of \$0.1 million for the period ended March 31, 2019 (March 31, 2018 - \$0.5 million) was included in general and administrative expenses in the condensed statement of income and comprehensive income.

A summary of the status of the unit option plan as at March 31, 2019 and the changes during the respective period are as follows:

| | | March 31, 2019 | |
|------------------------------------|--------------|--|--|
| | Units | Weighted average exercise price (CAD) | Weighted average exercise price (USD) |
| Outstanding, beginning of period | 567,334 | \$14.13 | \$15.50 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Forfeited | - | - | - |
| Outstanding, end of period | 567,334 | \$14.13 | \$15.50 |
| Options Exercisable, end of period | 132,333 | \$15.25 | \$14.59 |

The options outstanding at March 31, 2019 are exercisable at a weighted average exercise price of CAD \$14.13, and USD \$15.50 with an average remaining life of 3.1 years.

11. PREFERRED UNITS

In order to maintain REIT status for US taxation purposes, REIT 1 must maintain a minimum of at least 100 direct shareholders. REIT 1 has issued 125 preferred units to meet this requirement in the face amount of \$1,000 per unit. Each unitholder is entitled to cumulative dividends of 12.5% per annum of the face amount, payable semi-annually.

In January 2013, 125 preferred units were issued by Adventus Holdings LP for gross subscription proceeds of \$125,000. During the period ended March 31, 2019, Adventus Holdings LP paid dividends to preferred unitholders of \$nil (2018 - \$nil).

Adventus Holdings LP, at its option, may redeem some or all of the preferred units for a redemption price equal to \$1,000 per unit plus all accrued and unpaid distributions on the date of redemption. No preferred units were redeemed by Adventus Holdings LP during the period ended March 31, 2019.

12. UNITHOLDERS' EQUITY

Unitholders' equity includes the initial capital contribution to the Realty Trust made by Adventus Capital Partners Ltd. (ACP), a related party by virtue of being the ultimate parent of the Trustee.

The Realty Trust is authorized to issue an unlimited number of redeemable common units of beneficial interest. Each common unit entitles the common unitholder to the same rights and obligations as any other common unitholder and no common unitholder is entitled to any privilege, priority or preference in relation to any other common unitholder.

Each common unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains. On termination, the common unitholders of record are entitled to receive all of the assets of the Realty Trust remaining after payment of all debts, liabilities and liquidation expenses of the Realty Trust.

On September 23, 2016, a resolution was passed at a special meeting of common unitholders of the Realty Trust authorizing the creation of a new class of preferred units. The preferred units may be issued in one or more series, and the Trustee may fix the number of preferred units which is to comprise each series and the designation, rights, restrictions and conditions attaching to each series. The number of preferred units that is authorized and that may be issued is limited to the extent that the aggregate subscription price received for all preferred units that are issued shall not exceed \$25.0 million. As of March 31, 2019, there are no Realty Trust preferred units issued or outstanding.

During the period ended March 31, 2019, the Realty Trust redeemed 8,600 common units for proceeds of \$0.1 million.

During the year ended December 31, 2018, the Realty Trust issued 558,943 common units for proceeds of \$9.4 million and redeemed 9,143 common units for \$0.1 million.

On May 20, 2015, the Realty Trust implemented a distribution reinvestment plan (the "DRIP"), which allows unitholders to direct cash distributions paid on their existing Units to be reinvested in additional Units directly from the Trust. The units are issued at 97% of the Average Market Price of the Units. The Average Market Price is regularly reviewed and set by the Trustee. During the period ended March 31, 2019, the Realty Trust issued 15,964 units (year ended December 31, 2018 – 73,726) under the DRIP.

Distributions are declared and paid by the Realty Trust subject to the approval of the Trustee. During the year ended December 31, 2018, the Realty Trust declared distributions of \$15.6 million, of which \$1.3 million is included in accounts payable and accrued liabilities as at December 31, 2018. During the period ended March 31, 2019, the Realty Trust declared distributions of \$4.0 million, of which \$1.3 million was included in accounts payable and accrued liabilities at March 31, 2019.

In the event of a sale of an investment property, distributions are subject to the incentive management interest, which is an allocation and distribution to be made to Adventus Realty Limited Partnership (see note 17b). No amount has been accrued at March 31, 2019, or December 31, 2018, in respect of Adventus Realty Limited Partnership's interest in the cumulative gains on investment properties as it is contingent on the eventual timing of sale, if any, of the investment properties and the proceeds eventually resulting from any disposal.

13. CAPITAL MANAGEMENT

The Realty Trust defines capital as the aggregate of unitholders' equity, non-controlling interest, mortgages payable, credit facilities, convertible debentures and preferred units. The Realty Trust's objectives in managing capital are to maintain a level of capital that funds its business strategies and builds long-term unitholders' value. The Realty Trust's capital structure is approved by the Trustee through its periodic reviews.

The capital structure consists of the following components:

| | March 31, 2019 | December 31, 2018 |
|--|---------------------------|----------------------|
|--|---------------------------|----------------------|

| Capital | | | |
|--------------------------|-----------|----------------|-------------------|
| Mortgages payable | \$ | 415,090 | \$ 416,285 |
| Credit facilities | | 5,878 | 4,000 |
| Convertible debentures | | 29,379 | 25,532 |
| Non-controlling interest | | 872 | 839 |
| Preferred units | | 125 | 125 |
| Unitholders' equity | | 292,194 | 291,655 |
| Total capital | \$ | 743,538 | \$ 738,436 |

During the period ended March 31, 2019 and the year ended December 31, 2018, the total capital of the Realty Trust increased due to proceeds received from units issued during the period, drawdown of credit facilities, convertible debenture proceeds received and net income and comprehensive income earned. The increase was partially offset by the distributions to trust unitholders, and payments made against outstanding debt.

14. FAIR VALUE MEASUREMENT

Financial assets and liabilities accounted for or disclosed at fair value on a recurring basis are classified within a fair value hierarchy that reflects the significance of the inputs used in determining fair value. There are three levels of fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets

Instruments that have unadjusted quoted prices available in an active market for identical assets or liabilities.

Level 2 – Significant other observable inputs

Instruments that do not have quoted prices in active markets but for which market observable inputs are used as the inputs in the determination of fair value.

Level 3 – Unobservable inputs

Instruments that have a significant input into the fair value measurement that is derived from management's best estimates, and unobservable market information.

For certain of the Realty Trust's financial instruments, including cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and credit facilities, the carrying amounts approximate their fair values due to the short term nature of these instruments. Non-controlling interest carrying amount approximates its fair value as non-controlling interest is measured at the respective proportionate share of each Property LP's net identifiable assets.

Investment properties – Investment properties are measured on a recurring basis on the balance at fair value in the condensed statement of financial position and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 4).

Mortgages payable – The disclosure of fair value of mortgage payables is measured using discounted cash flow analyses, based on rates currently available for mortgages with similar terms and remaining maturities and the current credit worthiness of the Realty Trust.

Preferred units – The preferred units carrying amount approximates their fair value which is equivalent to the defined redemption price at which the units may be redeemed at the option of Adventus Holdings LP.

Unit options payable – Unit options payable are measured on a recurring basis on the balance at fair market value and categorized as Level 3 according to the significance of the inputs used in making the measurements (see note 10).

Convertible debentures – the debt component of the convertible debenture is measured on a recurring basis on the balance at fair value of similar debt instruments without a conversion feature.

The following tables includes the estimated fair value, carrying value, and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring basis:

| March 31, 2019 | | | | |
|------------------------|---------------------------------------|--|----|---|
| | Fair value hierarchy level | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ 742,700 | \$ | 742,700 |
| Mortgages payable | Level 3 | (417,114) | | (419,622) |
| Convertible debentures | Level 3 | (29,379) | | (29,379) |
| Preferred units | Level 2 | (125) | | (125) |
| Unit options payable | Level 3 | (895) | | (895) |

| December 31, 2018 | | | | |
|--------------------------|---------------------------------------|--|----|---|
| | Fair value hierarchy level | Carrying amount Asset / (Liability) | | Fair value Asset / (Liability) |
| Investment properties | Level 3 | \$ 742,700 | \$ | 742,700 |
| Mortgages payable | Level 3 | (418,358) | | (415,864) |
| Convertible debentures | Level 3 | (25,532) | | (25,532) |
| Preferred units | Level 2 | (125) | | (125) |
| Unit options payable | Level 3 | (823) | | (823) |

15. FINANCIAL RISK MANAGEMENT

The Trustee of the Realty Trust has the overall responsibility for the establishment and oversight of the Realty Trust's risk management framework. The Realty Trust's risk management policies are established to identify and analyze the risks faced by the Realty Trust, 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 Realty Trust's activities.

In the normal course of business, the Realty Trust is exposed to a number of risks that can affect its operating performance. 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 Realty Trust if a tenant or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Realty Trust's accounts receivable, cash and cash equivalents, and restricted cash.

Exposure to credit risk on tenant receivables is influenced mainly by the individual characteristics of each tenant. The Realty Trust minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

Credit risk associated with cash and cash equivalents, and restricted cash is minimized by ensuring that cash is held by high-quality financial institutions.

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 Realty Trust has primarily entered into fixed interest rate mortgages, credit facilities, and convertible debentures, and accordingly does not face material interest rate risk.

c. Liquidity risk

Liquidity risk is the risk that the Realty Trust 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 Realty Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Realty Trust were required to liquidate a real estate property investment, the proceeds to the Realty Trust might be significantly less than the aggregate carrying value of such property.

The Realty Trust's approach to managing liquidity is to endeavor to ensure that it will have sufficient cash available to meet its liabilities when due. The Realty Trust continues to actively manage its outstanding obligations through repayment of debt and execution of extension agreements. The Realty Trust believes it can refinance mortgages due to sufficiently cover liquidity requirements.

d. Currency risk

Currency risk is the risk associated with a fluctuation in the value of the US dollar as related to other foreign currencies. The Realty Trust is exposed to currency risk as certain transactions related to payment of the Realty Trust's expenses, and receipt of proceeds from certain debt financings, are denominated in Canadian dollars.

e. Redemption risk

The Realty Trust's unitholders are entitled to redeem units at any time on demand. The aggregate redemption price payable by the Realty Trust is subject to limitations. The Realty Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Realty Trust in any quarter will exceed the lesser of CAD \$100,000 and the amount that is 0.75% of the aggregate subscription price of all trust units that were issued and outstanding at the start of such 12-month period.

16. LEASES

The Realty Trust has entered into lease agreements on its property portfolio. The following table summarizes the future minimum revenue receivable under non-cancellable operating leases as at March 31, 2019:

| | | |
|--|----|----------------|
| Not later than 1 year | \$ | 71,890 |
| Later than 1 year and not later than 5 years | | 148,679 |
| Later than 5 years | | 31,835 |
| | \$ | 252,404 |

17. RELATED PARTY TRANSACTIONS

- a) The Realty Trust through REIT 1 has entered into the Advisory Management Agreement with ACP, the ultimate parent of the General Partner. ACP is responsible for providing administrative and financial services at either: (i) 1.5% of gross revenue per month; or (ii) 0.5% of gross revenue per month, and property services for evaluating and recommending the acquisition or sale of any investment property. Property services include acquisition fees (1.5% of the Purchase Price (as defined in the Advisory Management Agreement) of any investment property acquired) and disposition fees (1.5% of the gross sales proceeds from any investment property disposed).

Amounts incurred by the Realty Trust for such services for the periods indicated below were as follows:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|--|--|--------------------------------------|
| General and administrative – administrative and financial services | \$ 316 | \$ 362 |

For the periods ended March 31, 2019 and March 31, 2018 no amounts were incurred by the Realty Trust for acquisition fees or disposition fees. As at March 31, 2019 and December 31, 2018, \$0.2 million and \$0.3 million, respectively, was payable to ACP in relation to acquisition fees pursuant to the Advisory Management Agreement. These amounts owing, which are reflected in the condensed statement of financial position as accounts payable and accrued liabilities, are without interest.

- b) The Realty Trust has entered into a Limited Partnership Agreement with Adventus Realty Limited Partnership, a partnership related by virtue of having officers and directors in common, whereby Adventus Realty Limited Partnership earns an incentive management fee. The incentive management interest, which is an allocation and distribution to be made to Adventus Realty Limited Partnership, subject to the payment of the Realty Trust’s minimum return, in an amount equal to 20% Cumulative Capital Gains Account less Aggregate Net Abort Costs and Aggregate Net Disposition Fee (all as defined in the Limited Partnership Agreement). Since the Realty Trust has not triggered any capital gains from the disposal of assets, no accrual has been recognized in these condensed financial statements for the incentive management interest during the periods ended March 31, 2019 or December 31, 2018.
- c) On October 29, 2018, the Realty Trust borrowed CAD \$5.5 million (Credit Facility #2) from a company controlled by a Director. The proceeds were used primarily for settlement of Mortgage #3 (see note 7). As at December 31, 2018 the full amount drawn on the credit facility had been repaid.
- d) On February 20, 2019, the Realty agreed the terms of a CAD \$2.5 million short term credit facility (Credit Facility #3) from a company controlled by a Director. The full amount was drawn and outstanding as at March 31, 2019 (see note 7).

18. COMMITMENTS AND CONTINGENCIES

The Realty Trust and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business, and with respect to litigation and claims that arise from time to time. Tenant incentive commitments for executed lease agreements commencing after period end have been appropriately accrued.

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the Realty Trust entered into a Plan of Arrangement (“the Arrangement”). The purpose of the Arrangement and other transactions is to merge the business and properties indirectly conducted and owned by Adventus Opportunity Fund (“AOF”) and Adventus Realty Trust (“ART”) in one entity, ART and to internalize the management of AOF and ART in ART.

Pursuant to the Arrangement, all of the AOF Units, ACP Voting Shares, ACP Non Voting Shares and Adventus Realty Limited Partnership (“ARLP”) Units are to be acquired and owned by ART. AOF Unitholders are to receive ART Units for each AOF Unit being acquired at an exchange ratio of 0.6651 of an ART Unit for each AOF Unit; holders of ARLP Units are to receive \$0.01 per ARLP Unit payable in cash and holders of ACP Shares are to receive one ART Units for each ACP Share.

The Arrangement contemplates the exchange of AOF Units for Adventus Mutual Fund ULC (“MFC”) Shares as the first step in the acquisition of the AOF Units by ART. This step is designed so that the disposition of the AOF Units and the

acquisition of the ART Units by the existing AOF Unitholders will be completed on a “tax deferred” basis for purposes of the Income Tax Act (Canada).

Management of ART has been advised that the transfer of the ARLP Units to ART for ART Units, the transfer of AOF Units to MFC for MFC Shares, the acquisition of the AOF Units by ART for ART Units and the transfer of the ART Units to the former AOF Unitholders on the redemption of the MFC Shares issued to them will not give rise to any liability for income taxes under the Internal Revenue Code of the United States and will not require any filing under the Internal Revenue Code of the United States.

ADVENTUS REALTY TRUST

Pro Forma Consolidated Statement of Financial Position

As at March 31, 2019

Unaudited – prepared by management

Expressed in United States dollars

| | Adventus Realty Trust | Adventus Opportunity Fund | Adventus Capital Partners Ltd. | Pro Forma Adjustments | Pro Forma Consolidated | Note 2 |
|--|-----------------------------|---------------------------------|--------------------------------------|--------------------------|---------------------------|--------|
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| Investment properties | 742,700 | 105,400 | - | - | 848,100 | |
| Current assets | | | | | | |
| Prepaid expenses and other current assets | 3,059 | 104 | 58 | - | 3,221 | |
| Accounts receivable | 1,467 | 93 | 4,735 | (4,729) | 1,566 | (a) |
| Restricted cash | 18,570 | 2,187 | - | - | 20,757 | |
| Cash | 1,398 | 873 | 44 | - | 2,315 | |
| | 24,494 | 3,257 | 4,837 | (4,729) | 27,859 | |
| TOTAL ASSETS | 767,194 | 108,657 | 4,837 | (4,729) | 875,959 | |
| LIABILITIES | | | | | | |
| Non-current liabilities | | | | | | |
| Mortgages payable | 409,003 | 61,191 | - | - | 470,194 | |
| Convertible debentures | 29,379 | 5,500 | - | - | 34,879 | |
| Preferred units | 125 | 125 | - | - | 250 | |
| Unit options payable | 895 | 56 | - | - | 951 | |
| Non-controlling interest | 872 | 53 | - | - | 925 | |
| | 440,274 | 66,925 | - | - | 507,199 | |
| Current liabilities | | | | | | |
| Mortgages payable - current portion | 6,087 | - | - | - | 6,087 | |
| Credit facilities | 5,878 | 2,059 | - | - | 7,937 | |
| Prepaid rent | 3,717 | 244 | - | - | 3,958 | |
| Accounts payable and accrued liabilities | 19,047 | 6,831 | 2,284 | (4,254) | 23,908 | (a)(b) |
| | 34,726 | 9,134 | 2,284 | (4,254) | 41,890 | |
| TOTAL LIABILITIES | 475,000 | 76,059 | 2,284 | (4,254) | 549,089 | |
| UNITHOLDERS' EQUITY | | | | | | |
| Shareholders' equity | - | - | 2,553 | (2,553) | - | (c) |
| Unitholders' equity | 292,194 | 32,598 | - | 2,078 | 326,870 | (b)(c) |
| | 292,194 | 32,598 | 2,553 | (475) | 326,870 | |
| TOTAL LIABILITIES AND UNITHOLDERS' EQUITY | 767,194 | 108,657 | 4,837 | (4,729) | 875,959 | |

1. BASIS OF PRESENTATION

The unaudited pro forma consolidated statement of financial position has been prepared by management for inclusion in the Information Circular in accordance with policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The unaudited pro forma consolidated statement of financial position illustrates the effect of the merger between Adventus Realty Trust (“ART”) and Adventus Opportunity Fund (“AOF”) and to internalize the governance and management of ART and AOF pursuant to a statutory plan of arrangement (the “Arrangement”). This unaudited pro forma consolidated statement of financial position has been compiled from and includes:

- 1) The unaudited consolidated statement of financial position of ART as at March 31, 2019;
- 2) The unaudited consolidated statement of financial position of AOF as at March 31, 2019; and
- 3) The unaudited statement of financial position of Adventus Capital Partners Ltd. (“ACP”) as at March 31, 2019.

The unaudited pro forma consolidated statement of financial position is prepared for illustrative purposes only and is based on the assumptions set forth in the notes to such statement. The unaudited pro forma consolidated statement of financial position is not indicative of the results of operations that might have occurred if the Arrangement had actually occurred on March 31, 2019. The pro forma adjustments are based upon currently available information and management’s estimates and assumptions. Actual adjustments may differ materially from the pro forma adjustments. It is management’s opinion that the unaudited pro forma consolidated statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, the transaction of the Arrangement described below and in note 2, in accordance with IFRS applied on a basis consistent with ART’s accounting policies as set out in the audited financial statements for the year ended December 31, 2018.

The unaudited pro forma consolidated statement of financial position should be read in conjunction with the description of the transactions contained elsewhere in the Information Circular and the unaudited consolidated statement of financial position of ART and AOF and ACP, including the notes, incorporated by reference.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

The unaudited pro forma consolidated statement of financial position gives effect to the following adjustments as if they had occurred on March 31, 2019:

- (a) Elimination of intercompany account balances.
- (b) Transaction costs incurred in connection with the Arrangement, including legal, advisory and other costs and fees of \$0.475 million.
- (c) Pursuant to the Arrangement: (i) holders of ACP shares will receive one ART unit for each ACP share; and (ii) holders of units of AOF will receive 0.6651 of an ART Unit for each AOF Unit. ACP, which currently provides management services to ART and its subsidiaries, will be owned directly by ART. Existing management of ACP will become management of ART.