

This Offering Memorandum constitutes a private offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale, sold and there in only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of the securities referred to herein. 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. This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this Offering. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act") and the securities laws of any state of the United States, and may not be offered or sold to, directly or indirectly, in the United States or for the account or benefit of a person in the "United States" or a "U.S. person" (as such terms are defined in Regulation S under the U.S. Securities Act), except pursuant to registration under the 1933 Act and the securities laws of all applicable states or available exemptions therefrom. The Issuer has no obligation or present intention of filing a registration statement under the 1933 Act in respect of any of the securities offered herein.

FORM 45-106 F2
Offering Memorandum for Non-Qualifying Issuers
ALL ISLAND EQUITY REIT

Date: September 11, 2018

The Issuer

Name: All Island Equity REIT (the "Trust")

Head office: 450A Wentworth Street, Nanaimo, BC V9R 3E1

Phone #: 778-350-7348

E-mail address: info@allislandequityreit.com

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

Reporting issuer? No.

SEDAR filer? Yes.

The Offering

Securities offered: Class A Units and F Units of the Trust (each, a "Unit" and together, the "Units"). Each class shall have the attributes and characteristics as set out in the Trust Declaration (as defined below). The Units are redeemable, subject to restrictions. Except for a fraction of a Unit which is created as a result of a partial redemption of a Unit or the payment of distributions by the issuance of Units, no fractional Units are permitted. See Item 5.1 - "Securities Offered – Terms of Units".

Price per security: The subscription price per Unit is \$11.36 per Unit, payable by a Subscriber upon subscribing for a Unit, and will be payable by a Subscriber upon subscribing for a Unit.

Minimum/Maximum offering: The Minimum Offering is \$1,000,000 (88,029 Units). **You may be the only purchaser.**

The Maximum Offering is \$3,500,000 (308,099 Units).

Funds available under the offering may not be sufficient to accomplish our proposed objectives.

Minimum Subscription: Subject at all times to the discretion of the Trustee (as defined below) to waive such requirement, first time Subscribers must initially make a minimum investment in Units of \$10,000 of any Class of Units.

Existing Unitholders must make a minimum investment in Units of \$2,500 of any Class of Units and maintain a minimum of \$10,000 in Unit subscriptions, subject again to the discretion of the Trustee to waive such requirement.

Payment terms: Certified cheque or, in the Trustee's discretion, a personal cheque, on dosing payable to the Agent.

Proposed closing date(s): This is a continuous offering. Initial dosing is anticipated on October 15, 2018, or such other date as is established by the Trustee from time to time. Subsequent closings may occur on such dates as established by the Trustee from time to time. The Trustee may terminate the Offering at any time.

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

Selling Agent? The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, assisting with the Offering in an amount not to exceed 3% of the subscription monies obtained by such persons for the Offering, regardless of the Class of Units sold by them, determined by the Trustee in its discretion, acting reasonably or otherwise in accordance with any agreement between the Trust and such parties, payable at the time of the investment. The Trustee may also pay an annual trailer fee of up to 1% of the Net Asset Value to registered securities dealers and exempt market dealers, or where permitted, non-registrants selling Class A Units, but not Class F Units, each Distribution Record Date, commencing after the first anniversary of the Closing of any subscriptions for Class A Units under this offering. See Item 7 - "Compensation Paid to Sellers and Finders".

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

Purchaser's rights: You have 2 business days after execution of a Subscription Agreement to cancel your agreement to purchase the securities described in this Offering Memorandum. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel your agreement (Subscription Agreement) to purchase the Units described herein. See Item 11 - "Purchasers' Rights".

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

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

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

INVESTMENT NOT LIQUID: The Units offered hereunder will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, if ever, a unitholder will not be able to trade the Units unless it complies with very limited exemptions from the prospectus requirements and other requirements under applicable securities legislation. See Item 10 - "Resale Restrictions".

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

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

This is a primarily blind pool Offering. As of the date hereof, the Trust's property portfolio consists of the Portfolios (as defined herein). See Item 2.3- "Development of the Business – Properties Acquired to Date". The Trust expects that the available net proceeds of the Offering will be applied by the Trust for the Proposed Debt Pay-Down. See Item 4.2 – "Long Term Debt Securities". The Trust may apply a portion of the available net proceeds of the Offering to purchase additional Properties, however, the specific additional Properties in which the Trust may invest have not yet been determined.

Subject at all times to the discretion of the Trustee to waive such requirement, first time Subscribers must initially make minimum investment of \$10,000 in Units.

Existing Unitholders must make a minimum investment in Units of \$2,500 and must maintain a minimum of \$10,000 in Unit subscriptions, subject again to the discretion of the Trustee to waive such requirement.

Note Regarding Forward-Looking Statements

This Offering Memorandum contains forward-looking statements. These statements relate to future events or the Trust's views or predictions of possible future performance, operations, and its strategy. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "targeting", "intend", "could", "might", "continue", or the negative of these terms or other comparable terminology, including by way of example and without limiting the generality of the foregoing, statements with respect to future performance of the Portfolios. These statements are only predictions. Even though the Trust believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements or information will prove to be accurate.

In addition, this Offering Memorandum may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the

plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including those risks described under Item 8 - "Risk Factors". Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking statements include, but are not limited to, general economic, political, market and business factors and conditions; interest rates fluctuations; statutory and regulatory developments; ability to obtain financing; increased competition; loss of key employees; additional funding requirements; catastrophic events; and other factors set out under Item 8 - "Risk Factors".

The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement. Except as otherwise required by applicable law, the Trust does not intend to, and assumes no obligation to, update or revise these or other forward-looking statements it may provide, whether as a result of new information, plans or events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements as there can be no assurance that the condition, events, plans and assumptions on which they are based will occur. Should one or more of the risks described under Item 8 - "Risk Factors", other risk factors that could develop or arise, or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described herein. The forward-looking statements are made as of the date of this Offering Memorandum.

Industry and Market Data

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

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum.

- Business of the Trust** The Trust is a limited purpose, unincorporated, open-ended investment trust, governed by the terms and conditions of a Trust Declaration dated March 1, 2017, as amended on May 29, 2018 and by the general laws of trusts and the laws of British Columbia. The purpose of the Trust is to invest the Trust Property in and to acquire LP Units (as defined below) and to provide Unitholders with cash distributions on a periodic basis derived from the income and net proceeds realized by the Trust from its investment in LP Units. Through its ownership of LP Units, the Trust will indirectly acquire, hold, manage, and operate a diversified portfolio of revenue-producing real estate properties in the Trust Region (as defined below). The principal business of the Trust will be to issue Units to Subscribers and to invest the proceeds from such issuance in the LP Units.
- Business of the Limited Partnership:** The Trust and AIE Management Inc. (the “**General Partner**”), which is a company that also operates as the Manager (as defined below) of the Trust, have established the Limited Partnership pursuant to the laws of the Province of British Columbia for the purposes of:
- (a) directly or indirectly acquiring, owning, holding, managing, leasing, operating, improving and selling a portfolio of commercial and residential real estate properties, including existing revenue-producing properties and properties developed by the Trust to be held as income-producing real estate for long-term investment, in the Trust Region, or any direct or indirect interests therein, which may include a direct or indirect interest in the Properties; and
 - (b) conducting any other business or activity incidental, ancillary or related thereto.
- Offering:** This is a continuous offering of Class A Units and F Units of the Trust (each being a “Unit” and collectively, the “Units”). The minimum offering is \$1,000,000 (88,029 Units) and the maximum offering is \$3,500,000 (308,099 Units). This Offering is being made pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in Canada.
- See Item 5.2 - “Subscription Procedure”. A subscriber whose subscription is accepted by the Trustee will become a Unitholder of the Trust.
- Subscription Procedure:** Subscribers may subscribe for Units by returning to the Trustee, or as the Trustee may direct, a completed Subscription Agreement, together with payment in the form of a certified cheque or, in the Agent’s discretion, a personal cheque, in the amount of the aggregate Subscription Price for the Subscriber’s Units. A Subscriber whose subscription is accepted by the Trustee will become a Unitholder. The Trustee may terminate the Offering at any time. See Item 5.2 - “Subscription Procedure”.
- Subscription Price:** The Subscription Price per Unit is \$11.36 per Unit, payable upon a Subscriber subscribing for a Unit, unless determined otherwise by the Trustee and will be payable by a Subscriber upon subscribing for a Unit.
- Minimum Subscription:** Subject at all times to the discretion of the Trustee to waive such requirement, first time Subscribers must initially subscribe for a minimum of \$10,000 in Units.

Existing Unitholders must make a minimum investment in Units of \$2,500 and maintain a minimum of \$10,000 in Unit subscriptions, subject again to the discretion of the Trustee to waive such requirement.

See Item 5.2 - "Subscription Procedure".

Selling Agent:

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

The Trustee may also pay an annual trailer fee of up to 1% of the Net Asset Value to registered securities dealers and exempt market dealers, or where permitted, non-registrants selling Class A Units, but not Class F Units, each Distribution Record Date, commencing after the first anniversary of the Closing of any subscriptions for Class A Units under this Offering.

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

Use of Proceeds:

The Net Subscription Proceeds (as defined below) will be used by the Trust to invest in the acquisition of LP Units. In turn, the Limited Partnership will use the proceeds from the issuance of LP Units to the Trust for the Proposed Debt Pay-Down. A portion of the proceeds received by the Limited Partnership on account of the issuance of LP Units to the Trust may also be used to acquire additional Properties, pay due diligence and documentation costs relating to such property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to the Properties.

As a result, an investment in Units of the Trust represents an indirect investment in the acquisition, ownership and operation of the Properties by the Limited Partnership and distributions and other returns on and of capital payable on account of the LP Units will flow through to the Unitholders of the Trust.

Pending investment in Properties, the Net Subscription Proceeds may be invested in Permitted Investments (as defined below). If the Net Subscription Proceeds are not to be immediately deployed for the Proposed Debt Pay-Down, then the Trustee will use its best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

Distributions by the Trust:

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

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

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

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

Redemption: Units will be redeemable at the request of the Unitholders, subject to applicable laws and certain other conditions set out in the Trust Declaration. See Item 5.1 - "Terms of Units – Right of Redemption by Unitholders".

Retraction: The Trust has the right to retract Units from Unitholders. See Item 5.1 - "Terms of Units – Trust's Right of Retraction".

Closing: This is a continuous offering. The initial closing will be on October 15, 2018, or such other date as is established by the Trustee from time to time. Subsequent closings may occur on such dates as established by the Trustee from time to time. The Trustee may terminate the Offering at any time.

Management Agreement: The Manager has agreed to provide certain services to the Limited Partnership in connection with issuance of the LP Units, the acquisition, ownership and operation of the Properties and the business of the Partnership.

In consideration for the provision of the services provided by the Manager, the Limited Partnership will pay to the Manager the Asset Management Fee and the Acquisition Fee.

See Item 2.7 - Material Agreements.

Administration Agreement: In consideration for an annual \$10.00 payment, the Manager has agreed to provide general administrative services to the Trust in connection with the Trust's business.

See Item 2.7 - Material Agreements.

Cost Sharing Agreement Pursuant to the Cost Sharing and Recovery Agreement, all costs and expenses in respect of this Offering incurred by the Trust will be borne by the Limited Partnership in connection with the issuance of LP Units. Therefore, all proceeds of this Offering, net of expenses, will ultimately be used by the Limited Partnership in the purchase, ownership and operation of the Properties.

See Item 2.7 - Material Agreements.

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

GLOSSARY

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

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

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

“Administrator” means AIE Management Inc.;

“Administration Agreement” means an agreement dated as of March 1, 2017 between the Manager and the Trust, pursuant to which the Manager will provide certain managerial and administrative services to the Trust;

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

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

“Asset Manager” means the asset manager of the Trust, an officer position of the Manager, currently occupied by Brendan James Bennett Sutton, whose role is to maximize the return from the Properties, oversee directly employed property management staff and oversee NAI, which, pursuant to the Property Management Agreement, provides certain financial administration services and limited property management services to the Limited Partnership;

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

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

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

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

“Cash Proceeds” means the subscription price for LP Units, being \$11.36 per each LP Unit and as may be established by the General Partner from time to time.

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

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

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

“Cost Sharing and Recovery Agreement” means the cost sharing and recovery agreement between the Trust and the Limited Partnership dated March 29, 2017, as such agreement may be amended, restated and or supplemented from time to time, pursuant to which the Limited Partnership has agreed to bear all of the costs of this Offering incurred by the Trust, including the cost of issuing Class A Units and Class F Units and receiving subscriptions therefore;

“Date of Closing” means, in respect of any Units, the date upon which the sale of such Units is closed;

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

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

“Distributable Cash Flow” means, in respect of the Trust, the distributable cash flow for, or in respect of, a Distribution Period; and is equal to the Cash Flow (as defined under Item 5.1 - Terms of Units) for such Distribution Period less any amount that the Trustee may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow of the Trust) and less such reserves or amounts as are, in the opinion of the Trustee, necessary or desirable;

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

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

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

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

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

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

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

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

“General Partner” means AIE Management Inc., a company existing under the laws of the Province of British Columbia;

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

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

“Limited Partner” means a limited partner of the Limited Partnership;

“Limited Partnership” means All Island Equity REIT Limited Partnership, a limited partnership established under the laws of the Province of British Columbia;

“Limited Partnership Agreement” means the limited partnership agreement dated March 1, 2017 governing the Limited Partnership as the same is amended from time to time and in effect;

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

“Manager” means AIE Management Inc., a company existing under the laws of the Province of British Columbia;

“Management Agreement” means the agreement between the Limited Partnership and the Manager dated March 29, 2017, as such agreement may be amended, restated and or supplemented from time to time, pursuant to which the Manager has agreed to provide certain services to the Limited Partnership in connection with issuance of the LP Units, the acquisition, ownership and operation of the Properties and the business of the Partnership;

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

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

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

“NAI” means NAI Commercial Central Vancouver Island Ltd.;

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

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

“Net Equity” means, with respect to the Limited Partnership, at any time, the total of:

- (i) the total proceeds received by the Limited Partnership from subscriptions for LP Units, being the aggregate Cash Proceeds; less
- (ii) the aggregate of any Net Extraordinary Distributions made by the Limited Partnership to the date in question;

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

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

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

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

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

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

“Permitted Investments” means:

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

“Portfolios” has the meaning given to it in Item 2.3;

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

“Property Management Agreement” means the property management agreement between the Limited Partnership and NAI dated April 12, 2017, as amended on January 31, 2018.

“Proportionate Share” means, in relation to the Units, for each Unitholder of the Trust, that fraction which has as its denominator the total number of issued Units and has as its numerator the total number of Units held by such Unitholder;

“Proposed Debt Pay-Down” means the proposed debt pay-down whereby the Trust will pay off the VanCity Line of Credit as part of a refinancing of its debt obligations;

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

“Sales Fee” means a fee which may be paid by the Trust to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 3% of the subscription monies obtained by such persons, payable at the time of the subscription for Units by a Subscriber;

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

“Settlor” means Patrick Dennis Sullivan, a businessperson having an office at 450A, Wentworth Street, Nanaimo, BC;

“Sold Commercial Properties” means the Properties located at 450 Eighth and 910 Fitzgerald Ave, which were originally acquired by the Trust in the Acquisition and subsequently sold on July 1, 2017;

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

“Subscriber” means a subscriber for Units;

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

“Subscription Price” means the price payable by a Subscriber upon subscribing for a Unit of \$11.36 per Unit, payable upon a Subscriber subscribing for a Unit;

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

“Trailer Fee” means an annual fee which may be paid by the Trust to registered securities dealers and exempt market dealers, or where permitted, non-registrants selling Class A Units under the Offering, each Distribution Record Date, commencing after the first anniversary of any subscriptions for such Class A Units, of up to 1% of the Net Asset Value;

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

“Trust Declaration” means the Declaration of Trust dated March 1, 2017, as amended on May 29, 2018 and from time to time, creating the Trust under the laws of British Columbia;

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

“Trust Liabilities” means:

- (i) the Trust Property or the ownership, use, operation, acquisition or disposition thereof or the exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom;
- (ii) the obligations, liabilities, activities or affairs of the Trust;
- (iii) any actual or alleged act or omission of the Trustee or any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration);
- (iv) any actual or alleged act or omission of the Trustee or any other person in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration);
- (v) any transaction entered into by the Trustee or by any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration); or
- (vi) any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or by any other person (except the Unitholder to the extent required by applicable tax laws) on behalf of or in connection with the activities or affairs of the Trust;

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

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

- (i) the Initial Contribution;
- (ii) all funds or property derived from the issuance or sale of Units and Trust Notes or other funds or property received by the Trust;

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

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

“**Trustee**” means AIE Services Inc., a company existing under the laws of the Province of British Columbia, or any successor Trustee appointed pursuant to the Trust Declaration;

“**Unit**” means a unit of the Trust and includes Class A Units and Class F Units. Units may be issued in one or more of such classes of Units, called “**Classes**”;

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

“**Valuation Date**” means each Distribution Record Date;

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

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

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

CANADIAN CURRENCY

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

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Available Funds of the Trust		
Sources of Funds	Assuming Minimum Offering⁽¹⁾	Assuming Maximum Offering⁽²⁾
A. Amount to be Raised by this Offering	\$1,000,000	\$3,500,000
B. Selling Commissions and Fees ⁽³⁾⁽⁵⁾	\$30,000	\$105,000
C. Costs of the Offering (e.g., legal, accounting, audit) ⁽⁴⁾	\$30,000	\$30,000
D. Available Funds: D = A – (B + C)	\$940,000	\$3,365,000
E. Additional Sources of Funding Required	Nil	Nil
F. Existing Working Capital ⁽⁶⁾	\$340,893	\$340,893
G. Total: G = D+E + F	\$1,280,893	\$3,705,893
H. Reimbursement of Costs by the Limited Partnership	\$60,000	\$135,000

Use of Net Funds by Trust			
I.	Operating and administrative cost of the Trust	Nil	Nil
J.	Existing Working Capital ⁽⁶⁾	\$340,893	\$340,893
K.	Investment by Trust in LP Units ⁽⁵⁾	\$940,000	\$3,365,000
L.	Total	\$1,280,893	\$3,705,893

Notes:

- (1) The minimum offering is \$1,000,000 (88,029 Units).
- (2) The maximum offering is \$3,500,000 (308,099 Units).
- (3) The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 3% of the subscription monies. The Trust may also pay the Trailer Fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants. Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership will reimburse the Trust for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the Trust in offering the Units and obtaining subscriptions for Units. See Item 1.2 below, "Use of Available Funds".
- (4) Estimated Offering costs include expenses of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, fees and disbursements of legal counsel and accountants, and the reasonable out-of-pocket expenses (including applicable taxes) of the Manager in connection with such issue, sale and delivery. Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership will reimburse the Trust for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the Trust in offering the Units and obtaining subscriptions for Units, in consideration of the Trust investing the subscription proceeds in the acquisition of LP Units. See Item 1.2 below, "Use of Available Funds".
- (5) The net proceeds raised by the Trust from the issuance of the Units will be invested in LP Units.
- (6) Existing working capital as of August 27, 2018.

1.2 Use of Available Funds

The Trust intends to use the subscription proceeds in the acquisition of LP Units. The Limited Partnership intends to use the net proceeds from the issuance of LP Units to refinance certain existing mortgages on the Properties. See Item 4.2 – "Long Term Debt Securities".

Sources and Uses of Funds by the Limited Partnership			
Sources of Funds	Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering ⁽²⁾	
A.	Gross proceeds from the issuance of LP Units	\$1,000,000	\$3,500,000
B.	Reimbursement Costs to the Trust	\$60,000	\$135,000
C.	Net Proceeds: C = A - B	\$940,000	\$3,365,000
Uses of Funds			
D.	Proposed Debt Pay-Down ⁽³⁾	\$940,000	\$1,752,186
E.	Redemption by Related Party ⁽⁴⁾	Nil	\$284,000
F.	General corporate use	Nil	\$1,328,814
G.	Total:	\$940,000	\$3,365,000

Notes:

- (1) The minimum offering is \$1,000,000 (88,029 Units).
- (2) The maximum offering is \$3,500,000 (308,099 Units).
- (3) More than 10% of the gross proceeds will be used to pay down interim debt, being the VanCity Line of Credit, that was incurred in 2018 to refinance certain higher interest acquisition loans placed in 2017 to facilitate the Acquisition of the Portfolios.
- (4) Redemption by Patrick Dennis Sullivan, a director of the Trustee and the Manager. Mr. Sullivan paid \$10 per Class F Unit. Mr. Sullivan provided non-refundable deposits and other risk capital at the formation stage of the Trust as well as personal guarantees on certain debt obligations of the Trust. Mr. Sullivan has not received any compensation for providing this support which was critical to the establishment of the Trust. As such, the Trust has determined it is appropriate that Mr. Sullivan be provided with a preferential opportunity to reduce his overall exposure and decrease his unitholdings in the Trust.

1.3 Reallocation

The Trust intends to spend the Net Subscription Proceeds as stated. Funds will be reallocated only for sound business reasons.

ITEM 2 - BUSINESS OF THE TRUST

2.1 Structure

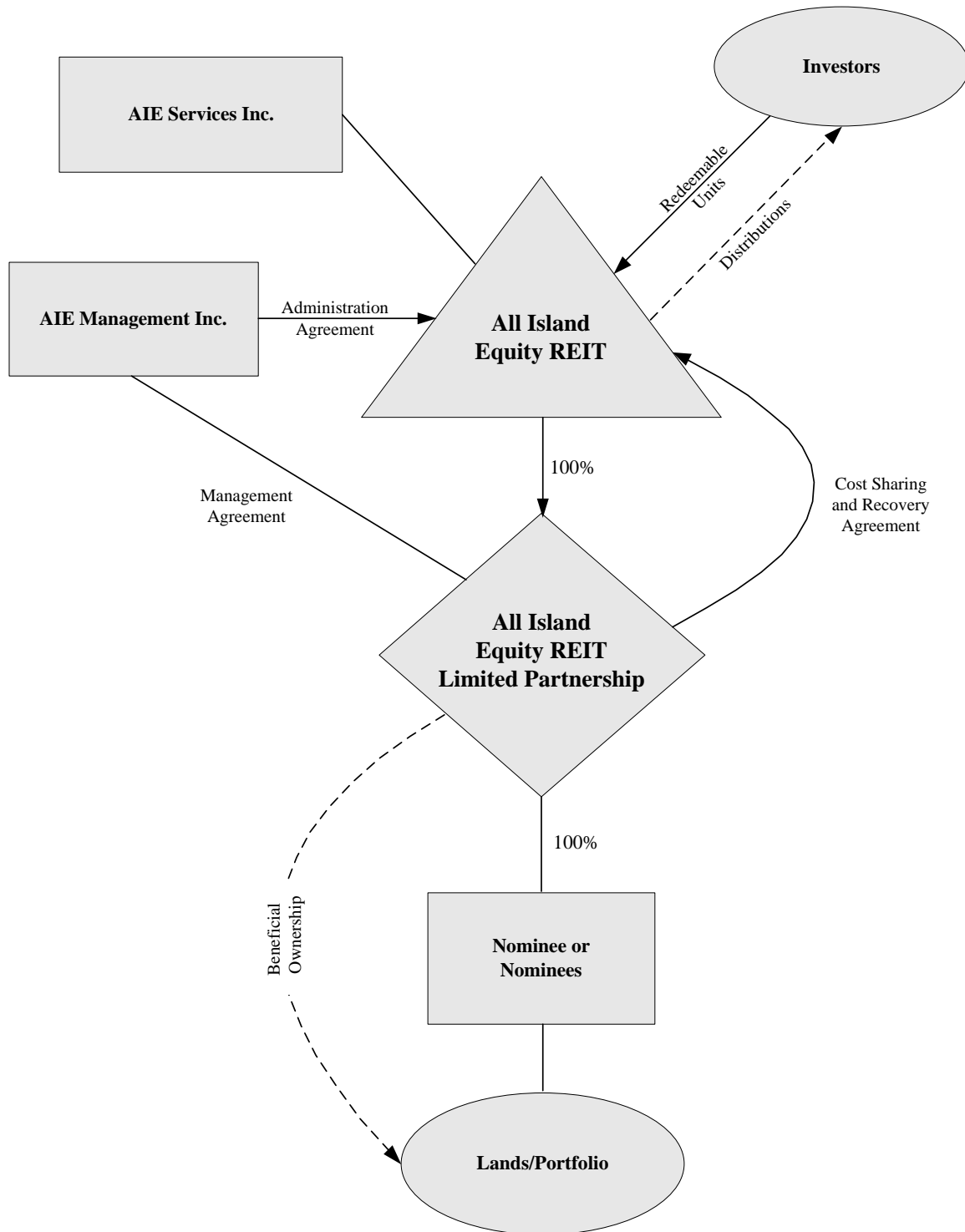
The Trust – The Trust is limited purpose, unincorporated, open-ended investment created under the laws of the Province of British Columbia, pursuant to a Trust Declaration dated March 1, 2017. The registered and records office of the Trust is located at 800-885 West Georgia Street, Vancouver, BC and the head office of the Trust is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1.

The Manager – The manager of the Trust is AIE Management Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under incorporation number BC1109051. The Manager also acts as the General Partner of the Limited Partnership. The registered and records office of the Manager is located at 800 -885 West Georgia Street, Vancouver, BC and the head office of the Manager is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1. The Manager is the manager of the Trust pursuant to the Management Agreement. The Manager is also the General Partner of the Limited Partnership. The directors of the Manager are Patrick Dennis Sullivan, Garth Lyle Busch, and David Stewart Hammond. The issued shares of the Manager are owned by Patrick Dennis Sullivan as to 50 Class A Common Shares and by the Trust as to 50 Class A Common Shares.

The Trustee – The trustee of the Trust is AIE Services Inc., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under Incorporation No. BC1109052. The registered and records office of the Trustee is located at 800 -885 West Georgia Street, Vancouver, BC and the head office of the Trustee is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1. The directors of the Trustee are Patrick Dennis Sullivan, Garth Lyle Busch, and David Stewart Hammond. The issued shares of the Trustee are owned by Patrick Dennis Sullivan.

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

ALL ISLAND EQUITY REIT – INVESTMENT STRUCTURE



2.2 The Trust's Business

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

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

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

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

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

Guidelines for Property Acquisitions – The Manager, as the entity with the authority to carry on the business of the Limited Partnership with full power and authority to administer, manage, control, and operate the business of the Limited Partnership, will comply with the following general guidelines in acquiring Properties:

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

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

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

commercially reasonable terms satisfactory to the Manager in its sole discretion, then the Manager may undertake the day-to-day management and the operation of one or more of the Properties. In such event, the Limited Partnership will pay the Manager a commercially reasonable fee for such services commensurate with the then-current market rates for such property management services.

The Portfolios have the benefit of being managed internally, not externally. The internal property management team, which the Limited Partnership assumed after the Acquisition of the Portfolios, is unique due to their training and experience (the “**Staff**”). The Staff were hand-picked and trained by the Vendor and Staff members are compensated under a bonus system that focuses on occupancy rate, tenant profile and other key metrics which drive long term value creation. The success of this Staff has had a direct impact on the quality and the occupancy of the Portfolios and has been kept in place by the Limited Partnership and the Manager since the Acquisition.

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

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

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

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

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

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

2.3 Development of the Business

Establishment of the Trust

The Trust was established on March 1, 2017. To date, the Trust has issued 876,799 Class A Units and 1,779,879 Class F Units, for total aggregate proceeds of \$26,566,780 net of redemptions.

The Market Opportunity

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

Waiver of Asset Management Fee under Management Agreement

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

Guarantee of VanCity Line of Credit

In April 2018, the Trust acted as a corporate guarantor to the VanCity Line of Credit that was obtained by AIE (Residential) Holdings Inc ("**AIE Residential**"). AIE Residential is a nominee company which owns title to the Properties comprising the Residential Portfolio as nominee. The Trust acted as corporate guarantor to allow AIE Residential to obtain the VanCity Line of Credit from the lender. Please see the investment structure chart under Item 2.1 - "Structure" and Item 2.2 - "The Trust's Business – Title to the Properties".

Why the Mid-Island Area?

2016 was a favourable year for the Vancouver Island/Coast Development Region (the "**VICDR**"). Vancouver Island experienced strong growth due to exports of forest products, tourism, continued population growth and spin-offs from the Vancouver real estate market.¹ The value of building permits continues to grow. In the first half of 2017 the value of building permits grew by 19% compared with the same period in 2016 (2017 VIEA Report).

The Trust believes that Vancouver's continually strong real estate market is having ripple effects in the VICDR, as Lower Mainland homeowners cash out and relocate to the region. High real estate prices in Vancouver are also driving homebuyers to areas of Vancouver Island such as Victoria, which is home to a \$4 billion technology industry that employs about 23,000 workers.² The reported surplus of buyers compared to sellers appears to suggest population growth, increased housing starts, and job creation in construction and other real-estate-related service industries.³ Data indicates that due to a lack of supply in the South Island region, investor activity is migrating to secondary markets on Vancouver Island in search of available opportunities that deliver higher return levels.⁴

¹ "State of the Island Economic Report 2017", Vancouver Island Economic Alliance, October 2017 <<http://viea.ca/wp-content/uploads/2017/11/2017-VIEA-Economic-Report-WEB.pdf>> (the "**2017 VIEA Report**").

² Trish Wetterberg, "Economic Impact of the Greater Victoria Technology Sector", VIATEC, September 2014 <<https://viatec.silkstart.com/artides/download-2014-greater-victoria-technology-sector-economic-impact-study>>.

³ Regional Check-Up 2016 Vancouver Island/Coast Development Region, Chartered Professional Accountants British Columbia, (2016) <https://www.bccpa.ca/CpaBc/media/CPABC/News_Events_Publications/Publications/CPABC%20Check-Up/Regional/2016/Regional-Check-Up-Vancouver-Island-Coast.pdf>.

⁴ "Greater Victoria Multifamily Market Fourth Quarter 2016 – Research and Forecast Report" Colliers International, (2016) <http://www.collierscanada.com/en/commercial-property-research/2016/victoria-multifamily-market-report-q4-2016#.WLRXz2_vvRY> (the "**Colliers Report**").

Vancouver Island's GDP is at approximately 14% of the provincial GDP and is poised to significantly increase its contribution (2017 VIEA Report). The key factors contributing to growth from which Vancouver Island is expected to benefit are residential construction, consumer spending and population growth due to migration from other regions in Canada (2017 VIEA Report).

Vancouver Island Population and Labour Force

Population growth continues to be an important factor in the growth of Vancouver Island's economy. Between 2015 and 2016, the population growth rate increased from 1% to 1.3% (2017 VIEA Report). While the population aged 65 and older continues to grow, initial indications are that the working age population has stabilized and is beginning to grow (2017 VIEA Report). This is consistent with the significant improvements in economic conditions since 2014 encouraging working age people to remain on Vancouver Island and attracting job seekers from outside.(2017 VIEA Report).

Vancouver Island Industry Analysis

Vancouver Island's economy is relatively diverse. Key industries include the public sector, tourism, agriculture and aquaculture, forestry, manufacturing, high technology, and education (2017 VIEA Report). The contribution of each of these sectors varies by region. Tourism, forestry and manufacturing industries are found in all regions, while agriculture production is primarily found from the Comox Valley to the southern tip of Vancouver Island while most aquaculture production occurs on the west coast and in the northern regions (2017 VIEA Report).

COMOX VALLEY

Location Description

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

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

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

Economic draws

The economy of the Comox Valley has been historically linked to the forestry industry, with value added wood processing still a contributor. Recently however, the local economy has become much more diversified, with agriculture, tourism, government offices, wholesale and retail trade, education, and construction becoming key contributors. Courtenay is the economic centre for the area, containing approximately 63% of all retail outlets, and providing approximately 75% of all commercial employment.⁵ Canadian Forces Base Comox is located near Comox and employs approximately 1,800 service men and women and related workers. St. Joseph's General Hospital, which was expanded and upgraded in the mid-1990s, is located in Comox and provides a wide range of services including full in-patient and out-patient facilities. The airport and marina facilities fronting the harbour are also located in Comox. The new Comox Valley Regional Hospital is a new \$360 million dollar development that opened in 2017.⁶

Comox Valley is very accessible and the different types of transportation offer options to commute to and from Comox Valley. The Inland Island Highway, completed in 2001, has greatly improved transportation between the Comox Valley south to Victoria and north to Campbell River. It has made the commute very easy to Nanaimo where BC Ferries provides ferries to and from Vancouver from two separate terminals. BC Ferries also has regularly scheduled sailings to and from Powell River and neighbouring Gulf Islands from Comox. Upon approximately 18 acres of leased land, the Comox Valley

⁵ Simon Wainwright, Cunningham & Rivard Appraisals Ltd.: Regional Data.

⁶ Invest Comox Valley, <<http://www.discovercomoxvalley.com/invest/>> (Invest Comox).

Airport Commission has provided a passenger and cargo terminal to replace the former outdated and undersized facility. Comox is home to the second largest airport on the island, and this facility has seen a strong increase in passenger loads over the past several years and served 351,530 passengers in 2015 (Invest Comox). The busy and expanding airport implemented daily scheduled service to Vancouver, Calgary, and Edmonton along with seasonal service to Puerto Vallarta.

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

Mid-Island Area rental apartment market and the Residential Portfolio

The private rental apartment universe in the Comox Valley, as per the Canada Mortgage and Housing Corporation survey in October 2017, totaled 1,675 units.⁷ The Residential Portfolio in which the Limited Partnership has invested the proceeds received from its issuance of LP Units to the Trust includes 334 of those units or 19.9% of the total market supply. The current vacancy rate of the Residential Portfolio as of February 2018 is 0% with a waitlist of tenants on specific buildings. The demand for private apartment rental is very high due to the Comox Valley's growth in population and economy.

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

The Residential Portfolio's properties have been maintained and managed to such a standard that the units are in high demand by high quality tenants. The result has been that the Residential Portfolio's properties have achieved some of the highest rents and lowest vacancies in the market. As of December 2017 the Residential Portfolio's average rent is \$944 with a vacancy rate of 0% compared to Comox's average rent of \$977 and vacancy of 0% and Courtenay's average rent of \$924 and vacancy of 0%. Vacancy has been trending downward to 0% in October 2017 in both Comox and Courtenay from 1.2% and 1.7% in October 2014 respectively. Furthermore, the average rent has been trending upwards as both Comox and Courtenay have seen increases since October 2015.

The supply for private apartment units in Courtenay and Comox has remained fairly constant with a modest 1% increase since October 2014 and no major new developments in the works (Housing Market Portal). Should new build apartment rentals come on stream in the Comox Valley market in the years ahead, which is to be anticipated, the Trust believes that the Residential Portfolio is very well positioned to compete due to the differential relative to rent for new build apartments, the larger unit size in the Residential Portfolio compared to new build units, and the competitive level of finish and unit upgrades within the Residential Portfolio relative to new build finishes.

Mid-Island Area commercial property market and the Commercial Portfolio

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

⁷ CMHC Housing Market Information Portal, <<https://www03.cmhc-schl.gc.ca/hmiportal/en/#Profile/346001/5/Courtenay>>.

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

The Properties Comprising the Portfolios

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

Properties Acquired to Date

The Portfolios are comprised of a total of 26 separate properties. There are 21 apartment buildings containing a total of 334 rental apartment units. There are 5 commercial properties totaling 55,168 square feet of rental area. A summary of the financial characteristics of each of the Properties currently comprising the Portfolios is found in the tables below.

Property	Address	May 15, 2017 Purchase Price	Assessment Value as at July 1, 2017	Estimated Fair Market Value as at date of the Offering Memorandum ¹
Residential:				
Tradewinds	1600/1610 Comox Ave.	\$10,761,619	\$6,784,000	\$12,432,380
Westwater	60 Anderton Ave.	\$6,607,791	\$6,632,500	\$7,134,936
Glenshee	1800 Comox Ave.	\$3,734,246	\$2,127,000	\$4,338,097
Greenbrier	750 Eighth St.	\$2,638,084	\$2,546,100	\$2,905,075
Villa Montecito	1331 England Ave.	\$2,005,399	\$1,907,600	\$2,225,367
Carriage House	1155 England Ave.	\$1,501,605	\$1,062,000	\$1,657,031
Oakcrest	1155 Stewart Ave.	\$1,419,517	\$1,007,000	\$1,598,173
Berkshire Manor	825 Harmston Ave.	\$1,406,221	\$1,006,000	\$1,482,740
Capri	1081 Steward Ave.	\$1,281,769	\$1,003,000	\$1,375,702
Sonoma	1049 Stewart Ave.	\$1,232,148	\$1,003,000	\$1,296,607
Fairmont	432 11th St.	\$939,213	\$752,000	\$969,045
Cedar Manor	463 12th St.	\$902,514	\$805,000	\$978,619
Briarwood	720 Eighth St.	\$729,941	\$689,500	\$727,407
Belle Aire	575 14th St.	\$563,072	\$494,000	\$581,241
Hycroft	1835 Cliffe Ave.	\$3,968,581	\$2,725,000	\$4,241,254
Edgewater	355 Anderton Ave.	\$2,871,916	\$2,157,000	\$3,319,307
Sandpiper South	1650 Comox Ave.	\$2,322,268	\$1,589,000	\$2,763,842
Sandpiper North	1650A Comox Ave.	\$2,277,158	\$1,522,000	\$2,628,286
Brandywine	675 Cumberland Rd.	\$1,257,290	\$1,247,900	\$1,387,988
Belle Villa	560 15th St.	\$382,911	\$459,000	\$474,875

Property	Address	May 15, 2017 Purchase Price	Assessment Value as at July 1, 2017	Estimated Fair Market Value as at date of the Offering Memorandum ¹
Belvedere	1170 Fitzgerald Ave.	\$310,737	\$303,000	\$310,264
Total - Residential Portfolio		\$49,114,000	\$37,821,600	\$54,828,232
Commercial:				
Northgate Plaza	470 Puntelidge Rd.	\$4,160,000	\$4,098,000	\$4,160,000
Arbour Court	467/491 Cumberland R. & 480 Sixth St.	\$3,200,000	\$2,107,000	\$3,200,000
1761 Comox	1761 Comox Ave.	\$1,950,000	\$1,828,000	\$1,950,000
777 Fitzgerald	777 Fitzgerald Ave.	\$1,600,000	\$1,061,000	\$1,600,000
Fitzgerald Centre	635 Fitzgerald Ave.	\$1,610,000	\$1,053,000	\$1,610,000
Total - Commercial Portfolio		\$12,520,000	\$10,147,000	\$12,520,000
Total:		\$61,634,000	\$47,968,600	\$67,348,232

Notes:

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

Valuation of Portfolios

Prior to the Acquisition, Cunningham + Rivard, an independent third party appraisal firm, completed appraisals of 23 of the 28 Properties in the Portfolios. In January 2018, Cunningham + Rivard completed appraisals for nine of the Properties in the Residential Portfolio. Management of the Trust performed a conservative extrapolation of capitalization rates from the January 2018 appraisals by Cunningham + Rivard to the other Properties in the Residential Portfolio. In March 2018, a capitalization rate market analysis was also completed by Cunningham + Rivard on all five Properties comprising the Commercial Portfolio. In April 2018, the Trust's independent accounting firm, MNP LLP, reviewed the Trust's valuation process and the net asset value calculation as part of their financial audit. Given the foregoing, although there is a gap between the 2017 assessed values for the Portfolios as reported by the BC Assessment Authority, the Trust believes that independent work and valuations performed by Cunningham + Rivard and MNP LLP represent a fair value of the Portfolios.

Use of Capitalization Rate

The concept of "capitalization rate", which is often simply referred to as "the cap rate" is the ratio of net operating income to property asset value. The concept of "net operating income" or "NOI" is a financial measure that is not specifically defined by International Financial Reporting Standards ("IFRS"), and it represents total investment property revenue less investment property operating expenses for a given income-producing real estate asset.

Net operating income is a measure that is used by investors and management alike to evaluate and compare the performance of properties and to determine trends in earnings and to compute the fair value of properties because it is

not affected by (1) the cost of funds of the property owner, (2) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with IFRS, or (3) general and administrative expenses and other gains and losses that are specific to the property owner.

The cost of funds is eliminated from the measure because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by management regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in the portfolio of properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is intended to be captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time.

Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing operating results to the operating results of other real estate entities that have not made similarly timed purchases or sales. Management of the Trust believes that eliminating these costs from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating the Trust's Portfolios as well as trends in occupancy rates, rental rates and operating costs. However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by IFRS, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Trust's Properties, all of which are important economic costs.

NOI may fail to capture significant trends in these components of net income which further limits its usefulness. NOI is a measure of the operating performance of the Trust's Properties but does not measure the Trust's performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with IFRS. This measure should be analyzed in conjunction with net income computed in accordance with IFRS. Other real estate entities may use different methods for calculating NOI or similarly named measures and, accordingly, the Trust's NOI may not be comparable to similarly named measures reported by other companies that do not define the measure exactly as the Trust does.

Commercial Portfolio

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



635 FITZGERALD AVE.

In 1996, the two story professional office building 635 Fitzgerald Ave was built. The 10,742 square foot property has 7,444 square feet of leasable area and is occupied by CIBC Wood Gundy, Island Health, and Krugel and Co. These tenants make

up 100% of the leasable area and there are no vacant areas. The property is located in the center of the business/professional district of downtown Courtenay. Some major renovations include updating the common areas, performing complete exterior painting (2007) and replacing the roof (1996).

NORTHGATE PLAZA (470 PUNTLEDGE RD.)

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

1761 COMOX AVE.

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

777 FITZGERALD AVE.

This property was built in 1988 and has two stories of commercial office space. The 10,204 square foot property has 5,977 square feet of leasable area and is solely occupied by RBC which occupies 100% of the leasable space. The property is located on a highly visible and high traffic corner in the central business district of Courtenay. In 2013, some major landscaping renovations were completed including the installation of complete continuous curbing on the parking lot and the addition of landscaping plots. In 2014, some major renovations were completed including a roof replacement (2006), new stone and cedar siding, addition of an elevator and machine room, commercial window replacement, and redecoration of two staircases. The property is occupied by RBC Dominion, with the lease expiring in August 2020.

ARBOUR COURT (467 & 491 CUMBERLAND RD. AND 480 SIXTH ST.)

This property is comprised of 467 & 491 Cumberland Rd and 480 Sixth St. that are connected by walkways/breezeways. The first floor of 467 Cumberland Rd was built in 1977 and the second floor was built in 1995 while 491 Cumberland Rd and 480 Sixth St. were built in 1991 and 1986 respectively. Arbour Court is a 21,475- square foot property that has 16,746 square feet of leasable area and is occupied by MNP LLP and Swift Dattoo Law Corporation. These tenants make up 100% of the leasable area and there are no vacant units. Each of these tenants has a lease expiring in 2019 and renewal discussions are in the early stages. The property is located in the heart of Comox Valley and is a very unique property in terms of location, size, and quality. The Trust is of the view that there are no other leasable spaces in the Comox Valley that are comparable to Arbour Courts and that it is a property that is unique and would be difficult to replicate. In 2012, the roof of 491 Cumberland Rd was replaced and in 1986 at 480 Sixth St. 467 Cumberland Rd received a new roof in 1995 when the second floor was completed.

Residential Portfolio

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



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

The Residential Portfolio properties vary in size as they range from having 3 units to 68 units with a total of 334 units. 66% of the units, numbering 221, are 2 bedroom, and 102 units (31%) are 1 bedroom with other 11 units (3%) being bachelor suites or 3 bedroom units. The average rent per month per Residential Portfolio property varies from \$732 to \$1,090 with an overall average rent per month of \$944.

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

Property	Address	Number of Units	Date of Completion	Vacancy	Date of Roof Replacement
Tradewinds	1600-1610 Comox Ave	68	1981/82	0%	2001
Westwater	60 Anderton Ave	42	1982	0%	2004
Hycroft	1835 Cliffe Ave	33	1976	0%	2011
Glenshee	1800 Comox Ave	25	1973	0%	2013
Edgewater	355 Anderton Ave	23	1976	0%	2008
Greenbrier	750 Eighth St	16	1993	0%	2007
Sandpiper South	1650 Comox Ave	15	12 suite- 1965 3 suites- 1991	0%	2014
Sandpiper North	1650A Comox Ave	15	1981	0%	2009
Villa Montecito	1331 England Ave	12	1995	0%	2010 (south end)
Carriage House	1155 England Ave	10	1982	0%	2006
Oakcrest	1155 Stewart Ave	10	1981	0%	2013
Berkshire Manor	825 Harmston Ave	9	1984	0%	2014
Capri	1081 Stewart Ave	10	1968	0%	2006
Brandywine	675 Cumberland Rd	8	1994	0%	2015
Sonoma	1049 Stewart Ave	10	1968	0%	2006
Fairmont	432 11 th St	6	1983	0%	2014
Cedar Manor	463 12 th St	7	5 suites- 1965 2 suites- 1977	0%	2011
Briarwood	720 Eighth St	4	1994	0%	2008
Belle Aire	575 14 th St	4	1956	0%	2005
Belle Villa	560 15 th St	4	1959	0%	2004
Belvedere	1170 Fitzgerald Ave	3	1965	0%	2010 (upper) 2005 (lower)
		334			

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

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

Above and beyond its normal course repairs and maintenance budget, the Trust maintains an active budget for replacement of major capital items and periodic base building upgrades (“**Capital Expenditures**”) of the Properties in the Residential Portfolio. The Trust carries a budget of 5% to 9% of gross income for Capital Expenditures. A component of the budget for Capital Expenditures is used to fund interior suite renovations in the Residential Properties. The balance is allocated to major items such as roof replacements, HVAC replacements, and common area upgrades. The Trust addresses these replacement requirements on a scheduled, priority basis

2.4 Long-Term Objectives

The long-term objectives of the Trust are:

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

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

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

The business objectives of the Trust for the next 12 months are to complete the offering of a sufficient number of Units pursuant to this Offering Memorandum to be able to refinance certain existing mortgages on the Properties. See Item 4.2 – “Long Term Debt Securities”.

What the issuer must do and how it will do it	Target completion date or if not known, number of months to complete	Cost to complete
To issue a minimum of 88,029 Units, being the Minimum Offering	October 15, 2018	\$60,000
Proposed Debt Pay-Down (Refinance existing mortgages on the Properties - To pay down the VanCity Line of Credit that was used to the fund the shortfall between the outstanding balance on the Institutional Mortgage Capital interim first mortgage and the proceeds of replacement term first mortgages.)	October 22, 2018	\$1,752,186

2.6 Insufficient Funds

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

2.7 Material Agreements

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

- (a) Management Agreement dated March 29, 2017 between the Manager and the Limited Partnership. The Management Agreement is described below.
- (b) Subscription Agreements – the Agreement by which Subscribers will subscribe for and acquire Units on the terms and conditions described in this Offering Memorandum. The Subscription Agreement is described in Item 5.2 – “Subscription Procedure”.
- (c) Trust Declaration dated March 1, 2017, as amended on May 29, 2018 between the Trustee and the Settlor creating the Trust under the laws of the Province of British Columbia. The Trust Declaration is described below in Item 5.1 – “Terms of Units”.

- (d) Limited Partnership Agreement dated March 1, 2017 among the General Partner, the Founding Limited Partner, and the Limited Partners. The Limited Partnership Agreement is described in Item 2.1 - "Structure" and Item 2.2 - "The Trust's Business".
- (e) Cost Sharing and Recovery Agreement dated March 29, 2017 between the Trust and the Limited Partnership. The Cost Sharing Agreement is described below.
- (f) Administration Agreement dated March 1, 2017 between the Manager and the Trust. The Administration Agreement is described below.
- (g) Property Management Agreement between the Limited Partnership and NAI dated April 12, 2017, as amended on January 31, 2018. The Property Management Agreement is described below.
- (h) Asset Manager Letter Agreement dated May 28, 2018 between the Manager and the Asset Manager. The Asset Manager Letter Agreement is described below.

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

A. *Management Agreement*

Powers and Responsibilities of the Manager

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

Financing Services

The Manager will structure, syndicate and implement the Offering, and in connection therewith will provide the following services:

- (a) structuring and overseeing the establishment of the Trust and the Limited Partnership, including the preparation, execution and filing of all certificates and agreements required to be filed in connection therewith;
- (b) structuring the terms and conditions of the Units;
- (c) overseeing the sale of the Units and the completion of all matters related to the closing of subscriptions for Units and the investment by the Trust in LP Units;
- (d) responding to inquiries from investors and others as they may arise from time to time;
- (e) engaging such counsel and other professional advisers or consultants as the Manager considers advisable in order to perform its duties hereunder;
- (f) preparing and filing all reports required in the jurisdictions in which Units have been sold in order to comply with applicable securities legislation;
- (g) structuring the acquisition and ownership by the Limited Partnership of the Properties or interests in the Properties, including overseeing the preparation, execution and delivery of all agreements, transfers, documents and instruments required for such acquisitions;
- (h) negotiating and arranging for Mortgage Loans in respect of the Properties, including overseeing the preparation, execution, delivery and registration of all documents required in connection therewith; and
- (i) completing all such other services, tasks and matters as may be necessary in respect of the foregoing or as may be reasonably requested by the Limited Partnership from time to time.

Asset Management Services

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

- (a) providing overall management, financial and business planning for the Limited Partnership, including overseeing the operations of the Properties;
- (b) establishing appropriate legal and accounting systems for the proper control of the Properties;
- (c) maintaining ongoing liaison with the lenders of the Mortgage Loans and using best efforts to arrange a refinancing of the Mortgage Loans at the expiration of their terms and any subsequent refinancings;
- (d) conducting ongoing analysis of market conditions to monitor the Limited Partnership's investment in the Properties; and
- (e) advising the Limited Partnership with respect to the disposition of the Properties, and negotiating and carrying out the disposition of the Properties on such terms and conditions and at such times as the Manager may determine.

Supervision of Property Management

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

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

Service Requirements

In providing the Services, the Manager shall:

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

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

Fees

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

- (a) the Asset Management Fee; and

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

Waiver of Asset Management Fee

The Manager, from time to time, may waive the obligation of the Limited Partnership to pay all or any portion of the Asset Management Fee for any year of the Term, or any one or more months within any such year, provided that the waiver of the obligation of the Trust to pay all or any portion of the Asset Management Fee in any year or month shall not act as a waiver of such obligation in subsequent years. The waived Asset Management Fee, or portion thereof, is waived indefinitely and does not accrue. The Manager waived the obligation of the Limited Partnership to pay the Asset Management Fee in connection with the Acquisition of the Portfolios.

Termination

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

Payment on Termination

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

Indemnities

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

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

B. Cost Sharing and Recovery Agreement

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

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

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

C. Administration Agreement

Under the Administration Agreement, the Manager, as “Administrator” has agreed to provide to the Trust general administrative services, including:

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

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

D. Property Management Agreement

Under the Property Management Agreement, NAI provides certain financial administration services and limited property management services to the Limited Partnership, including:

- (a) bookkeeping and related activities;
- (b) maintenance of current rent roll;
- (c) rent collection, with the assistance of the on-site staff;
- (d) monthly cash flow reporting;
- (e) developing and tracking of operating and capital budgets;
- (f) management of suppliers and contractors; and
- (g) tenancy agreement preparation and execution.

Under the Property Management Agreement, the NAI will be paid a fixed fee of \$7,500 per month and a variable fee of \$125 for each approved hour worked by Bob Moss, the managing broker of NAI. The variable fee shall not exceed \$3,750 in any month. At any time after May 31, 2018 the Property Management Agreement can be terminated by either party.

E. Asset Manager Letter Agreement

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

- (a) oversight of NAI;
- (b) manage residential rentals, suite turnover capital expenditure, maintenance capital expenditure, property staff HR issues, and realty tax appeals;
- (c) ensure compliance with the Residential Tenancy Branch of British Columbia;
- (d) manage commercial leasing;
- (e) be the point of contact between the auditors and the property manager during the audit process;
- (f) ensure that financial controls are being implemented;
- (g) be a point of contact for mortgage lenders on info requests, re-financings, and other matters; and
- (h) reporting to the board of directors of the Manager.

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

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

AIE Services Inc. is the Trustee of the Trust. The Trustee is a corporation incorporated under the laws of British Columbia. It has no material assets or liabilities. It carries on no business activities other than acting as trustee of the Trust. The shares of the Trustee are owned directly by Patrick Dennis Sullivan. The registered and records office of the Trustee is located at 800 -885 West Georgia Street, Vancouver, BC and the head office of the Trustee is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1.

AIE Management Inc. is the Administrator of the Trust pursuant to the terms of the Administration Agreement, the Manager of the Limited Partnership pursuant to the terms and conditions of the Management Agreement and the General Partner of the Limited Partnership pursuant to the terms and conditions of the Limited Partnership Agreement. The Manager is a corporation incorporated under the laws of British Columbia. The shares of the Manager are owned directly by Patrick Dennis Sullivan as to 50 Class A Common Shares and the Trust as to 50 Class A Common Shares. The head office of the Manager is located at 800 – 885 West Georgia Street, Vancouver, BC V6C 3H1. The registered and records office of the Manager is located at 800 -885 West Georgia Street, Vancouver, BC and the head office of the Manager is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1.

3.1 Compensation and Securities Held

1. *The Trustee*

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

Name and municipality of principal residence	Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Trust in the most recently completed financial year (or if the Trust has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust held after completion of minimum offering ⁽¹⁾⁽³⁾	Number, percentage and type of securities of the Trust held after completion of maximum offering ⁽²⁾⁽³⁾
Patrick Dennis Sullivan Nanaimo, BC	Director and principal holder since February 28, 2017	\$2,000 every three months	143,150 (5.18% of voting securities) Class F	143,150 (4.80% of voting securities) Class F
Garth Lyle Busch Nanaimo, BC	Director since February 28, 2017	\$2,000 every three months	10,111 (0.37% of voting securities) Class A	10,111 (0.34% of voting securities) Class A
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	\$2,000 every three months	13,145 (0.48% of voting securities) Class F	13,145 (0.44% of voting securities) Class F

Notes:

⁽¹⁾ The minimum offering is \$1,000,000 (88,029 Units).

⁽²⁾ The maximum offering is \$3,500,000 (308,099 Units).

⁽³⁾ Percentages assume that after the minimum Offering a total of 903,208 Class A Units and 1,841,499 Class F Units, and after the maximum Offering a total of 969,229 Class A Units and 1,995,548 Class F Units would be issued and outstanding. These are estimates only, and the actual numbers and breakdown will depend on how many subscribers elect to purchase each Class of the Units.

2. *The Manager*

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

Name and municipality of principal residence	Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Manager in the most recently completed financial year (or if the Manager has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust held after completion of minimum offering ⁽¹⁾⁽³⁾	Number, percentage and type of securities of the Trust held after completion of maximum offering ⁽²⁾⁽³⁾
Patrick Dennis Sullivan Nanaimo, BC	Director and principal holder since February 28, 2017	Nil	143,150 (5.18% of voting securities) Class F	143,150 (4.80% of voting securities) Class F
Garth Lyle Busch Nanaimo, BC	Director since February 28, 2017	Nil	10,111 (0.37% of voting securities) Class A	10,111 (0.34% of voting securities) Class A
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	Nil	13,145 (0.48% of voting securities) Class F	13,145 (0.44% of voting securities) Class F
Brendan James Bennett Sutton Victoria, BC	Officer since September 11, 2017	Most recently completed financial year ended December 31, 2017: \$10,096 Anticipated Current financial year: \$67,083	3,033 (0.11% of voting securities) Class A	3,033 (0.10% of voting securities) Class A

Notes:

⁽¹⁾ The minimum offering is \$1,000,000 (88,029 Units).

⁽²⁾ The maximum offering is \$3,500,000 (308,099 Units).

⁽³⁾ Percentages assume that after the minimum Offering a total of 903,208 Class A Units and 1,841,499 Class F Units, and after the maximum Offering a total of 969,229 Class A Units and 1,995,548 Class F Units, would be issued and outstanding. These are estimates only, and the actual numbers and breakdown will depend on how many subscribers elect to purchase each Class of the Units.

Under the Management Agreement, the Asset Management Fee is payable by the Limited Partnership to the Manager. The amount paid under the Asset Management Fee for the fiscal year ended December 31, 2017 was nil. The amount expected to be paid under the Asset Management Fee for the fiscal year ended December 31, 2018 is nil.

3.2 Management Experience

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

Name	Principal occupations and related experience
<p>Patrick Dennis Sullivan Director of Trustee and Manager</p>	<p>Mr. Sullivan is the founder of Sullivan Wealth Management Group Ltd. (formerly Patrick Sullivan & Associates Insurance and Investment Services Ltd.), of which he was the President from its incorporation in 1978 until 2013. In 1997, Mr. Sullivan and William Walker founded All Island Equity MIC. Patrick's primary business focus is advancing the interests of the Trust and All Island Equity MIC.</p>
<p>Garth Lyle Busch Director of Trustee and Manager</p>	<p>Mr. Busch recently retired as MNP LLP's Regional Managing Partner for Vancouver Island and Northern BC. Mr. Busch has spent more than 40 years delivering accounting, tax, and consulting solutions for a wide variety of clients in diverse industries including private enterprise, public companies, construction and real estate, First Nations, educational institutions and government funded organizations. Mr. Busch has also been active as a principal in commercial and residential real estate construction and leasing since 1990.</p> <p>Mr. Busch has been active in many community organizations including being past President or Treasurer of Tourism Prince Albert Inc., the High Noon Optimist Club of Prince Albert, Club Bingo Inc. and North Saskatchewan Summer Games. He has been a member of rotary clubs, Prince Albert Elks Lodge, Junior Achievement, Vancouver Island Economic Alliance ("VIEA"), as well as serving on many community boards and committees. He is currently on the Board of the Nanaimo Deep Discovery Association. Mr. Busch has also served on Committees of the Institute of Chartered Accountants of Saskatchewan. Mr. Busch has also coached minor softball and acted as a certified fastball umpire. He has volunteered for many other community organizations through the years.</p> <p>Garth graduated from the University of Saskatchewan with a Bachelor of Commerce degree with Distinction in 1976 and received his Chartered Accountant designation in 1978.</p>
<p>David Stewart Hammond Director of Trustee and Manager</p>	<p>Mr. Hammond is a partner in the HB Real Estate Group at RE/MAX of Nanaimo. His practice is a combination of residential and commercial business. The commercial side of his practice includes multi-family, retail, office and industrial land. He has been active in real estate development on Vancouver Island both as an agent and as a principal.</p> <p>Mr. Hammond is a past director of the Vancouver Island Real Estate Board ("VIREB") and the commercial division of VIREB. His community service includes past chair of the Nanaimo Hospital Foundation, past chair of the Nanaimo Schools Foundation, past chair of the Nanaimo Hospice renovation project and many others. He is a long-time member of the Rotary Club of Nanaimo.</p> <p>He was awarded the Lifetime Achievement Award for Community Service from the Nanaimo Chamber of commerce.</p> <p>Mr. Hammond is a graduate of the University of BC with a Bachelor of Commerce (Real Estate). Mr. Hammond has been a licensed realtor since 1978 and a realtor in Nanaimo since 1980.</p>
<p>Brendan James Bennett Sutton Officer of Manager</p>	<p>Mr. Sutton has spent the last seven years working for Devon Properties Limited, the top multi-family property management company in Victoria, British Columbia. While at Devon Properties, Mr. Sutton was tasked with responsibilities in the areas of accounting, business development, and corporate development. Past work also includes consulting for the Halifax Municipality regarding the creation of affordable work and/or residential space for artists and for the Shoal Lake and Cowessess First Nations communities in Saskatchewan regarding the creation of Comprehensive Community-Based Plans.</p> <p>Mr. Sutton holds a Master of Urban Planning from Dalhousie University, has completed the Certified Management Accountant Accelerated Program, and is currently completing UBC's Urban Land Economics Diploma.</p>

3.3 Penalties, Sanctions and Bankruptcy

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

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

3.4 Loans

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

3.5 Promoter

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

ITEM 4 - CAPITAL STRUCTURE

4.1 Capital

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

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of the date of this Offering Memorandum	Number outstanding after min. offering	Number outstanding after max. offering
Class A Unit	Unlimited	\$11.36	879,808.789	908,775.093 ⁽¹⁾	981,190.854 ⁽¹⁾
Class F Unit	Unlimited	\$11.36	1,793,917.074	1,852,978.939 ⁽¹⁾	2,000,633.601 ⁽¹⁾

Notes:

⁽¹⁾ The minimum offering is \$1,000,000 (88,029 Units). The maximum offering is \$3,500,000 (308,099 Units). The breakdown shown as between Class A and Class F Units after the minimum and maximum offering is an estimate only, and the actual numbers and breakdown will depend on how many subscribers elect to purchase each Class of Unit.

B. The following are the details of the outstanding securities of the Limited Partnership as of the date of this Offering Memorandum:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of the date of this Offering Memorandum	Number outstanding after min. offering	Number outstanding after max. offering
Unit	Unlimited	\$11.36	2,673,725.863	2,761,754.032 ⁽¹⁾	2,981,824.455 ⁽¹⁾

Note:

(1) The minimum offering is \$1,000,000(88,029 Units). The maximum offering is \$3,500,000 (308,099 Units).

4.2 Long Term Debt Securities

The below table sets out all of the long-term debt related to the Portfolios, broken down by lender and indicating how many properties are covered by each loan:

Mortgage Debt¹:					
Lender	Interest Rate	Repayment Terms	Number of Properties	Amount Outstanding As At September 1, 2018	Amount due within 12 months of the date of this Offering Memorandum
Industrial Alliance and Financial Services Inc. (First Mortgage)	3.00% - 3.45%	Maturity: March 1, 2020 – April 1, 2022	5	\$7,278,330	\$469,533
CMLS Financial (First Mortgage)	3.26%	Maturity: June 1, 2022	1	\$4,021,433	\$242,370
Coast Capital Savings Credit Union (First Mortgage)	3.15% - 3.47%	Maturity: June 1, 2022	12	\$11,938,349	\$761,693
Peoples Trust (First Mortgage)	3.22%	Maturity: March 1, 2028	7	\$12,166,788	\$635,530
Vancouver City Savings Credit Union (First Mortgage)	3.99%	Maturity: April 25, 2021	2	\$520,884	\$33,120
Total:			27	\$35,925,784	\$2,142,246

Note:

⁽¹⁾ As at December 31, 2017, the Trust had mortgage debt owing to the lender Institutional Mortgage Capital Mortgage in the amount of \$18,842,221. This amount has been subsequently repaid in full pursuant to certain refinancing events that occurred subsequent to the Trust's audited annual financial statements for the year ended December 31, 2017 and the Trust's unaudited financial statements for the three months ended March 31, 2018.

The below table sets out all of the secured lines of credit related to the Portfolios, broken down by lender and indicating how many properties are covered by each loan:

Secured Line of Credit					
Lender	Interest Rate	Repayment Terms	Number of Properties	Amount Outstanding as of the date of this Offering Memorandum	Amount due with 12 months of the date of this Offering Memorandum [Principal]
Vancouver City Savings Credit Union Line of Credit (Second Mortgage)	4.95%	Maturity: April 25, 2019	9	\$1,752,186	\$1,752,186

Guarantee of VanCity Line of Credit

In April 2018, the Trust acted as a corporate guarantor to the VanCity Line of Credit that was obtained by AIE (Residential) Holdings Inc ("AIE Residential"). AIE Residential is a nominee company which owns title to the Properties comprising the Residential Portfolio as nominee. The Trust acted as corporate guarantor to allow AIE Residential to obtain the VanCity Line of Credit from the lender. Please see the investment structure chart under Item 2.1 - "Structure" and Item 2.2 - "The Trust's Business – Title to the Properties".

4.3 Prior Sales

Within the last 12 months, the Trust entered into the following transactions related to the Units:

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
December 21, 2017	Class A Units	133,850	\$10.00	\$1,338,500
December 21, 2017	Class F Units	242,336	\$10.00	\$2,423,360
June 29, 2018	Class A Units	9,054.47	\$11.36 ⁽¹⁾	\$102,858.81
June 29, 2018	Class F Units	15,288.07	\$11.36 ⁽¹⁾	\$173,672.52
July 30, 2018	Class F Units	1,750	\$11.36 ⁽¹⁾	\$19,880.00

Note:

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

4.4 Redemption History

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

	Number and Class of Units	Value (\$)
2017 (since March 1, 2017)		
Unpaid redemption requests, beginning of year	-	\$ -
Redemption requests	-	\$ -
Redemptions paid out	-	\$ -
Unpaid redemption requests end of year	-	\$ -
2018 (up to September 11, 2018)		
Unpaid redemption requests, beginning of year	-	\$ -
Redemption requests	6,044.68 Class A Units 3,000 Class F Units	\$68,667.61 \$34,080.00
Redemptions paid out	6,044.68 Class A Units 3,000 Class F Units	\$68,667.61 \$34,080.00
Unpaid redemption requests end of year	-	-

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Units

A. Trust Units

Units Offered and Subscription Price

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

The price per Class A Unit is \$11.36 and the price per Class F Unit is \$11.36, payable upon subscribing for a Unit in the initial closing. After the initial closing, the Subscription Price per Unit will be \$11.36 per Unit, unless determined otherwise by the Trustee and will be payable by a Subscriber upon subscribing for a Unit.

Trust Declaration

The rights and obligations of the Trust and the Unitholders are governed by the Trust Declaration dated March 1, 2017 between the Trustee and the Settlor creating the Trust under the laws of the Province of British Columbia. The following is a summary of all of the material provisions of the Trust Declaration. **This summary does not purport to be complete and reference should be to the Trust Declaration itself, a copy of which is available from the Trustee. Capitalized terms in this summary which are not defined in this Offering Memorandum are defined in the Trust Declaration.**

Units

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

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

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

Classes of Units

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

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

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

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

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

No Fractional Units

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

Reclassification of Units

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

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

Distributions of Distributable Cash Flow

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

Computation of Distributable Cash Flow of the Trust

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

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

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

Computation of Income and Net Realized Capital Gains

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

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

Other Distributions

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

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

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

Allocation

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

Character of Distributions and Designations

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

Special Distribution Provisions

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

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

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

Enforceability of Right to Receive Distributions

Notwithstanding any provision of Article 6 of the Trust Declaration, each Unitholder will have the legal right to enforce payment on the Distribution Payment Date or December 31, as the case may be, of any amount payable to such Unitholder as a result of any distribution declared or otherwise made payable pursuant to Article 6 of the Trust

Declaration on the applicable Distribution Record Date or the applicable December 31, as the case may be, to, and not yet received by, such Unitholder pursuant to Article 6 of the Trust Declaration.

Method of Payment of Distributions

Where the Trustee determines that the Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution that has been declared payable, or otherwise made payable, pursuant to Article 6 of the Trust Declaration on the due date for such payment or for any other reason cannot pay the distribution in cash, the payment may, at the option of the Trustee, include the issuance of additional Units, or fractions of Units, if necessary or desirable, having a value equal to the difference between the amount of such distribution declared to be payable and the amount of cash that has been determined by the Trustee to be available for the payment of such distribution. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

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

Withholding Taxes

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

Calculation of Net Asset Value

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

Method of Determining Value

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

Redemption

Redemption - Generally

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

Right of Redemption by Unitholders

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

Exercise of Redemption Right

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

Effect of Redemption Notice

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

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

Redemption Price

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

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

Payment of Redemption Price in Cash

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

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

Payment of Redemption Price in Specie

If any of the conditions in (a) and (b) immediately above (which are more particularly set out in Section 8.5(a) and 8.5(b) of the Trust Declaration) preclude the payment of the Redemption Price in cash, and the Trustee does not, in its sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar quarter, the Redemption Price shall be paid and satisfied by way of any of the following methods to be selected by the Trustee, using its sole discretion:

- (a) the issuance and delivery of a number of Trust Notes, each in the principal amount of \$100, having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption;
- (b) a distribution *in specie* to the Unitholder of a number of LP Units having an aggregate value determined on the redemption date based on the redemption price of the LP Units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption price per Unit multiplied by the number of Units tendered for redemption; or
- (c) a distribution in specie to the Unitholder of a number of Debt Securities (each in the principal amount of \$100) having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption.
- (d) Notwithstanding the foregoing, the Trustee, in its sole discretion, may but will in no way be obligated to make cash payments on account of the Redemption Price in excess of the limits set out in subsections (a) and (b) immediately above.

Capital Gains and Income on In Specie Distribution

Where the Trust makes a distribution *in specie* of a *pro rata* number of LP Units on a redemption of Units, rather than by way of cash payment, pursuant to Section 8.6 of the Trust Declaration, the Trustee may designate as payable to the particular redeeming Unitholders receiving LP Units portions of the amount of the value of such LP Units (i) not exceeding the amount of any capital gain of the Trust as a result of the distribution of such property as an amount payable out of the Net Realized Capital Gains of the Trust, and (ii) not exceeding an allocable share of income in respect of the LP Units so distributed determined in accordance with the terms of the Limited Partnership Agreement together with any other income realized by the Trust as a result of a distribution of LP Units, as an amount payable out of Trust Income.

General

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

Trust's Right of Retraction

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

Partial Retraction

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

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

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

Exercise of Right

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

Retraction Price

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

Meetings of Unitholders

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

Quorum

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

Voting Rights

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

Powers Exercisable Ordinary Resolution

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

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

Powers Exercisable Special Resolution

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

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

- (g) the alteration or elimination of any voting rights pertaining to any outstanding Units.

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

Unitholder Meeting Information

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

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

Termination of the Trust

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

Amendments to the Trust Declaration

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

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

Information and Reports

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

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

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

Liability of Unitholders

No Unitholder, in its capacity as Unitholder, will incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind, to any person in connection with: (i) the Trust Property or the ownership, use, operation, acquisition or disposition thereof or the exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom; (ii) the obligations, liabilities, activities or affairs of the Trust; (iii) any actual or alleged act or omission of the Trustee or any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration); (iv) any actual or alleged act or omission of the Trustee or any other person in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration); (v) any transaction entered into by the Trustee or by any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration); or (vi) any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or by any other person (except the Unitholder to the extent required by applicable tax laws) on behalf of or in connection with the activities or affairs of the Trust (collectively, "**Trust Liabilities**").

No Unitholder, in its capacity as such, will be liable to indemnify the Trustee or any other person with respect to any Trust Liabilities.

To the extent that, notwithstanding the provisions of Section 2.8 of the Trust Declaration, any Unitholder, in its capacity as such, may be determined by a judgement of a court of competent jurisdiction to be subject to or liable in respect of any Trust Liabilities, such judgement and any writ of execution or similar process in respect thereof will be enforceable only against, and will be satisfied only out of, the Units held by such Unitholder.

To the extent that, contrary to the provisions of Section 2.8 of the Trust Declaration, any Unitholder is held personally liable as such to any other person in respect of any Trust Liabilities, such Unitholder will be entitled to indemnity and reimbursement out of the Trust Property to the full extent of such liability and for all costs of any litigation or other proceedings in which such liability has been determined, including, without limitation, all fees and disbursements of counsel. The rights accruing to a Unitholder under Section 2.8(d) of the Trust Declaration do not exclude any other rights to which such Unitholder may be lawfully entitled, nor does anything herein contained restrict the right of the Trustee to indemnify or reimburse a Unitholder out of the Trust Property in any appropriate situation not specially provided herein but, for greater certainty, the Trustee has no liability to reimburse a Unitholder for taxes assessed against them by reason of or arising out of their ownership of Units.

Powers of the Trustee

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

Specific Powers and Authorities

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

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to hold the Trust Property in safekeeping, retaining moneys, securities, property, assets or investments, and investing moneys from time to time forming part of the Trust Property;
- (c) to ensure that the Subscription Proceeds are invested in LP Units;

- (d) to borrow money as necessary to pay distributions to Unitholders, and encumbering Trust Property in respect thereof;
- (e) to pay properly incurred expenses out of Trust Property;
- (f) to open, operate and close bank accounts and other similar credit, deposit and banking arrangements, to negotiate and sign banking and financing contracts and agreements and deposit monies from time to time forming part of the Trust Property in such accounts;
- (g) to possess and exercise rights, powers and privileges appertaining to ownership of or interests in Trust Property;
- (h) to hold legal title to the Trust Property;
- (i) to appoint the accountants of the Trust;
- (j) to ensure compliance with applicable securities legislation;
- (k) to prepare and file or cause to be prepared and filed all requisite returns, reports and filings;
- (l) to provide all requisite office accommodation and associated facilities;
- (m) to provide or cause to be provided to the Trust all other administrative and other services and facilities required by the Trust;
- (n) to maintain or cause to be maintained complete records of all transactions in respect of the investment portfolio of the Trust;
- (o) to prescribe any instrument provided for or contemplated by the Trust Declaration;
- (p) to effect payment of distributions to the Unitholders;
- (q) to collect, sue for and receive all sums of money or other property or items that are believed due to the Trust and obtain security, including encumbrances on assets, to secure the full payment of monies owed to the Trust and the performance of all obligations in favour of the Trust, and to exercise all of the rights of the Trust, and to perform all of the obligations of the Trust, under such security;
- (r) to possess and exercise all the rights, powers and privileges pertaining to the ownership of all or any part of the Trust Property, including the LP Units, to the same extent that any person might, unless otherwise limited herein;
- (s) where reasonably required, to engage, employ, contract with or retain on behalf of the Trust any persons as agents, representatives, employees or independent contractors in one or more capacities;
- (t) except as prohibited by law, to delegate from time to time to the Trust's employees, consultants, agents and other persons the doing of such things and the exercise of such powers hereunder as the Trustee may from time to time deem expedient, so long as any such delegation is not inconsistent with any of the provisions of this Declaration and subject at all times to the general control and supervision of the Trustee as provided for herein;
- (u) to issue and redeem Units pursuant to the terms and conditions of the Trust Declaration;
- (v) where desirable to make or cause to be made application for the listing or quotation on any stock exchange or market of Units, and to do all things which in the opinion of the Trustee may be necessary or desirable to effect or maintain such listing or quotation;
- (w) to use best efforts to do all such acts and things as are necessary to ensure that the Trust qualifies at Closing and at all times thereafter as a "mutual fund trust" pursuant to subsection 132(6) of the Tax Act, including *inter alia* those things set out in the Trust Declaration;

- (x) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustee in connection with the Trust Property, undertaking or income of the Trust, or imposed upon or against the Trust Property in connection with the undertaking or income of the Trust, or any part thereof, and to settle or compromise disputed tax liabilities, and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections, allocations and determinations in respect of Trust Income, Net Realized Capital Gains or any other amounts distributed, allocated and made payable to Unitholders in a year and any other matter as shall be permitted under the Tax Act and analogous provisions of any provincial income tax legislation, and to do all such other acts and things as may be deemed by the Trustee in its sole discretion to be necessary, desirable or convenient;
- (y) to do all such acts and things, and to execute, deliver and perform the obligations of the Trust under all such agreements and instruments as are necessary to complete the Offering or as are contemplated by the Prospectus; and
- (z) to do all such other acts and things and execute all such agreements and other instruments as are incidental to the foregoing, and to exercise all powers that are necessary or useful to carry on the purpose and activities of the Trust, to promote or advance any of the purposes or objectives for which the Trust is formed and to carry out the provisions of the Trust Declaration whether or not specifically mentioned in the Trust Declaration.

Resignation and Removal of Trustee

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

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

Indemnification of Trustee

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

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

Fees

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

In addition, the Trailer Fee is payable.

Standard of Care

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

Conflicts of Interest

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

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

Rights of Unitholders

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

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

Constraint on Non-Resident Unitholders

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

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

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

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

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

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

B. LP Units

The rights and obligations of the General Partner and the Limited Partners are governed by the Limited Partnership Agreement made as of March 1, 2017 among the General Partner, the Founding Limited Partner and all persons who subscribe for LP Units establishing the Limited Partnership. The following is a summary of all of the material provisions of the Limited Partnership Agreement. **This summary does not purport to be complete and reference should be to the Limited Partnership Agreement itself, a copy of which is available from the General Partner/Manager.**

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

Capital in the Limited Partnership

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

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

Cash Flow from Operations

In each fiscal year of the Limited Partnership, the Limited Partnership will pay and distribute an amount equal to all cash flow from operations of the Properties in that year after payment of all current obligations relating to the Properties, including all current principal and interest payments under the Mortgage Loans, and after the creation of reasonable working capital and capital improvement reserves as determined by the General Partner.

Cash flow arising from the ordinary course of operations of the Properties will be distributed quarterly, as cash flow permits, as follows:

- (a) firstly, the General Partner will be paid 0.01% of the net income or net loss of the Limited Partnership to a maximum of \$100 per annum;
- (b) secondly, the Limited Partners will be paid the amount of the Limited Partners' Minimum Return. The General Partner will not be entitled to share in cash flow, proceeds of sale, and surplus proceeds from refinancing until the Limited Partners' Minimum Return has been paid. The Limited Partners' Minimum Return will be calculated on a non-compounded, cumulative basis such that in the years when the Limited Partners' Minimum Return is not available from cash flow, it will accumulate and be paid from cash flow in subsequent years;
- (c) thirdly, the balance will be paid out as to 80% to the Limited Partners and 20% to the Manager.

Net Proceeds from Refinancings, Sale or other Capital Transactions

Subject to the right of the General Partner to allocate net income and taxable income in such manner as is required to reverse any negative balance in a Limited Partner's capital account and to allocate revenues and expenses among Limited Partners to ensure they are treated equitably, all net income and taxable income of the Limited Partnership arising from any capital transaction in respect of the Properties, will be allocated as and when funds are received and available for distribution to the Limited Partners and General Partner on the following basis:

- (a) firstly, the General Partner will be allocated 0.01% of the such proceeds to a maximum of \$100 per annum;
- (b) secondly,
 - (i) if the Limited Partners have not received repayment in full of the cash proceeds received by the Limited Partnership from subscriptions for LP Units, Limited Partners, other than the Founding Limited Partner, will be allocated such proceeds, *pro rata* in accordance with their respective Income Shares, until they have received repayment of such cash proceeds in full;
 - (ii) if the Limited Partners have received repayment in full of the cash proceeds received by the Limited Partnership from subscriptions for LP Units, then Limited Partners will be allocated the Minimum Return, *pro rata* in accordance with their respective Income Shares;
- (c) thirdly, the balance of such proceeds will be allocated 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the Manager.

All net proceeds received by the Limited Partnership from any capital transaction in respect of the Properties, after the creation of a reasonable reserve as determined by the General Partner, will be distributed in the following order:

- (a) in the event of a sale of a Property, to pay any costs involved in the sale, and to pay all amounts required to discharge any Mortgage Loans or encumbrances registered against the Property;
- (b) to pay to the Limited Partners that amount which is estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of the sale;
- (c) to pay all current obligations of the Limited Partnership, including without limitation, the Mortgage Loans and any loans advanced by the General Partner or the Limited Partners, plus accrued interest, and to the extent then payable the Asset Management Fee payable under the General Partner Services Agreement;
- (d) if the Limited Partners have not received cash distributions equal to the Minimum Return, to the Limited Partners until they have received the full Minimum Return;
- (e) to the Limited Partners until the Limited Partners have received repayment in full of the cash proceeds received by the Limited Partnership from subscriptions for LP Units;
- (f) if the Limited Partners have been allocated net proceeds from any capital transaction in excess of the Minimum Return, such proceeds will be distributed to the Limited Partners in proportion to their share of such excess until each has received the sum of their Minimum Return plus such excess; and
- (g) the balance will be distributed 80% to the Limited Partners and 20% to the Manager.

Additional Capital Contributions

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

Partner Loans

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

Distributions upon Wind-up, etc.

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

- (h) in the event that dissolution occurs upon the sale of the last of the Properties, to pay any costs involved in the sale, and to pay all amounts required to discharge any Mortgage Loans or encumbrances registered against the Properties;
- (i) to pay all expenses incurred in the winding-up of the Limited Partnership;
- (j) to pay all of the liabilities of the Limited Partnership, including any loans or advances made by Limited Partners, any amounts owing to the General Partner in respect of costs and expenses owing to it pursuant to the Partnership Agreement, and to the extent then payable the Asset Management Fee payable under the General Partner Services Agreement, in the manner required by law;
- (k) to establish such reserves as the General Partner considers necessary;
- (l) to return to each Limited Partner the Net Equity;

- (m) to return to the General Partner its capital contribution of \$10;
- (n) to pay to the Limited Partners any unpaid portion of their Minimum Return; and
- (o) to distribute any balance then remaining 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the Manager

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the Limited Partnership will be allocated first to the Limited Partners to the extent of their equity accounts (being their Net Equity less prior loss allocations and distributions plus prior income allocations and contributions), and thereafter to the General Partner. For tax and accounting purposes, net income for each fiscal year of the Limited Partnership will be allocated to the Limited Partners and the General Partner in the same manner and in the same priorities in which cash flow from operations and distributions of net proceeds from refinancings, sale or other capital transactions are ultimately distributed to such parties (excluding returns of capital and repayments of the principal amount of loans) subject to adjustments for prior year loss allocations and such other adjustments as necessary to be made on a cumulative basis.

Management and Control of the Limited Partnership

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

Removal of the General Partner

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

In the event of the removal of the General Partner, the Limited Partnership may terminate the General Partner Services Agreement and any other agreements made between the Limited Partnership and the General Partner or a Related Party, upon the payment by the Limited Partnership to the General Partner or such Related Party of the amount stated in such agreement to be payable upon termination or, in the absence thereof, a reasonable termination compensation. Upon termination of the General Partner Services Agreement, the Limited Partnership will be responsible for the payment to the General Partner of any and all fees payable under that Agreement, and all expenses incurred and paid by the General Partner, up to the date immediately prior to the date of termination. As well, the Limited Partnership will purchase from the former General Partner its interest in the Limited Partnership for a price equal to the fair market value thereof.

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

Voting

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

Financial Information

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

Residency

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

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

5.2 Subscription Procedure

Subject at all times to the discretion of the Trustee to waive such requirement, each first time Subscriber must initially subscribe for a minimum of \$10,000 in Units.

Existing Unitholders must make a minimum investment in Units of \$2,500 and maintain a minimum of \$10,000 in Unit subscriptions, subject again to the discretion of the Trustee to waive such requirement.

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

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

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

- (a) if the Subscriber is relying on "offering memorandum" exemption to the prospectus requirement in section 2.9 of National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") (the

“Offering Memorandum Exemption”) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia:

- (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) unless the Subscriber is subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513);
- (b) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Manitoba:
- (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) if the Subscriber is investing more than \$10,000 pursuant to the Offering Memorandum Exemption, the Subscriber must meet the definition of “eligible investor” (as defined in NI 45-106) and an “Eligible Investor Questionnaire”;
- (c) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Alberta, Ontario or Saskatchewan:
- (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) if the Subscriber is an individual, two copies of Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4). Subscriber investing more than \$10,000 in a 12-month period must meet the definition of “eligible investor”. Subscriber investing more than \$30,000 (but not more than \$100,000) in a 12 month period must meet the definition of “eligible investor” and have received suitability advice with respect to the investment from a portfolio manager, investment dealer or exempt market dealer. These limits do not apply to “accredited investors” (as defined in NI 45-106 or the Securities Act (Ontario)) or persons described in section 2.5 of NI 45-106 (however, such Subscriber must complete Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4);
- (d) if the Subscriber is relying on the “accredited investor” exemption to the prospectus requirement in section 2.3 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
- (i) the Subscriber must be an “accredited investor” as defined in NI 45-106 or section 73.3 (2) of the Securities Act (Ontario),
 - (ii) if applicable, two copies of a Risk Acknowledgment Form for Individual Accredited Investors (Form 45-106F9), and
 - (iii) if the Subscriber is resident in or otherwise subject to the securities laws of British Columbia and the Subscriber is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513);
- (e) if the Subscriber is relying on the “minimum investment” exemption (\$150,000) to the prospectus requirement in section 2.10 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
- (i) the Subscriber is not an individual (as defined in applicable securities laws),
 - (ii) the conditions of section 2.10 of NI 45-106 are satisfied, and
 - (iii) if the Subscriber is resident in or otherwise subject to the securities laws of British Columbia and the Subscriber is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513); and

- (f) if the Subscriber is relying on the “family, friends and business associates” exemption to the prospectus requirement in section 2.5 of NI 45-106 (subject to section 2.6 of NI 45-106 for Saskatchewan residents and 2.6.1 of NI 45-106 for Ontario residents) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) such supporting documentation that the Trust or its legal counsel may request to establish the Subscriber’s qualification to rely on such exemption,
 - (ii) if applicable, two copies of:
 - A. a Risk Acknowledgment Form (Form 45-106F12) (Ontario residents); or
 - B. a Risk Acknowledgement Form (Form 45-106F5) (Saskatchewan residents), as applicable, and
 - (iii) if the Subscriber is resident in British Columbia and the Subscriber is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513).

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

Subscribers may subscribe for Units by returning to the Agent at 56 Temperance Street, Suite 900, Toronto, ON, M5H 3V5 the following:

- (a) a completed Subscription Agreement (including all applicable schedules, appendices, acknowledgements, certificates and other documents requested by the Trust); and
- (b) a certified cheque, money order or bank draft drawn on a Canadian chartered bank in an amount equal to the price per Unit multiplied by the number of Units subscribed for, payable to the Agent, or by wire transfer in the amount of the aggregate Purchase Price to the Agent pursuant to the wiring instructions attached.

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

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

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

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

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

ITEM 6 - SUMMARY OF INCOME TAX CONSEQUENCES AND ELIGIBILITY

6.1 Summary of Income Tax Consequences

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

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

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

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

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

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

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

Tax Status of the Trust

Qualification as a “Mutual Fund Trust”

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

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

The SIFT Measures

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

A SIFT is generally a trust or partnership investment which is listed or traded on a stock exchange or other public market, and which holds “non-portfolio property” (as defined in the Tax Act). The effect of the SIFT Measures is that SIFT trusts and SIFT partnerships are generally subject to a special tax (“**SIFT tax**”) on their “non-portfolio earnings” (as defined in the tax Act), where such earnings are distributed or allocated to investors of the trust or partnership. For those purposes, “non-portfolio earnings” generally includes income (other than taxable dividends) from, or net taxable capital gains realized on, any “non-portfolio property” in the taxation year. Non-portfolio property includes certain Canadian real, immovable or resource properties, certain property used in the course of carrying on a business in Canada, and securities in certain intermediary entities which own non-portfolio property.

The SIFT Measures do not apply to a trust that qualifies as a “real estate investment trust” (or “REIT”) or to a partnership or trust that qualifies as an “excluded subsidiary entity”.

For a trust to qualify as a REIT in a particular taxation year:

- (a) at all times in the taxation year the total fair market value of all of the trust’s non-portfolio properties that are “qualified REIT properties” (as defined in the Tax Act and summarized below) must be at least 90% of the fair market value of all of the trust’s non-portfolio properties;
- (b) not less than 90% of the trust’s revenues for the taxation year must be derived from (i) rent from real or immovable properties, (ii) interest, (iii) capital gains from dispositions of real or immovable properties, (iv) dividends, and (v) royalties;

- (c) not less than 75% of the trust's revenues for the taxation year must be derived from (i) rent from real or immovable properties, (ii) interest from mortgages or hypothecs on real or immovable properties, and (iii) capital gains from dispositions of real or immovable properties; and
- (d) the trust must, at all times throughout the taxation year hold any combination of real or immovable properties, money, bank deposits or certain permitted debt obligations and bankers' acceptances having a total fair market value that is not less than 75% of the trust's equity value.

For purposes of the "real estate investment trust" exception to the SIFT Measures, "qualified REIT property" means (a) real or immovable property that is capital property (and certain properties the ownership of which is ancillary to the foregoing), cash and certain near-cash instruments, (b) a security of a subject entity that derives all or substantially all of its revenues from certain management activities relating to real property of the Trust or of a subsidiary entity; and (c) a security of a subject entity if the entity holds no property other than legal title to real property of the Trust or of another subject entity all of the securities of which are held by the Trust.

To qualify as an "excluded subsidiary entity" in a particular taxation year, the subsidiary partnership or trust must not, at any time in the taxation year, have any of its "equity" as defined in the Tax Act:

- (a) listed or traded on a stock exchange or other public market; nor
- (b) held by any person or partnership other than a REIT, a SIFT, a taxable Canadian corporation or another excluded subsidiary entity.

The Trust does not have immediate plans to list the Units on any stock exchange for public trading. Should the Units be in the future listed or traded on a stock exchange or other public market, the Trust expects to be able to satisfy the requirements to qualify as a REIT, and intends to operate in such a manner so as to qualify as a REIT on a continuous basis in the future. The Trust's actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Tax Act to be real estate investment trust.

As long as the LP Units, and any other security issued by the Limited Partnership, are not listed or traded on a stock exchange or other public market, and that all such securities are held only by any combination of REITs, SIFTs, other excluded subsidiary entities or taxable Canadian corporations, the Limited Partnership should qualify as an excluded subsidiary entity and should not itself be subject to the SIFT tax under the SIFT Measures.

Consequently the Trust expects, and this summary assumes, that the Trust and the Limited Partnership will not be liable to SIFT tax under the SIFT Measures. If the Units, the LP Units, or any other securities or investments in the Trust or the Limited Partnership become listed or traded on a stock exchange or public market, and if the Trust does not qualify or ceases to qualify under the REIT Exception or the Limited Partnership does not qualify or ceases to qualify as an excluded subsidiary entity, the income tax considerations could be materially different from those described in this summary. In particular the non-deductible distributions amount of the Trust, if any, could be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust may be reduced), and such amount could also, depending on the circumstances, be included in the income of Unitholders for purposes of the Tax Act as eligible dividends. There can be no assurances that the treatment of SIFTs under the Tax Act will not be changed, or that administrative policies or assessing practices of the CRA will not develop, in a manner which adversely affects the Issuer or Unitholders.

Taxation of the Trust

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

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

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

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

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

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

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

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

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

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

Taxation of the Limited Partnership

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

If the Limited Partnership incurs losses for purposes of the Tax Act, a limited partner, including the Trust, will be entitled to deduct in the computation of its income for purposes of the Tax Act its share of any such losses for any fiscal year to

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

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

Taxation of Unitholders

Distributions

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

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

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

Purchases of Units

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

Dispositions of Units

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

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

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

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

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

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

Reclassifications of Units

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

Taxation of Capital Gains and Capital Losses

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

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

Alternative Minimum Tax

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

6.2 Eligibility For Deferred Plans

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

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

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

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

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

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

The Trustee may also pay an annual trailer fee of up to 1% of the Net Asset Value to registered securities dealers and exempt market dealers, or where permitted, non-registrants selling Class A Units, but not Class F Units, each Distribution Record Date, commencing after the first anniversary of the Closing of any subscriptions for Class A Units.

Assuming an offering of 88,029 Units for aggregate sale proceeds of \$1,000,000 (based on a price per Unit of \$11.36), the initial sales fees would be approximately \$30,000. The Trust is unable to determine the amount that will be payable on account of the trailer fee at this time because it cannot estimate how many investors will subscribe for Class A Units.

ITEM 8 - RISK FACTORS

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

Investment Risk

1. *This is a Blind Pool Offering*

This is primarily a “blind pool” Offering. The Trust’s Portfolio consists of 26 Properties. See Item 2.3 - “Development of the Business – Properties Acquired to Date”. Although the Trust expects that a portion of the available net proceeds of the Offering may be applied by the Limited Partnership, in part, directly or indirectly, in the purchase of additional Properties, the specific additional Properties in which the Limited Partnership will invest have not yet been determined.

2. *No Market for Units*

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

3. *Highly Speculative*

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

4. *Less than Full Offering*

There can be no assurance that more than the minimum Offering will be sold. In that case, less than the maximum proceeds will be available to the Trust and, consequently, their business development plans and prospects could be adversely affected.

5. *No Guaranteed Return*

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

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

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

7. *Marketability of Units*

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

Issuer Risk

1. *Reliance on Key Personnel*

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

2. *Uninsured Losses*

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

3. *Limitations on Non-Resident Ownership*

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

4. *Tax Matters*

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

5. *Net Worth of the Trustee*

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

6. *Limited Recourse*

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

7. *Major Asset*

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

8. *Vacancy Rates of Properties*

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

9. *Interest Rate Fluctuations*

It is anticipated that the value of Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the value of Units. A decrease in interest rates may encourage tenants to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in the interest rates may also have effects on vacancy rates, rent levels, repositioning costs and other factors affecting the Trust's business and profitability. The mortgage loans arranged by the Limited Partnership may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Limited Partnership's cost of borrowing.

10. *Minimal Operating History*

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

11. *Revenue Shortfalls*

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

Industry Risk

1. *Risks of Real Estate Investment*

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

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

2. *Illiquidity of Real Estate*

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

3. *Market & Regulatory Risks*

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

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

4. *Competition*

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

5. *Potential Liability under Environmental Protection Legislation*

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Trust or its related entities could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to

remove or remediate such substances, if any, may adversely affect the Trust's ability to sell such a property or to borrow using a property as collateral.

For all of the aforesaid reasons and others set forth and not set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of the Units should be aware of these and other factors set forth in this Offering Memorandum and should consult with his/her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their total investment.

ITEM 9 - REPORTING OBLIGATIONS

As the Trust is not a "reporting issuer" as defined in the applicable securities legislation, the continuous reporting requirements of those acts do not generally apply to the Trust. The Trust will, however, on or before March 31 in each calendar year, provide to each Unitholder audited annual financial statements for the financial year ended December 31 and all other information required to file Canadian income tax returns.

ITEM 10 - RESALE RESTRICTIONS

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

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

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

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

ITEM 11 - PURCHASERS' RIGHTS

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

11.1 Two Day Cancellation Right for a Subscriber

You can cancel your agreement (Subscription Agreement) to purchase the Units. To do so, you must send a notice to the Trustee before midnight on the second business day after you sign the Subscription Agreement in respect of the Units.

11.2 Rights of Action in the Event of a Misrepresentation

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

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

The applicable contractual and statutory rights are summarized below. By its execution of the Subscription Agreement, the Trust will be deemed to have granted these rights to you. Subscribers should refer to the applicable securities laws of their respective offering jurisdiction for the particulars of these rights or consult with professional advisors.

11.3 Statutory Rights of Action for Subscribers in the Provinces of Alberta and British Columbia

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

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

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

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

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Units.

You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Units.

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

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

11.4 Statutory Rights of Action for Subscribers in the Province of Manitoba

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

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

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

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

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Units.

You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) two (2) years after you signed the agreement to purchase the Units.

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

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

11.5 Statutory Rights of Action for Subscribers in the Province of Ontario

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

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

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

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Units.

You must commence your action for damages within the earlier of:

- (i) 180 days after learning of the misrepresentation; or
- (ii) three (3) years after you signed the agreement to purchase the Units.

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

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

11.6 Statutory Rights of Action for Subscribers in the Province of Saskatchewan

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

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

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

You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the Units.

You must commence your action for damages within the earlier of:

- (i) one year after learning of the misrepresentation; or
- (ii) six (6) years after you signed the agreement to purchase the Units.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) disseminated in connection with the offering contains a misrepresentation, a purchaser who purchases Units referred to in that advertising or sales literature has a right of action against the Trust, every promoter of the issuer and director of the Trustee, as the case may be, and every person who or company that sells Units under the offering with respect to which the advertising or sales literature was disseminated. In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of Units, the purchaser has a right of action for damages against the individual who made the verbal statement.

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

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

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

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

ITEM 12 - FINANCIAL STATEMENTS

See attached

ALL ISLAND EQUITY REIT

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Prepared by Management – Unaudited)
Expressed in Canadian Dollars

All Island Equity REIT
Condensed Interim Consolidated Statements of Financial Position
For the Three-Months Ended March 31, 2018
(Expressed in Canadian dollars - Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 1,061,337	\$ 5,968,547
Trade and other receivables	-	40,479
Prepaid expenses and deposits	75,762	70,034
	<u>1,137,099</u>	<u>6,079,060</u>
Equipment (Note 5)	2,438	2,438
Investment properties (Note 6)	67,452,984	67,348,232
	<u>67,455,422</u>	<u>67,350,670</u>
Total assets	<u>68,592,521</u>	<u>73,429,730</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Trade payables and accruals	375,588	365,520
Security deposits	178,093	171,214
Deferred revenue	-	31,613
Current portion of long-term loan (Note 7)	565,988	700,897
	<u>1,119,669</u>	<u>1,269,244</u>
Long term portion of loan (Note 7)	36,817,002	41,823,216
Total liabilities	<u>37,936,671</u>	<u>43,092,460</u>
Unitholders' equity (Note 8)	30,655,850	30,337,270
Total liabilities & unitholders' equity	<u>\$ 68,592,521</u>	<u>\$ 73,429,730</u>

Approved on behalf of the Trustee of All Island Equity REIT (the "Trustee")

"Patrick Sullivan" Director

"Dave Hammond" Director

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

All Island Equity REIT

Condensed Interim Consolidated Statement of Earnings

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

	For the three months ended March 31, 2018	
REVENUES		
Rental income	\$	1,216,629
RENTAL EXPENSES		
Insurance		36,168
Property taxes		114,343
Property operating expenses		125,505
Repairs and maintenance		54,496
		330,512
NET RENTAL INCOME		886,117
ADMINISTRATIVE EXPENSES		
Bank charges		1,696
Consulting fees		15,803
Depreciation (Note 5)		-
Interest and accretion expense (Note 7)		467,697
Management fees		81,972
Office and miscellaneous expense		34,038
		601,206
NET OTHER INCOME (EXPENSES)		
Other revenue		33,669
NET EARNINGS FOR THE PERIOD	\$	318,580
Earnings per trust units		
Basic and diluted	\$	0.12
Weighted average number of trust units		
Basic and diluted		2,656,678

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

All Island Equity REIT

Condensed Interim Consolidated Statement of Unitholders' Equity

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

	Number of Class A Units	Number of Class F Units	Attributable to trust unitholders	Total equity
Balance at May 15, 2017	-	-	\$ -	\$ -
Contributions	877,499	1,781,879	26,593,780	26,593,780
Retractions	(700)	(2,000)	(27,000)	(27,000)
Unit issuance costs	-	-	(815,919)	(815,919)
Net earnings for the period	-	-	4,586,409	4,586,409
Cash distributions	-	-	-	-
Balance, December 31, 2017	876,799	1,779,879	30,337,270	30,337,270
Net earnings for the period	-	-	318,580	318,580
Balance, March 31, 2018	876,799	1,779,879	\$ 30,655,850	\$ 30,655,850

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

All Island Equity REIT

Condensed Interim Consolidated Statement of Cash Flows

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

	Three months ended March 31, 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	
Net earnings for the period	\$ 318,580
Changes in non-cash working capital items	
Accretion of mortgage transaction costs	34,656
Changes in non-cash working capital items	
Receivable	40,479
Prepaid expenses	(5,728)
Trade payables and accruals	10,067
Security deposits	6,879
Deferred revenue	(31,613)
Net cash received from operating activities	373,321
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	
Capital additions to investment properties	(104,752)
Net cash used in investing activities	(104,752)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	
Repayment of mortgages	(5,175,779)
Net cash used in financing activities	(5,175,779)
Change in cash and cash equivalents	(4,907,210)
Cash and cash equivalents, beginning of period	5,968,547
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,061,337

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

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, using the same accounting policies and methods of application as the audited consolidated financial statements from the period from May 14, 2017 (date of incorporation) to December 31, 2017 of the REIT, except for the new IFRS policies adopted as at January 1, 2018 (Note 3) which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). Certain information and note disclosure have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the audited financial statements of the REIT from the period from May 14, 2017 (date of incorporation) to December 31, 2017. No comparative information has been included for the March 31, 2018 statement of earnings and statement of cash flows as the REIT was incorporated on May 14, 2017.

These condensed interim financial statements were approved by the Board of Directors of the Trustee on August 21, 2018.

3. ADOPTION OF NEW IFRS PRONOUNCEMENTS

The Company adopted the new IFRS pronouncements listed below as at January 1, 2018, in accordance with the transitional provisions outlined in the respective standards described below.

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedging requirements were added to the standard. In July 2014, the final version of IFRS 9 was issued, which adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics. The REIT has assessed the classification and measurement of its financial instruments and deemed the expected credit loss of its financial assets to be insignificant. As such, the implementation of IFRS 9 did not have a material impact on the condensed interim consolidated financial statements.

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2018
(Expressed in Canadian dollars - Unaudited)

3. ADOPTION OF NEW IFRS PRONOUNCEMENTS (CONTINUED)

IFRS 15 – Revenue from Contracts with Customers

In May 2014 the IASB approved IFRS 15, Revenue from Contracts with Customers, which specifies how and when entities recognize revenue, as well as requires entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions, for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. The REIT has reviewed the implications of the adoption of IFRS 15 against its customer contracts and concluded the timing and amount of revenue recognized by the Company did not change from the adoption of IFRS 15.

Standards issued or amended but not yet effective

A number of new standards, amendments to standards and interpretations applicable to the REIT are not yet effective for the three months ended March 31, 2018 and have not been applied in preparing these condensed interim consolidated financial statements. The new and revised standards are as follows:

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and is effective for periods beginning on or after January 1, 2019. The new standard eliminates the classification of leases as either operating or finance leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Management is currently reviewing the impact that adoption of the new standard will have on the REIT's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

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

	March 31, 2018	December 31, 2017
Cash in bank	\$ 661,337	\$ 968,547
Guaranteed investment certificates ("GICs")	400,000	5,000,000
	<u>\$ 1,061,337</u>	<u>\$ 5,968,547</u>

During the three months ended March 31, 2018, the REIT redeemed GICs totaling \$5,000,000 for partial principal payment towards its mortgage payable balance.

As at March 31, 2018, the REIT's GIC matures within 12-18 months, earns interest of 1.91% per annum and is fully redeemable after 30 days from purchase.

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

5. EQUIPMENT

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

6. INVESTMENT PROPERTIES

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

The fair value of an acquired investment property would be the purchase price plus acquisition costs.

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

The REIT does not obtain appraisals for each property at each reporting date. Where the REIT does not obtain appraisal for a specific investment property at the reporting date, management reviews specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

As at March 31, 2018, management determined there were no significant changes to the assumptions made relating to the valuation of the investment properties at December 31, 2017. As such, as at March 31, 2018, the fair value of investment properties was \$67,452,984 (December 31, 2017 - \$67,348,232).

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

6. INVESTMENT PROPERTIES (CONTINUED)

The balance of the investment properties as at March 31, 2018 is shown as follows:

	Amount
Balance, December 31, 2017	67,348,232
Capital additions	104,752
Balance, March 31, 2018	67,452,984

The significant assumptions made relating to the valuations as at March 31, 2018 and December 31, 2017 are set out below:

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

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

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.45%	\$ 74,159,295	\$ 6,706,311	9.94%
- 0.30%	71,780,227	4,327,243	6.42%
- 0.15%	69,549,261	2,096,277	3.11%
March 31, 2018	67,452,984	-	-
+ 0.15%	65,479,557	(1,973,427)	(2.93%)
+ 0.30%	63,618,487	(3,834,497)	(5.68%)
+ 0.45%	61,860,445	(5,592,539)	(8.29%)

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

7. LOANS

Loans are recorded at amortized cost and is secured by first charges on the REIT's investment properties, with a carrying and fair value of \$37,382,990 (December 31, 2017 - \$42,524,113) and \$37,626,576 (December 31, 2017 - \$42,802,353), respectively. Included in long-term debt are unamortized mortgage transaction costs, which are amortized over the term of each mortgage using the effective interest rate method.

	March 31, 2018	December 31, 2017
Institutional Mortgage Capital Mortgage Loans, consisting of two advances: (1) initial advance bearing interest at prime plus 1.9% per annum, interest only payments, with term expiring on September 1, 2019 and (2) second advance bearing interest at prime plus 6.3% per annum, interest only payments, with term expiring on March 1, 2019. Both advances are secured by certain investment properties	14,050,000	19,050,000
Less: unamortized mortgage transaction costs	(177,073)	(207,779)
	13,872,927	18,842,221
CMLS Financial Ltd. Mortgage Loan, bearing interest at 3.26%, payable in monthly blended installment payments of \$20,197, with a term expiring on June 1, 2022, secured by certain investment properties	4,068,128	4,095,640
Less: unamortized mortgage transaction costs	(28,046)	(29,703)
	4,040,082	4,065,937
Coast Capital Savings Credit Union Term Loans, bearing interest between 3.15% to 3.47%, payable in total monthly blended installment payments of \$63,474, with terms expiring on June 1, 2022, secured by certain investment properties	12,117,123	12,207,588
Less: unamortized mortgage transaction costs	(30,577)	(32,382)
	12,086,546	12,175,206
Industrial Alliance Financial Group Term Loans, bearing interest between 3.00% to 3.45%, payable in total monthly blended installment payments of \$39,128, with terms expiring between March 1, 2020 and April 1, 2022, secured by certain investment properties	7,391,326	7,449,125
Less: unamortized mortgage transaction costs	(7,891)	(8,377)
	7,383,435	7,440,748
	37,382,990	42,524,113

During the three months ended March 31, 2018, the REIT incurred interest expense of \$433,042 and accretion expense of \$34,655. Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at March 31, 2018 and December 31, 2017, all loan covenants were met.

Principal repayments (excluding the effects of unamortized mortgage transaction costs) based on scheduled repayments to be made on the loans are as follows:

2018	706,537
2019	14,778,175
2020	3,764,204
2021	2,719,337
Thereafter	15,658,323
	\$ 37,626,576

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

8. UNITHOLDERS' EQUITY

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

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

As at March 31, 2018, total unitholders equity was \$30,655,850 (December 31, 2017 - \$30,337,270) which consists of unitholder contributions, issuance costs and net earnings for the period.

a. Class A units

During the period ended December 31, 2017, the REIT issued 877,499 Class A units for gross proceeds of \$8,774,990. The price per Class A unit is \$10. No Class A units were issued during the three months ended March 31, 2018.

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

b. Class F units

During the period ended December 31, 2017, the REIT issued 1,781,879 Class F units for gross proceeds of \$17,818,790. The price per Class F unit is \$10. No Class F units were issued during the three months ended March 31, 2018.

During the period ended December 31, 2017, the REIT retracted 700 Class A units and 2,000 Class F units for proceeds of \$7,000 and \$20,000, respectively, which were returned to treasury. No retractions were made during the three months ended March 31, 2018.

Redemption rights

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

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

There were no unit redemptions during the three months ended March 31, 2018.

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

9. DISTRIBUTIONS

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

During the three months ended March 31, 2018, there were no distributions.

8. OPERATING LEASES – REIT as a lessor

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

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

	March 31, 2018	December 31, 2017
Within one year	766,788	766,788
Two to five years	538,874	713,347
Over five years	-	-
	1,305,662	1,480,135

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

9. CAPITAL MANAGEMENT

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

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

	March 31, 2018	
	Carrying Amount	Fair Value
Cash and cash equivalents	1,061,337	1,061,337
Trade and other receivables	-	-
Trade payable and accruals	375,587	375,587
Security deposits	178,093	178,093
Loans	37,382,990	37,626,576

Financial risk management

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

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

a. Credit risk

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

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

Trade and other receivables are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write-offs. The REIT performs frequent reviews of its receivables and has determined there is no expected credit loss provision as at March 31, 2018 and December 31, 2017.

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

10. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

a. Credit risk (continued)

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

b. Interest rate risk

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

The REIT is exposed to interest rate risk on its variable rate debt it carries against the investment properties. Based on the total outstanding variable rate debt balance of \$14,050,000 as at March 31, 2018, a 0.5% decrease in the weighted average interest rate, keeping all other variables constant, would result in an annual increase in net income of \$70,250. A 0.5% increase in the interest rate would have an equal but opposite effect on the net earnings of the REIT.

c. Foreign currency risk

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

d. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real estate property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. As at March 31, 2018, the REIT did not have sufficient cash to settle current liabilities; however, the REIT obtaining debt financing subsequent to period end (Note 13) to finance operations and has plans to close a unit offering in the next twelve (12) months.

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

	Amortized cost	Due in 1 year	Over 1 year
Trade payable and accrued liabilities	375,587	375,587	-
Loans	37,382,990	565,988	36,817,002
	37,758,577	941,575	36,817,002

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

10. FINANCIAL INSTRUMENTS (continued)

e. Environmental risk

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

f. Redemption risk

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

g. Lease rollover risk

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

11. RELATED PARTY TRANSACTIONS

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

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

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

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

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

For the three months ended March 31, 2018, there were no such fees incurred as management determined that the foundation portfolio was not subject to an acquisition fee.

All Island Equity REIT

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2018

(Expressed in Canadian dollars - Unaudited)

11. RELATED PARTY TRANSACTIONS (continued)

Transactions with All Island Equity Management Inc. (the “Manager”) (continued)

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

For the three months ended March 31, 2018, the Manager was entitled to asset management fees totaling \$nil.

- c.* As at March 31, 2018, there was \$nil (December 31, 2017 - \$nil) included in trade payables and accrued owing to the Manager.

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

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

During the three months ended March 31, 2018, there were no transactions with the Trustee.

12. SEGMENTED DISCLOSURE

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

13. SUBSEQUENT EVENT

In April 2018, the REIT acted as a corporate guarantor to debt financing obtained from AIE (Residential) Holdings Inc. (the “Borrower”). Pursuant to the commitment letter, the Borrower obtained a secured line of credit for \$5,000,000 with an interest rate of prime + 1.5% and two fixed rate investment mortgages totaling \$525,000 at an interest rate of 3.99% per annum. On April 25, 2018, the Borrower made a draw of \$1,752,186 from the line of credit.

ALL ISLAND EQUITY REIT
Consolidated Financial Statements

Period from May 14, 2017 (date of inception) to December 31, 2017
Expressed in Canadian Dollars

Independent Auditors' Report

To the Unitholders of All Island Equity REIT:

We have audited the accompanying consolidated financial statements of All Island Equity REIT, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of income and comprehensive income, statement of changes in unitholders' equity and cash flows for the period from May 14, 2017 (date of inception) to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Vancouver, British Columbia
May 4, 2018 (except as described in Note 15)



Chartered Professional Accountants

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Independent Auditors' Report

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

December 31, 2017

ASSETS

Current

Cash and cash equivalents (Note 4)	\$	5,968,547
Trade and other receivables		40,479
Prepaid expenses and deposits		70,034
		6,079,060

Equipment (Note 5)		2,438
Investment properties (Note 6)		67,348,232
		67,350,670

Total assets	\$	73,429,730
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LIABILITIES AND UNITHOLDERS' EQUITY

Current

Trade payables and accruals		365,520
Security deposits		171,214
Deferred revenue		31,613
Current portion of long-term loan (Note 7)		700,897
		1,269,244

Long term portion of loan (Note 7)		41,823,216
Total liabilities		43,092,460

Unitholders' equity (Note 8)		30,373,270
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Total liabilities & unitholders' equity	\$	73,429,730
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Information and basis of presentation (Note 1 and 2)

Approved on behalf of the Trustee of All Island Equity REIT

“Patrick Sullivan” Director

“Dave Hammond” Director

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

For the period from May 14, 2017 (date of inception) to December 31, 2017	2017
REVENUES	
Rental income	\$ 3,073,306
RENTAL EXPENSES	
Insurance	104,368
Property taxes	297,931
Property operating expenses	381,318
Repairs and maintenance	163,877
	947,494
NET RENTAL INCOME	2,125,812
ADMINISTRATIVE EXPENSES	
Bank charges	2,222
Consulting fees	47,341
Depreciation (Note 5)	271
Interest and accretion expense (Note 7)	1,378,780
Management fees	193,656
Office and miscellaneous expense	58,159
Professional fees	50,768
	1,731,197
NET OTHER INCOME (EXPENSES)	
Other revenue	44,302
Fair value adjustments to investment properties (Note 6)	3,702,530
Gain on disposal of investment properties (Note 6)	444,962
	4,191,794
NET EARNINGS FOR THE PERIOD	\$ 4,586,409
Earnings per trust units	
Basic and diluted	\$ 2.16
Weighted average number of trust units	
Basic and diluted	2,124,145

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

	Number of Class A units	Number of Class F units	Attributable to trust unitholders	Total unitholders' equity
Balance, May 14, 2017	-	-	\$ -	\$ -
Contributions	877,499	1,781,879	26,593,780	26,593,780
Retractions	(700)	(2,000)	(27,000)	(27,000)
Unit issuance costs	-	-	(815,919)	(815,919)
Net earnings for the period	-	-	4,586,409	4,586,409
Balance, December 31, 2017	876,799	1,779,879	\$ 30,337,270	\$ 30,337,270

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

For the period from May 14, 2017 (date of inception) to December 31, 2017	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Net earnings	\$ 4,586,409
Items not affecting cash:	
Accretion of mortgage transaction costs	88,328
Depreciation	271
Gain on sale of properties	(444,962)
Fair value adjustment to investment properties	(3,702,530)
Changes in non-cash working capital items:	
Increase in trade and other receivables	(40,479)
Increase in prepaid expenses	(70,034)
Increase in accounts payable and accruals	365,520
Increase in security deposits	171,214
Increase in deferred revenue	31,613
Net cash received from operating activities	985,350
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment property portfolio	(65,057,000)
Transaction costs related to acquisition of portfolio	(1,777,848)
Purchase of equipment	(2,709)
Proceeds from sale of commercial properties	3,954,000
Capital additions to investment properties	(319,892)
Net cash used in investing activities	(63,203,449)
CASH FLOWS FROM FINANCING ACTIVITIES	
Gross proceeds from issuance of units	26,593,780
Payment for unit retractions	(27,000)
Issuance costs and commissions	(815,919)
Mortgage proceeds received	47,325,207
Mortgage transaction costs	(366,568)
Repayment of mortgages	(4,522,854)
Net cash received from financing activities	68,186,646
Net change in cash and cash equivalents	5,968,547
Cash and cash equivalents, beginning of period	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,968,547

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2017.

These consolidated financial statements for the period ended December 31, 2017 were authorized for issue by the Board of Directors of the Trustee (the "Board") on May 4, 2018.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

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

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

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

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

B. Property acquisitions and business combinations

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

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

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

C. Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Investment properties (continued)

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the statement of net income and other comprehensive income in the year of retirement or disposal.

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

D. Cash and cash equivalents

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

E. Allocation of net income or net loss

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

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

F. Equity issuances and redemption

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

G. Revenue recognition

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

H. Net earnings per unit

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

I. Equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Depreciation

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

The expected useful life for equipment is 5 years.

K. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the REIT's designation of such instruments.

The REIT classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Trade payables and accruals	Other financial liabilities
Security deposits	Other financial liabilities
Loans	Other financial liabilities

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities include trade payables and accruals, security deposits and debt. These liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

L. Impairment of financial assets

At each reporting date, the REIT assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

M. Income taxes

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair value

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

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

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

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

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

O. Significant accounting judgments and estimates

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

a. Judgments

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

(i) Asset acquisitions

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

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

(ii) Lease contracts

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Significant accounting judgments and estimates (continued)

b. Estimates

The significant areas of estimation include the following:

Valuation of investment properties

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

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

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

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

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

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

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

O. Provisions

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

P. Future accounting policy changes

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. Those which may be relevant to the REIT are set out below. Management has decided against early adoption of these standards.

a. IFRS 9 Financial instruments: classification and measurement

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The REIT has evaluated the new standard and does not anticipate any material impact from the adoption on its results of operations, financial position, and disclosures.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services. The REIT has evaluated the new standard and does not anticipate any material impact from the adoption on its results of operations, financial position, and disclosures.

c. IFRS 16 Leases

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

4. CASH AND CASH EQUIVALENTS

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

	December 31, 2017
Cash in bank	\$ 968,547
Guaranteed investment certificates ("GICs")	5,000,000
	\$ 5,968,547

The REIT's GICs mature within one year, earn interest between 0.95% to 1.3% per annum and are fully redeemable at any time.

5. EQUIPMENT

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

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6. INVESTMENT PROPERTIES

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

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

The gain on disposal of the investment properties was determined as follows:

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

The balance of the investment properties as at December 31, 2017 was determined as follows:

	2017
Balance, beginning of period	-
Portfolio acquisition	65,057,000
Acquisitions costs	1,777,848
Capital additions	319,892
Disposal of investment properties	(3,509,038)
Changes in fair value adjustments to investment properties	3,702,530
Balance, end of period	67,348,232

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

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

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

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

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6. INVESTMENT PROPERTIES (continued)

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

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

7. LOANS

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

	2017
Institutional Mortgage Capital Mortgage Loans, consisting of two advances: (1) initial advance bearing interest at prime plus 1.9% per annum, interest only payments, with term expiring on September 1, 2019 and (2) second advance bearing interest at prime plus 6.3% per annum, interest only payments, with term expiring on March 1, 2019. Both advances are secured by certain investment properties	19,050,000
Less: unamortized mortgage transaction costs	(207,779)
	18,842,221
CMLS Financial Ltd. Mortgage Loan, bearing interest at 3.26%, payable in monthly blended installment payments of \$20,197, with a term expiring on June 1, 2022, secured by certain investment properties	4,095,640
Less: unamortized mortgage transaction costs	(29,703)
	4,065,937
Coast Capital Savings Credit Union Term Loans, bearing interest between 3.15% to 3.47%, payable in total monthly blended installment payments of \$63,474, with terms expiring on June 1, 2022, secured by certain investment properties	12,207,588
Less: unamortized mortgage transaction costs	(32,382)
	12,175,206
Industrial Alliance Financial Group Term Loans, bearing interest between 3.00% to 3.45%, payable in total monthly blended installment payments of \$39,128, with terms expiring between March 1, 2020 and April 1, 2022, secured by certain investment properties	7,449,125
Less: unamortized mortgage transaction costs	(8,377)
	7,440,748
	42,524,113

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7. LOANS (continued)

During the period ended December 31, 2017, the REIT incurred interest expense of \$1,290,452 and accretion expense of \$88,328. Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at December 31, 2017, all covenants were met.

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

2018	700,897
2019	19,774,295
2020	3,785,534
2021	2,735,076
Thereafter	<u>15,806,550</u>
	<u>42,802,353</u>

8. UNITHOLDERS' EQUITY

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

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

As at December 31, 2017, total unitholders equity was \$30,337,270 which consists of unitholder contributions, issuance costs and net earnings for the period.

a. Class A units

During the period ended December 31, 2017, the REIT issued 877,499 Class A units for gross proceeds of \$8,774,990. The price per Class A unit is \$10.

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

b. Class F units

During the period ended December 31, 2017, the REIT issued 1,781,879 Class F units for gross proceeds of \$17,818,790. The price per Class F unit is \$10.

During the period ended December 31, 2017, the REIT retracted 700 Class A units and 2,000 Class F units for proceeds of \$7,000 and \$20,000, respectively, which were returned to treasury.

Redemption rights

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

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

8. UNITHOLDERS' EQUITY (continued)

Redemption rights (continued)

There were no unit redemptions during the period ended December 31, 2017.

9. DISTRIBUTIONS

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

During the period ended December 31, 2017, there were no distributions.

10. OPERATING LEASES – REIT as a lessor

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

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

	2017
Within one year	766,788
Two to five years	713,347
Over five years	-
	1,480,135

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

11. CAPITAL MANAGEMENT

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

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

December 31, 2017		
	Carrying Amount	Fair Value
Cash and cash equivalents	5,968,547	5,968,547
Trade and other receivables	40,479	40,479
Trade payable and accruals	365,520	365,520
Security deposits	171,214	171,214
Loans	42,524,113	42,802,353

Financial risk management

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

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

a. Credit risk

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

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

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

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12. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

a. Credit risk (continued)

Aged trade receivables	December 31, 2017
Current	\$ 38,484
Past due 31 – 60 days	60
Past due 61 – 90 days	-
Past due 90+ days	1,935
	<u>\$ 40,479</u>

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

b. Interest rate risk

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

The REIT is exposed to interest rate risk on its variable rate debt it carries against the investment properties. Based on the total outstanding variable rate debt balance of \$19,050,000 as at December 31, 2017, a 0.5% decrease in the weighted average interest rate, keeping all other variables constant, would result in an annual increase in net income of \$95,250. A 0.5% increase in the interest rate would have an equal but opposite effect on the net income of the REIT.

c. Foreign currency risk

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

d. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real estate property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. As at December 31, 2017, the REIT had sufficient cash to settle current liabilities.

The following are the contractual maturities of financial liabilities as at December 31, 2017.

	Amortized cost	Due in 1 year	Over 1 year
Trade payable and accrued liabilities	365,520	365,520	-
Long-term debt	42,524,113	700,897	41,823,216
	<u>42,889,633</u>	<u>1,066,417</u>	<u>41,823,216</u>

12. FINANCIAL INSTRUMENTS (continued)

e. Environmental risk

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

f. Redemption risk

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

g. Lease rollover risk

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

13. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with All Island Equity Management Inc. (the “Manager”) (continued)

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

For the period ended December 31, 2017, the Manager was entitled to asset management fees totaling \$229,468 of which \$229,468 was waived during the period.

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

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

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

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

14. SEGMENTED DISCLOSURE

The REIT operates in one business segment, being the owning and operating of investment properties in Canada. As at December 31, 2017, the Realty Trust operates twenty-six investment properties located in British Columbia, Canada.

15. CORRECTION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The REIT’s management determined that the consolidated financial statements that were approved on May 4, 2018 contained typing errors in Note 8 (Unitholder’s Equity) and Note 13 (Related Party Transactions). These errors have been corrected.

There was no impact to the financial position, performance and cash flows of the REIT from these typing errors.

ITEM 13 - DATE AND CERTIFICATE

Dated September 11, 2018

This Offering Memorandum does not contain a misrepresentation.

On behalf of the Trustee and as Promoter:

AIE SERVICES INC.

"Patrick Dennis Sullivan"

Name: Patrick Dennis Sullivan
Title: Director and Acting Chief Executive Officer

"Garth Lyle Busch"

Name: Garth Lyle Busch
Title: Director and Acting Chief Financial Officer

"David Stewart Hammond"

Name: David Stewart Hammond
Title: Director

On behalf of the Manager and as Promoter:

AIE MANAGEMENT INC.

"Patrick Dennis Sullivan"

Name: Patrick Dennis Sullivan
Title: Director

"David Stewart Hammond"

Name: David Stewart Hammond
Title: Director