

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



**OFFERING OF CLASS A UNITS AND CLASS F UNITS**

**Date:** May 15, 2023

**The Issuer**

**Name:** All Island Equity REIT (the “Trust”)

**Head office:** 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1

**Phone #:** 778-350-7348

**E-mail address:** info@allislandequityreit.com

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

**Reporting issuer?** No.

**SEDAR filer?** Yes, but only as required pursuant to section 2.9 of National Instrument 45-106 – *Prospectus Exemptions*. The Trust is not a reporting issuer and does not file continuous disclosure documents on SEDAR that are required to be filed by reporting issuers.

**The Offering**

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

**Price per security:** The price per security is determined by AIE Services Inc. (the “Trustee”), the trustee of the Trust, from time to time and will be set forth in the subscription agreement(s) entered into between the Subscribers and the Trust.

**Minimum/Maximum offering:** **There is no minimum or maximum to this offering. You may be the only purchaser.**

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

**Payment terms:** A certified cheque or wire transfer payable on closing. See Item 5.2 – “Subscription Procedure”.

**Proposed closing date(s):** Continuous offering. Closings may occur from time to time as subscriptions are received. The Trustee may terminate the offering at any time.

**Income tax consequences:** There are important tax consequences to these securities. See Item 8.

**Insufficient Funds**

**Funds available under the offering may not be sufficient to accomplish our proposed objectives. See Item 2.6.**

**Compensation Paid to Sellers and Finders**

A person has received or will receive compensation for the sale of securities under this offering. See Item 9.

**Underwriter(s)**

N/A.

**Resale restrictions**

You will be restricted from selling your securities for an indefinite period. See Item 12.

**Working Capital Deficiency**

N/A.

**Payments to Related Party**

Some of your investment will be paid to a Related Party (as defined herein) of the Trust. See Item 1.2.

**Certain Related Party Transactions**

N/A.

**Certain Dividends or Distributions**

The Trust has not paid dividends or distributions that exceeded cash flow from operations. See Item 7.

**Conditions on Repurchases**

**You will have a right to require the Trust to repurchase the securities from you, but this right is qualified by the provisions of the Trust Declaration (as defined herein) relating to such repurchases, including, among other things, quarterly and trailing 12-months limits on cash payments for such repurchases, which, if met, permit the Trust to pay the consideration for such securities in-kind through the issuance of debt securities or other securities. Such debt or other securities issued as in-kind payment for repurchases will generally not be qualified investments for Deferred Plans (as defined herein). Repurchases of Units may be subject to administration and processing fees determined and applied by the Trustee, in its sole discretion. As a result, you might not receive the amount of proceeds that you want. See Item 5.1 and Item 10.**

**Purchaser's rights**

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 13.

**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 10 - .**

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## GENERAL INFORMATION AND DISCLAIMERS

This Offering is being made pursuant to exemptions from the prospectus and, where permitted, registration requirements of applicable securities legislation in Canada. 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 agreed upon by the Trustee and the Agent. See Item 5.2 - "Subscription Procedure".

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

**Prospective Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their own legal, investment, accounting, and tax advisers 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 representations 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. Neither the delivery of this Offering Memorandum at any time nor any sale of any of the Units made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the business and affairs of the Trust since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

**This is a primarily blind pool Offering. The Trust intends to use the net proceeds of the Offering to primarily invest in LP Units (as defined herein). The Limited Partnership (as defined herein) will use the proceeds from the issuance of LP Units to the Trust to primarily purchase additional properties, which, except as otherwise described herein, have not yet been determined. Pending investment in LP Units, the Trust may use a portion of the net proceeds of the Offering to: (i) invest in Permitted Investments (as defined herein), including cash and money market investments; (ii) pay the expenses of the Trust; and (iii) pay amounts in connection with the redemption of Units. In addition, the Limited Partnership may use a portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust to pay: (i) down mortgage financing on a specific property or properties; (ii) capital expenditure on a specific property or properties; (iii) costs in connection with the re-positioning of properties; (iv) due diligence and documentation costs relating to property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties; and (v) the expenses of the Limited Partnership.**

### Industry and Market Data

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

### Forward-Looking Statements

This Offering Memorandum, and any marketing materials (as defined herein) incorporated by reference, may contain 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: the price of the Units; the use of proceeds of the Offering; the business to be conducted by the Trust and the Limited Partnership; properties targeted for acquisition; expected or anticipated acquisitions; the issuance of Units pursuant to the DRIP; the timing and payment of amounts in connection with redemptions of Units; the expected return on investment for Subscribers; the expected debt levels of the Trust, including assumptions related to debt, interest rates and repayment terms associated with mortgages for the Properties; expected average monthly rents; the long term and short term objectives of the Trust and the Limited Partnership; the ability of the Partnership to obtain financing, including the availability of debt financing; the availability of funds for distributions; the timing and payment of distributions; the Trust’s investment objectives and strategy; the future performance of the Properties; anticipated migration into Vancouver Island and the Okanagan; treatment under government regulatory regimes and tax laws; the qualification of the Trust as a “mutual fund trust” (as defined in the Tax Act); and the methods of funding. These statements are based on reasonable assumptions and estimates made by the Trustee about the success of the Trust’s investment strategies in certain market conditions, relying on the knowledge and experience of the Trustee’s officers and employees. 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, and any marketing materials incorporated by reference, may contain forward-looking statements attributed to third party industry sources.

Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking statements include, but are not limited to, general economic, political, market and business factors and conditions; the ability of the Trust to raise capital; interest rate fluctuations; inflation; statutory and regulatory developments; ability to obtain financing; increased competition; loss of key employees; additional funding requirements; the ability of the Limited Partnership to sell Properties on terms considered reasonable by the Limited Partnership; catastrophic events, climate change and severe weather conditions; and other factors, including acts of war, geopolitical risk, terrorism, natural disasters or pandemics or epidemics, such as COVID-19, and the severity and duration thereof. The foregoing factors are not intended to represent a complete list of the factors that could affect the Trust. Additional factors are noted under Item 10 – “Risk Factors”.

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

### **Currency**

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

### **Documents Incorporated by Reference**

The marketing materials (the “**marketing materials**”) delivered or made reasonably available to a prospective purchaser before the termination of the distribution, related to each distribution under this Offering Memorandum, are incorporated by reference in this Offering Memorandum. The Trust reserves the right to modify these marketing materials in a nonmaterial way without re-delivering or without making reasonably available the said marketing materials to a prospective purchaser.

## SUMMARY

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

### **Business of the Trust**

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

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

### **Business of the Limited Partnership:**

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

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

### **Offering:**

There is no minimum or maximum to this Offering. You may be the only purchaser. This Offering is being made pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in Canada. The Trustee may terminate the Offering at any time. See Item 5.2 - “Subscription Procedure”.

### **Subscription Procedure:**

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

### **Subscription Price:**

The price per security is determined by the Trustee from time to time and will be set forth in the subscription agreement(s) entered into between the Subscribers and the Trust.

### **Minimum Subscription:**

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

**Selling Agent and Sales Fees:**

The Agent will act as selling agent in connection with the Offering. Pursuant to the Agent Engagement Letter, the Trust has agreed to pay the Agent: (i) a fee equal to 4.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) found and referred to the Trust by the Agent, on its own behalf and on behalf of the Selling Group, at each closing thereof, payable in cash, Units or a combination thereof, as directed by the Agent; (ii) an annual trailer fee of up to 1.0% of the Net Asset Value of the Class A Units, in aggregate (the “**Agent Percent Trailer**”), on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders; and (iii) the Agent’s reasonable expenses related to the Offering, and the Agent’s legal counsel fees (including all fees, disbursements and any applicable taxes and levies), provided that the Agent’s legal counsel fees for which the Trust would be responsible for shall not exceed \$15,000, plus disbursements and any applicable taxes and levies. In addition, at each closing of an Offering by a Non-IIROC Firm, the Trust has agreed to pay: (i) a fee of: (A) up to 3.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through a Non-IIROC Firm (the “**Non-IIROC Commission**”) to such Non-IIROC Firm; and (B) 4.0% less the Non-IIROC Commission of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through the Non-IIROC Firm to the Agent; and (ii) if applicable, an annual trailer fee to the Non-IIROC Firm equal to the Agent Percent Trailer in respect of Class A Units sold by Non-IIROC Firms, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders. See Item 2.8 – “Material Agreements – The Agent Engagement Letter” and Item 9 – “Compensation Paid to Sellers and Finders”.

**Use of Proceeds:**

The Trust intends to use the Net Subscription Proceeds to primarily invest in LP Units. The Limited Partnership will use the proceeds from the issuance of LP Units to the Trust to primarily purchase additional properties, which, except as otherwise described herein, have not yet been determined. Pending investment in LP Units, the Trust may use a portion of the Net Subscription Proceeds, together with Reimbursable Costs, to: (i) invest in Permitted investments, including cash and money market investments; (ii) pay the expenses of the Trust; and (iii) pay amounts in connection with the redemption of Units. In addition, the Limited Partnership may use a portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust to pay: (i) down mortgage financing on a specific property or properties; (ii) capital expenditure on a specific property or properties; (iii) costs in connection with the re-positioning of properties; (iv) due diligence and documentation costs relating to property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties; and (v) the expenses of the Limited Partnership.

The Trustee will use its best efforts to make suitable investments of the Net Subscription Proceeds, and Reimbursable Costs, as soon as possible following each Closing.

**Distributions by the Trust:**

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



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

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

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

**Redemption:**

Units will be redeemable at the request of the Unitholders, subject to applicable laws and certain other conditions set out in the Trust Declaration. The Trust Declaration includes quarterly limits and annual limits on cash payments for redemptions. If conditions preclude the payment of redemptions in cash, redemptions may be paid in-kind through the issuance of debt securities or other securities. Redemptions paid in-kind through the issuance of debt securities or other securities will generally not be qualified investments or may be prohibited investments for Deferred Plans. Unitholders requesting redemptions must comply with the provisions of the Trust Declaration. In addition, if the Trustee determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, the Trust may suspend redemptions of its Units. See Item 2.8 – “Material Agreements – Trust Declaration – Redemption – Right of Redemption by Unitholders” and Item 10 – “Risk Factors”.

**Retraction:**

The Trust has the right to retract Units from Unitholders. See Item 2.8 – “Material Agreements – Trust Declaration – Retraction – Trust’s Right of Retraction”.

**Closing:**

This is a continuous offering. Closings will occur from time to time at such times as the Trustee may determine.

**Management Agreement:**

Pursuant to the Management Agreement, the Manager provides certain services to the Limited Partnership in connection with, among other things: (i) the issuance of the LP Units, (ii) the acquisition, ownership and operation of the Properties, and (iii) the business of the Limited Partnership, in consideration for the fees set out below:

Asset Management Fee	A quarterly fee equal to the product of: (a) the Gross Asset Value on the last day of the applicable quarter (being March 31, June 30, September 30 and December 31); and (b) one quarter of 0.5%.
Acquisition Fee	1.0% of the gross purchase price of each Property.
Disposition Fee	1.0% of the sale price of a Property (provided, however, that such fee will only be payable in the event that the Limited Partnership must sell, transfer, assign or dispose of a Property or interest therein to generate cash amounts to satisfy redemptions of LP Units by the Trust).
Re-positioning Fee	A monthly fee equal to the product of: (a) the cumulative costs incurred in respect of Re-positioning Program relating to a Property as of the last day of the applicable month; (b) one twelfth of 5.0%.
Financing Fee	(a) 1.0% of the loan amount of any initial debt financing; and (b) 1.0% of the loan amount of any Refinancing.

See Item 2.8 - "Material Agreements – Management Agreement".

**Administration Agreement:**

Pursuant to the Administration Agreement, the Administrator provides certain general administrative and other services to the Trust in connection with the Trust's business, including, among other things, establishing and maintaining back accounts, receiving distributions on the LP Units and processing distributions to Unitholders, establishing legal and accounting systems, establishing appropriate legal and accounting system from the proper control of the Trust, structuring the terms and conditions of the Units, overseeing the sale of Units, responding to Unitholder inquiries, delivering tax statements, preparing financial reports, etc., in consideration for an annual payment of \$10.00 and the reimbursement of costs and expenses of the Administrator. See Item 2.8 – "Material Agreements – Administration Agreement".

**Cost Sharing Agreement**

Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership agreed to pay all costs and expenses in respect of this Offering and the distribution of LP Units, including sales fees and expenses and the costs of legal, accounting and audit services, tax advice, printing, travel and filings. See Item 2.8 - "Material Agreements – Cost Sharing and Recovery Agreement".

**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 2.8 – "Material Agreements – Trust Declaration – Termination of the Trust".

<b>Residency Requirement:</b>	At no time may “non-residents” of Canada (as defined in the Tax Act) be the beneficial owners of more than 49% of the Units then outstanding. Additionally, at no time shall non-residents hold or beneficially own, directly or indirectly, Units or any other rights or options, including convertible debentures or other securities that may entitle them (conditionally or otherwise) to acquire Units that would result in more than 49% of the Units, at any time, being held or beneficially owned, directly or indirectly, by non-residents. See Item 2.8 – “Material Agreements – Trust Declaration – Constraint on Non-Resident Unitholders”.
<b>Eligibility for Investment:</b>	The Trust intends to continue to qualify as a “mutual fund trust” as defined in the Tax Act. Provided that the Trust is a mutual fund trust, the Units will be a qualified investment for Deferred Plans. See Item 8 – “Income Tax Consequences and RRSP Eligibility”.
<b>Taxation of the Trust and Unitholders:</b>	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. 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. Subscribers should consult their own professional advisers to obtain advice on the income tax consequences that apply to them. See Item 8 – Item 6 - “Income Tax Consequences and RRSP Eligibility”.
<b>Transferability:</b>	Units will be transferable subject to compliance with the Trust Declaration and applicable securities laws. Securities laws requirements may prohibit or restrict the transferability of Units. See Item 12 – “Resale Restrictions”.
<b>Risk Factors:</b>	<p>An investment in Units is subject to a number of risks, including, without limitation, the following: this is primarily a blind pool offering; there is no market for Units and a market for Units is not expected to develop; that an investment in Units is an indirect investment in the Properties acquired by the Trust through its ownership of LP Units, and as such, have attached to them the risks associated with investing in real estate generally, such as interest rate risk, tenant occupancy levels, environmental risks, competition for real estate properties, changes in economic conditions; risks associated with redemptions and retractions of Units; the possibility of conflicts of interest; risks associated with changes in income tax regulation; risks related to cybersecurity; and other factors including acts of war, geopolitical risk, terrorism, natural disasters, severe weather conditions or pandemics or epidemics, including the novel coronavirus otherwise known as COVID-19.</p> <p>This Offering is not suitable for Subscribers who cannot afford to assume any significant risks in connection with their investments including the total loss of their investment in the Units. See Item 10 – “Risk Factors”.</p>

## GLOSSARY

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

**“Acquisition Fee”** means a fee equal to 1.0% of the gross purchase price of each Property (or interest in a Property), plus GST if applicable, payable upon the completion of the purchase of each such Property (or interest in a Property);

**“Administration Agreement”** means the administration agreement between the Administrator and the Trust dated April 27, 2023, as described under Item 2.8 – “Material Agreements – Administration Agreement”, as such agreement may be amended, restated or supplemented from time to time;

**“Administrator”** means Columbia Westmount Development Inc.;

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

**“Agent”** means Integral Wealth Securities Limited;

**“Agent Engagement Letter”** means the engagement letter dated May 15, 2023 between the Trust and the Agent, as described under Item 2.8 – “Material Agreements – The Agent Engagement Letter”;

**“Agent Percent Trailer”** has the meaning given to it under Item 2.8 – “Material Agreements – The Agent Engagement Letter”;

**“AIE Residential”** has the meaning given to it under Item 2.3 – “Development of Business – Credit Facility”;

**“Asset Management Fee”** means a fee payable by the Limited Partnership to the Manager for services provided pursuant to the Management Agreement, equal to the product of: (i) the Gross Asset Value on the last day of the applicable quarter (being March 31, June 30, September 30 and December 31); and (ii) one quarter of 0.5% per annum, which fee is payable no later than the last day of the quarter;

**“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;

**“Capital Expenditures”** has the meaning given to it under Item 2.3 – “Development of Business – Residential Properties”;

**“Cash Flow”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Distributions – Computation of Cash Flow of the Trust”;

**“CBCA”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Rights of Unitholders”;

**“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 dated March 29, 2017 between the Trust and the Limited Partnership, as described under Item 2.8 – “Material Agreements – Cost Sharing and Recovery Agreement”, as such agreement may be amended, restated and or supplemented from time to time;

**“CRA”** has the meaning given to it under Item 8.2 – “Summary of Income Tax Consequences”;

**“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;

**“Devon”** means Devon Properties Ltd.;

**“Disposition Fee”** means a fee in an amount equal to 1.0% of the sale price of a Property (or interest in a Property) received from the disposition of a Property (or interest therein), payable upon the completion of the disposition of each such Property (or interest therein);

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

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

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

**“Financing Fee”** means a fee in an amount equal to: (i) 1.0% of the loan amount of any initial debt financing in connection with the acquisition of a Property, or a previously acquired Property if such Property was acquired without any debt financing; and (ii) 1.0% of the loan amount of any Refinancing, in either case, payable at the time of funding of the loan;

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

**“General Partner”** means AIE Management Inc.;

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

**"Income Share"** means the allocation to a Limited Partner of a share of the income or loss of the Limited Partnership which shall be his, her or its Proportionate Share thereof subject to adjustments made to allocate revenue and expenses on a daily incremental basis from the date the LP Units are issued and to fairly allocate expenses on a cumulative, proportionate basis;

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

**"IIROC"** means the Investment Industry Regulatory Organization of Canada;

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

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

**"Limited Partnership Agreement"** means the limited partnership agreement dated March 1, 2017, as amended and restated May 1, 2019, as amended and restated December 31, 2019, and as amended July 19, 2022 governing the Limited Partnership, as such agreement may be amended, restated or supplemented from time to time;

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

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

**"Management Agreement"** means the agreement between the Limited Partnership and the Manager dated March 29, 2017, as amended and restated May 1, 2019, as amended and restated January 1, 2020, as amended and restated July 19, 2022 and as amended and restated April 27, 2023, as described under Item 2.8 – "Material Agreements – Management Agreement", as such agreement may be amended, restated and or supplemented from time to time;

**"Manager"** means AIE Management Inc.;

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

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

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

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

**"Net Realized Capital Gains"** means, for any taxation year, 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;

**"NI 31-103"** means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

**"NI 45-106"** means National Instrument 45-106 *Prospectus Exemptions*;

**"Non-IIROC Commission"** has the meaning given to it under Item 2.8 – "Material Agreements – The Agent Engagement Letter";

**"Offering"** means the offering of Units under this Offering Memorandum;

**"Offering Memorandum Exemption"** has the meaning given to it under Item 5.2 "Subscription Procedure";

**"Options"** has the meaning given to it under Item 2.8 – "Material Agreements – Trust Declaration – Constraint on Non-Resident Unitholders";

**"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;

**"Properties"** means the various direct, indirect or partial interests in commercial and residential real estate properties, including existing revenue-producing properties and capital properties developed by the Limited Partnership to be held as income-producing real estate for long-term investment, situate in the Trust Region and acquired, owned and operated from time to time by the Limited Partnership, and **"Property"** means any one of them;

**Property Management Agreement** means, collectively, the commercial property management agreement and residential property management agreement between the Limited Partnership and Devon dated January 26, 2019, as described under Item 2.8 – "Material Agreements – Property Management Agreement", as such agreement may be amended, restated and or supplemented from time to time;

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

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

**"Proposed Amendments"** has the meaning given to it under Item 8.2 – "Summary of Income Tax Consequences";

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

**“Redemption Date”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Redemption – Effect of Redemption Notice”;

**“Redemption Notice”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Redemption – Exercise of Redemption Right”;

**“Redemption Price”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Redemption – Redemption Price”;

**“Refinancing”** means any renewal, extension, increase or refinancing of all or any part of any financing permitted in respect of the Properties, but excluding any ordinary course borrowing for operating purposes and any financing obtained in connection with the initial acquisition of the applicable Property;

**“Regulations”** has the meaning given to it under Item 8.2 – “Summary of Income Tax Consequences”;

**“Reimbursable Costs”** has the meaning given to it under Item 2.8 – “Material Agreements – Cost Sharing and Recovery Agreement”;

**“Related Party”** has the meaning given to it in NI 45-106;

**“Re-positioning Fee”** means, except as otherwise mutually agreed to by the Partnership and the Manager, a monthly fee in an amount equal to 5% of the costs incurred by the Manager in a given month in respect of a Re-positioning Program relating to a Property, payable on the last day of each month up to the earlier of: (i) the completion of the Re-positioning Program; and (ii) the termination of the Management Agreement;

**“Re-positioning Program”** means the updating, renovating, repairing, replacing and refurbishing of a Property in order to re-position the Property’s standard and quality of finish within its surrounding market;

**“Re-positioning Services”** has the meaning given to it under Item 2.2 – “The Business – Improvement of Properties”;

**“Retraction Notice”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Retraction – Exercise of Right”;

**“Retraction Price”** has the meaning given to it under Item 2.8 – “Material Agreements – Trust Declaration – Retraction – Retraction Price”;

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

**“SIFT”** has the meaning given to it under Item 8.2 – “Summary of Income Tax Consequences – Tax Status of the Trust – The SIFT Measures”;

**“SIFT Measures”** has the meaning given to it under Item 8.2 – “Summary of Income Tax Consequences – Tax Status of the Trust – The SIFT Measures”;

**“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;

**“Subscription Price”** means the amount paid by a Subscriber for a Unit, as determined by the Trustee from time to time, and set forth in the Subscription Agreement;



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

**“Trust”** means All Island Equity REIT;

**“Trust Declaration”** means the Declaration of Trust dated March 1, 2017, as amended on May 29, 2018 and July 19, 2022, as may be further amended, restated and or supplemented from time to time;

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

**“Trust Liabilities”** means:

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

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

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

- (i) the Initial Contribution;
- (ii) all funds or property derived from the issuance or sale of Units and Trust Notes or other funds or property received by the Trust;
- (iii) any LP Units or other securities of the Limited Partnership or of any other person held from time to time by or on behalf of the Trust;
- (iv) any Permitted Investments held from time to time by or on behalf of the Trust;
- (v) any proceeds of disposition of any of the foregoing property or in respect of the investment or substitution of the properties and assets of the Trust; and

- (vi) all proceeds, income, dividends, interest, profit, return of capital, gains and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;

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

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

**“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;

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

**“Valuation Date”** means any date in a fiscal year on which the Trustee determines Net Asset Value per Unit;

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

**“VanCity Line of Credit”** means the secured line of credit bearing a floating interest rate of Vancity Prime + 1.50%, as described under Item 2.3 – “Development of Business – Credit Facility”. For purposes of this definition, Vancity Prime means the floating rate of interest established and announced by Vancouver City Savings Credit Union from time to time as a reference rate for purposes of determining rates of interest it will charge on loans.

## ITEM 1 - USE OF AVAILABLE FUNDS

### 1.1 Funds

Available Funds of the Trust		
Sources of Funds	Assuming Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(1)</sup>
A. Amount to be Raised by this Offering	N/A	N/A
B. Selling Commissions and Fees <sup>(2)</sup>	N/A	N/A
C. Costs of the Offering (e.g., legal, accounting, audit) <sup>(3)</sup>	N/A	N/A
D. <b>Available Funds: D = A – (B + C)</b>	N/A	N/A
E. Additional Sources of Funding Required <sup>(4)</sup>	N/A	N/A
F. Working Capital Deficiency	N/A	N/A
G. <b>Total: G = D + E + F</b>	N/A	N/A
H. Reimbursement of Costs by the Limited Partnership <sup>(5)</sup>	N/A	N/A
<b>Use of Net Funds by Trust</b>		
I. Investment by Trust in LP Units <sup>(6)</sup>	N/A	N/A
J. <b>Total</b>	N/A	N/A

**Notes:**

- <sup>(1)</sup> There is no minimum or maximum offering.
- <sup>(2)</sup> The Units will be sold primarily by the Agent, the selling agent in connection with the Offering, on a commercially reasonable efforts basis. Units may also be sold by members of the Selling Group and/or Non-IROC Firms. See Item 2.8 – “Material Agreements – The Agent Engagement Letter” and Item 9 – “Compensation Paid to Sellers and Finders”. Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership will reimburse the Trust for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the Trust in offering the Units and obtaining subscriptions for Units. See Item 1.2 – “Use of Available Funds” and Item 2.8 – “Material Agreements – Cost Sharing and Recovery Agreement.”
- <sup>(3)</sup> The estimated costs of the Offering are \$100,000 and 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 Agent in connection with such issue, sale and delivery.
- <sup>(4)</sup> The Trust expects the Limited Partnership to finance the acquisition of properties, if any, partially through mortgage funding. There is no guarantee that it will be able to acquire such mortgage funding under reasonable terms. In addition, AIE Residential may draw on the VanCity Line of Credit. See Item 2.3 – “Development of Business – Credit Facility”.
- <sup>(5)</sup> 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 – “Use of Available Funds”.
- <sup>(6)</sup> The net proceeds raised by the Trust from the issuance of the Units, together with Reimbursable Costs, will be invested in LP Units.

### 1.2 Use of Available Funds

The Trust intends to use the subscription proceeds primarily to acquire LP Units. The Limited Partnership will use the proceeds from the issuance of LP Units to the Trust to primarily purchase additional properties. Pending investment in LP Units, the Trust may use a portion of the net proceeds of the Offering to: (i) invest in Permitted Investments; (ii) pay the expenses of the Trust; and (iii) pay amounts in connection with the redemption of Units. In addition, the Limited Partnership may use a portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust to pay: (i) down mortgage financing on a specific property or properties; (ii) capital expenditure on a specific property or properties; (iii) costs in connection with the re-positioning of properties; (iv) due diligence and documentation costs relating to property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties; and (v) the expenses of the Limited Partnership.

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Minimum Offering <sup>(1)</sup>	Assuming Maximum Offering <sup>(1)</sup>
Investment by the Trust in LP Units. Pending investment in LP Units, the Trust may use funds to invest in Permitted Investments, pay the expenses of the Trust and pay amounts in connection with the redemption of Units.	N/A	N/A

**Notes:**

- <sup>(1)</sup> There is no minimum or maximum to this Offering.

A portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust may be used to pay the Manager the fees payable under the Management Agreement. See Item 2.8 - “Material Agreements – Management Agreement”.

## ITEM 2 - BUSINESS OF THE ISSUER AND OTHER INFORMATION AND TRANSACTIONS

### 2.1 Structure

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

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

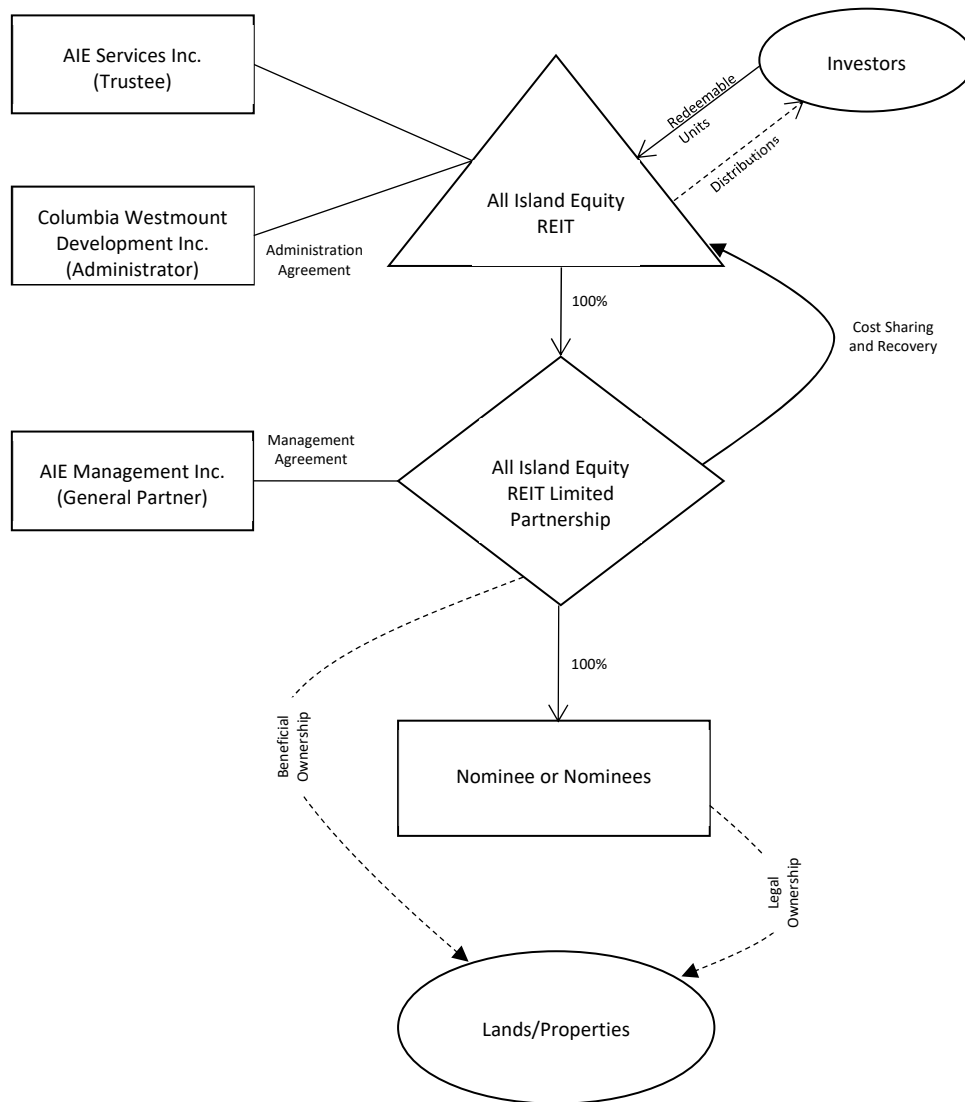
**The Administrator** – The Administrator was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 29, 2022 under incorporation number BC1369789. The registered and records office of the Administrator is located at 210-3260 Norwell Drive, Nanaimo, British Columbia V9T 1X5. The director of the Administrator is Brendan James Bennett Sutton. The Administrator is the administrator of the Trust pursuant to the Administration Agreement. See Item 2.8 – “Material Agreements – Administration Agreement”.

**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 records office of the Limited Partnership is located at 1900 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H4 and the head office of the Limited Partnership is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1. The Trust is the sole limited partner of the Limited Partnership.

**The Manager** – The Manager was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under incorporation number BC1109051. The registered and records office of the Manager is located at 1900-885 West Georgia Street, Vancouver, British Columbia V6C 3H4 and the head office of the Manager is located at 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1. The directors of the Manager are Bernard Adrian Vanderhorst, Brendan James Bennett Sutton and David Stewart Hammond. The Manager is the manager of the Limited Partnership pursuant to the Management Agreement. See Item 2.8 – “Material Agreements – Management Agreement”.

**The General Partner** – the General Partner was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under Incorporation No. BC1109051. The General Partner also acts as the Manager. See Item 2.1 – “Structure – The Trustee”.

### ALL ISLAND EQUITY REIT – INVESTMENT STRUCTURE



## 2.2 The Business

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

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

**The Limited Partnership** – The principal business of the Limited Partnership will be to issue LP Units, to invest the proceeds from such issuance, along with any Mortgage Loans required and 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, cash-flow positive, properties in the Trust Region;
- (b) to provide quarterly cash flow distributions to the Trust, as the holder of the LP Units, as cash flow permits;
- (c) to enhance the Limited Partnership’s return on capital and the Unitholders’ yield through limited development of capital properties as income-producing real estate for long-term investment; and
- (d) to enhance the potential for long-term growth of capital through value-added enhancements to the properties and organic growth in rental rates.

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

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

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

**Management of Properties** – The Limited Partnership directly employs certain site level employees. This includes staff members that were employed by the Vendor prior to the Acquisition and staff members subsequently hired by the Limited Partnership. The current make-up of the staff has a direct impact on the quality and the occupancy of the Properties.

To supplement the directly employed site management team, the Limited Partnership has engaged Devon, a third party property manager, to maintain the accounting records for the Trust and related entities, prepare property level financial reporting, and to provide support to the Manager in the operation of the Properties. The fee payable to Devon for property management is commensurate with current market rates for such property management services. The property management fee for residential Properties is 4% of the gross revenue, which includes rent, parking charges, laundry and other revenues of an income nature but shall specifically exclude capital receipts. The property management fee for commercial Properties is 5% of the gross revenue, which includes rent, storage, parking charges, operating cost recoveries, and other revenues of an income nature but shall specifically exclude capital receipts. If for any reason the Limited Partnership were to terminate the services of Devon, then the Manager may undertake the day-to-day management and the operation of one or more of the Properties.

Devon was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 6, 1980 under incorporation number BC0205912. Devon has over 40 years of experience in real estate property management, and provides full-service property management, residential rental, commercial leases, brokerage and other related services in connection with properties located across British Columbia.

The following table sets out the principal occupation and description of experience associated with such occupation about each director and executive officer of Devon for the 5 years preceding the date of this Offering Memorandum:

Full Legal Name	Principal Occupation and Description of Experience Associated with the Occupation*
Reed Kipp <i>Managing Partner, CEO and a Director</i>	Reed joined Devon as a partner in 2016, extending the company's service offerings to meet the needs of our growing clientele and broadening our business footprint into new markets across British Columbia. With a background in investment banking and strategy consulting, Reed focuses on all aspects of Devon, including business operations, strategic planning, organizational structure and company growth, in addition to managing relationships with many of Devon's traditional and institutional clients.
David Martin Craig <i>Managing Partner, President and a Director</i>	Dave joined Devon as a partner in 2010 and has over 20 years of real estate industry experience, having earned the reputation as a leader in British Columbia's property management and real estate services industries in addition to previously serving as a Board Member to LandlordBC. With a background in commercial banking and real estate development, Dave maintains a strong relationship with key stakeholders throughout the industry and provides strategic direction on Devon's business operations, manages client relationships and leads Devon's commercial property management and brokerage services.
Claudio Addis <i>VP Finance and Administration</i>	Claudio joined Devon in 2022 and is responsible for all financial and accounting operations, as well as the Human Resources and IT departments. A Chartered Professional Accountant, with more than 30 years of accomplishment and experience in both private and public companies, he provides strategic management of the accounting, finance, and administration functions for our clients as well as directs internal accounting policies, procedures, and accuracy controls.

\* This disclosure was taken from publicly available information posted to Devon's website at: <https://devonproperties.com/our-team/>.

To the Trust's knowledge, no director, executive officer or control person of Devon, or an issuer of which any of such persons was a director, executive officer or control person at the time has during the last 10 years, made: (i) a declaration of bankruptcy, (ii) a voluntary assignment in bankruptcy, (iii) a proposal under any bankruptcy or insolvency legislation, or (iv) a proceeding, arrangement or compromise with creditors, or appointment of a receiver, receiver -manager or trustee to hold assets.

To the Trust's knowledge, no director, executive officer or control person of Devon has ever pled guilty to, or been found guilty of: (i) a summary conviction or indictable offence under the Criminal Code (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) a misdemeanor or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (iv) an offence under the criminal legislation of any other foreign jurisdiction.

**Improvements to Properties** – To the extent that improvements to the Properties are required, pursuant to the Management Agreement, the Manager will provide certain services in connection with the renovating, repairing, replacing and refurbishing of Properties (the “**Re-positioning Services**”). The Re-positioning Services to be performed by the Manager include, among other things, considering and initiating the development of a Re-positioning Program for a Property, preparing the budget in respect of a Re-positioning Program, overseeing and coordinating the design of the Re-positioning Program and engaging the services of and supervising such design, engineering and other consultants as are reasonably required for the Re-positioning Program and supervising and inspecting the progress of the course of construction of the Re-positioning Program. In consideration for the Re-positioning Services performed by the Manager, the Limited Partnership will pay the Manager the Re-positioning Fee for such services.

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

Full reinvestment of distributions is possible under the DRIP as the Trust will credit to the account of each Unitholder, on each reinvestment made under the DRIP, a fractional interest in a whole Unit (to four decimal places) for any amount that cannot be reinvested in whole Units. If any Units of the Trust are held by a non-resident of Canada, such Unitholder shall not be eligible to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must forthwith notify the Trust and terminate participation in the DRIP. Other than trailer fees, no brokerage commissions or service charges are

payable in connection with the purchase of Units under the DRIP. Units issued under the DRIP are issued by the Trust from its treasury. Participation in the DRIP does not relieve Unitholders of any liability for any income or other taxes that may be payable on or in respect of the distributions that are reinvested for their account under the DRIP. Unitholders who do not enrol in the DRIP will receive regular cash distributions from the Trust, subject to the provisions of the Trust Declaration, 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 Business**

#### *Establishment of the Trust and Limited Partnership*

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

#### *The Market Opportunity*

The Trust has been established to provide investors with consistent returns via the Trust's investment in LP Units, which is an indirect investment in the acquisition, re-positioning and holding of commercial and residential real estate properties located in the Trust Region. To date, the Trust, through the Limited Partnership, has acquired a portfolio of rental apartment and commercial properties on Vancouver Island and in the Okanagan.

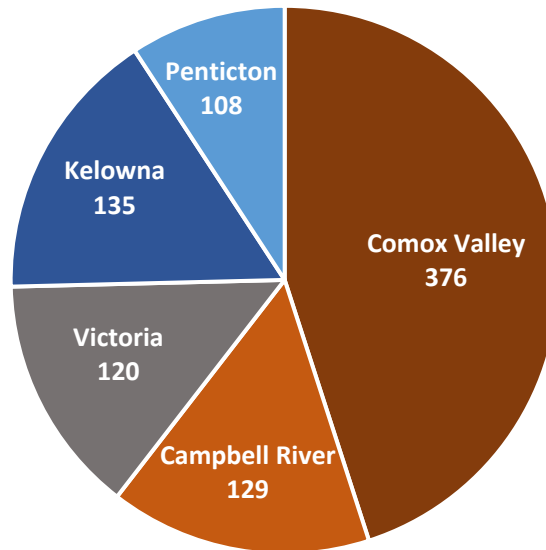


### *British Columbia (BC) - Vancouver Island and the Okanagan*

In 2021 and 2022, continuing positive net migration numbers further increased demand for housing on Vancouver Island,<sup>1</sup> and in the Okanagan,<sup>2</sup> with a corresponding increase in prices and reduction in affordability. Responding to the rising inflation rate in 2022, the Bank of Canada aggressively raised interest rates. Rising rates slowed the real estate market and dampened the labour market.<sup>3</sup> Vancouver Island and the Okanagan<sup>4</sup> fared better than the province as a whole, as apartment rental rates have remained strong.<sup>5</sup>

Vancouver Island's economy fared well in 2022, but the economy is expected to slow in 2023. For the Island, continuing immigration and a recovering tourism sector will be key elements supporting economic growth through 2023. In Kelowna, economic indicators don't point to any big problems.<sup>6</sup> Average rent of a 2-bed row/apartment in Kelowna census metropolitan area (CMA) increased by 13.8% in 2022 compared to 2021.<sup>7</sup>

The Trust believes that the lifestyle benefits of Vancouver Island and the Okanagan will continue to draw migrants to the two regions from the Lower Mainland, the rest of Canada and international locations.



*Figure: Total Trust residential units (868) broken down by market*

<sup>1</sup> "State of the Island Economic Report 2022", Vancouver Island Economic Alliance, October 2022 <https://viea.ca/economic-resources/state-of-the-island-report-download/>

<sup>2</sup> "Metro Kelowna's population has burgeoned to an astounding 235K", Kelowna Now, February 2023, [https://www.kelownanow.com/watercooler/news/news/Kelowna/Metro\\_Kelowna\\_s\\_population\\_has\\_burged\\_to\\_an\\_astounding\\_235K/](https://www.kelownanow.com/watercooler/news/news/Kelowna/Metro_Kelowna_s_population_has_burged_to_an_astounding_235K/).

<sup>3</sup> "State of the Island Economic Report 2022", Vancouver Island Economic Alliance, October 2022 <https://viea.ca/economic-resources/state-of-the-island-report-download/>

<sup>4</sup> "Kelowna is One of Canada's Top Emerging Real Estate Markets", REMAX, October 18 2022 <https://blog.remax.ca/kelowna-is-one-of-canadas-top-emerging-real-estate-markets/>

<sup>5</sup> "Kelowna, B.C. becomes 10<sup>th</sup> most expensive city to rent an apartment in Canada", Jayden Wasney, Global News, March 16, 2023 <https://globalnews.ca/news/9558210/kelowna-10th-most-expensive-city-apartment-canada/>

<sup>6</sup> "Economic indicators don't point to any big problems in Kelowna", Kelowna Now, December 2, 2022 [https://www.kelownanow.com/watercooler/news/news/Kelowna/Economic\\_indicators\\_don\\_t\\_point\\_to\\_any\\_big\\_problems\\_in\\_Kelowna/](https://www.kelownanow.com/watercooler/news/news/Kelowna/Economic_indicators_don_t_point_to_any_big_problems_in_Kelowna/)

<sup>7</sup> "Central Okanagan Economic Indicators Q1 2023", Central Okanagan Economic Development Commission, May 10, 2023, <https://www.investkelowna.com/wp-content/uploads/2023/05/Economic-Indicators-Q1-2023-1.pdf>

*Vancouver Island and Okanagan Rental Apartment Market and the Residential Properties*

The Canada Mortgage and Housing Corporation (CMHC) survey in October 2022,<sup>8</sup> reported the following data regarding the private rental apartment market, which is compared to the Properties of the Trust.

Market Comparison					
Number of Units	Comox Valley	Campbell River	Victoria	Kelowna	Penticton
Total Rental Market	2,045	1,674	29,571	7,761	2,329
Owned by the Trust	376	129	120	135	108
Percentage of Total Rental Market	18.39%	7.71%	0.41%	1.74%	4.64%
Average Rents	Comox Valley	Campbell River	Victoria	Kelowna	Penticton
Market Average	\$1,327	\$1,261	\$1,457	\$1,494	\$1,146
Trust Average	\$1,220	\$1,169	\$1,320	\$1,224	\$1,128
Vacancy Rates	Comox Valley	Campbell River	Victoria	Kelowna	Penticton
Market Average	0.7%	1.6%	1.5%	1.2%	1.1%
Trust Average	0.9%	1.8%	1.6%	1.0%	2.0%

The Trust is focused on retaining and acquiring well maintained properties with strong potential for rental growth. The high demand for commercial and residential premises leads to the selection of quality tenants and low vacancy rates across the Trust's portfolio to date.

As of the date hereof, the Trust's portfolio is comprised of a total of 44 Properties as follows: (i) 38 residential Properties consisting of a total of 868 rental apartment units; and (ii) six commercial Properties totaling 58,152 square feet of rental area. A summary of certain financial characteristics of each of the Properties currently comprising the Trust's portfolios is set out below.

**Individual Property Summary:**

Number of Properties	Location	Year Built	Condition	Interest	Encumbrance	Restrictions on sale or disposition	Environmental liabilities, hazards or contamination	Tax arrears	Are utilities in place?	Current use	Occupancy level <sup>(1)</sup>
Residential											
11	Comox Valley	Range: 1968 - 1994	Good condition	Fee Simple	First Lien Mortgage	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
8	Comox Valley	Range: 1966 - 1995	Good condition	Fee Simple	First Lien Mortgage and Second Lien Line of Credit	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
2	Comox Valley	Range: 1965 - 1994	Good condition	Fee Simple	Second Lien Line of Credit	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies

<sup>8</sup> CMHC, Rental Market Survey Reliability Tables – Provincial Highlights, <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables>

Number of Properties	Location	Year Built	Condition	Interest	Encumbrance	Restrictions on sale or disposition	Environmental liabilities, hazards or contamination	Tax arrears	Are utilities in place?	Current use	Occupancy level <sup>(1)</sup>
Residential											
7	Campbell River	Range: 1965 - 2018	Good condition	Fee Simple	First Lien Mortgage	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
1	Campbell River	2016	Good condition	Fee Simple	No	No	No, to the best of our knowledge	No	Utilities are currently being provided	Multi-family Residential	Varies
3	Victoria	Range: 1965 - 1969	Good condition	Fee Simple	First Lien Mortgage and a head lease in place (some units have a right to occupy on title)	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
1	Victoria	1962	Good condition	Fee Simple	No	No	Due to the age of the building, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
1	Victoria	1969	Good condition	Fee Simple	Head lease in place (some units have a right to occupy on title)	No	Due to the age of the building, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
2	Penticton	Range: 1968 - 1976	Good condition	Fee Simple	First Lien Mortgage	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
2	Kelowna	Range: 1977 - 1978	Good condition	Fee Simple	First Lien Mortgage	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Multi-family Residential	Varies
Commercial											
5	Comox Valley	Range: 1976 - 1996	Good condition	Fee Simple	First Lien Mortgage	No	Due to the age of some of the buildings, there may be asbestos present.	No	Utilities are currently being provided	Commercial - Retail / Office	Varies
1	Comox Valley	1995	Good condition	Fee Simple	Second Lien Line of Credit	No	Due to the age of the building, there may be asbestos present.	No	Utilities are currently being provided	Commercial - Retail / Office	Varies

**Notes:**

(1)

Properties have occupancy rates ranging from 79%-100%.

**Property Debt Summary:**

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

Property Name	Lender	Amount Outstanding as at April 30, 2023	Maturity	Interest Rate
<b>Residential</b>				
Oakcrest	Coast Capital Savings Credit Union	\$3,476,362	5-Sep-32	4.14%
Capri				
Sonoma				
534 Cedar Street	Coastal Community Credit Union	\$2,662,297	5-Nov-26	2.75%
Harbourview Manor				
Firwood	Peoples Trust Company	\$5,451,886	1-Dec-26	2.15%
Edgemont	Bank of Nova Scotia	\$2,830,774	2-Dec-26	2.73%
El Mirador	Bank of Nova Scotia	\$5,460,035	2-Dec-26	2.73%
Ocean Villa	Bank of Nova Scotia	\$3,512,079	2-Dec-26	2.73%
Carriage House	Coast Capital Savings Credit Union	\$926,507	1-Jun-27	4.71%
Tradewinds	Peoples Trust Company	\$10,952,403	1-May-28	3.22%
Glenshee				
Greenbrier				
Villa Montecito				
Berkshire Manor				
Fairmont				
Cedar Manor				
Sandpiper South	Royal Bank of Canada	\$4,212,900	1-Jul-30	1.80%
Sandpiper North				
Brandywine				
Blue Jay	Peoples Trust Company	\$1,146,681	1-Jun-30	2.17%
Creekside Terrace	Peoples Trust Company	\$1,731,545	1-Jun-30	2.17%
635 8th Avenue	Peoples Trust	\$4,131,301	1-Mar-31	1.69%
667 8th Avenue				
790/794 Dogwood Street				
Scenic View Manor	National Bank of Canada	\$4,034,315	1-Mar-31	1.95%
Hycroft	MCAP Financial Corporation	\$3,493,487	1-Dec-31	2.61%
Edgewater	MCAP Financial Corporation	\$2,371,076	1-Dec-31	2.61%
The Pines	MCAP Financial Corporation	\$2,845,420	1-Dec-31	2.61%
Arran House	Peoples Trust Company	\$10,535,877	1-Sep-32	2.96%
Malibu Apartments	Peoples Trust Company	\$5,419,662	1-Sep-32	2.96%
Okanagan Place II	Peoples Trust Company	\$17,011,153	1-Sep-32	2.96%
Westwater	Peoples Trust Company	\$5,402,132	1-Sep-32	3.41%
City Gate	RBC	\$3,759,277	5-Jul-30	1.73%
778 Dogwood Street	No mortgage	N/A	N/A	N/A
Briarwood	No mortgage	N/A	N/A	N/A
Belvedere	No mortgage	N/A	N/A	N/A
Villa Royale	No mortgage	N/A	N/A	N/A
<b>Commercial</b>				
355 11th St	Coastal Community Credit Union	\$791,727	5-Nov-26	2.90%
780 Grant Ave	Coastal Community Credit Union	\$1,457,486	5-Nov-26	2.90%
Arbour Court	Coast Capital Savings Credit Union	\$2,710,522	1-Jun-27	4.71%
777 Fitzgerald	Coast Capital Savings Credit Union	\$1,281,338	1-Jun-27	4.71%
Fitzgerald Centre	Coast Capital Savings Credit Union	\$1,133,492	1-Jun-27	4.71%
Northgate Plaza	No mortgage	N/A	N/A	N/A

**Notes:**

The Manager and the Limited Partnership act as a corporate guarantor for many of the above mortgages.

## Credit Facility

AIE (Residential) Holdings Inc. (“**AIE Residential**”) holds title to various Properties as nominee on behalf of the Limited Partnership. See Item 2.1 – “Structure” and Item 2.2 – “The Business – Title to the Properties”. AIE Residential obtained the VanCity Line of Credit using certain of the Properties as security.

Secured Line of Credit			
Lender	Interest Rate	Repayment Terms	Amount Outstanding as at April 30, 2023
Vancouver City Savings Credit Union	Prime + 1.50% <sup>(1)</sup>	On Demand	\$2,399,648.03

### Notes:

<sup>(1)</sup> 8.20% as of April 30, 2023.

The Manager and the Limited Partnership act as a corporate guarantor to the VanCity Line of Credit obtained by AIE Residential. The maximum amount available to be drawn down under the VanCity Line of Credit is \$12,000,000. All amounts outstanding under the VanCity Line of Credit are repayable on demand.

## Valuation of Properties

All Properties are appraised annually by independent, third-party experts. In 2022, Cunningham and Rivard completed appraisals for the Properties located on Vancouver Island and Garnett Wilson completed appraisals for the Properties in the Okanagan. The Trust’s auditor, MNP LLP, reviews the Trust’s valuation process as part of its year-end financial audit.

For the purposes of determining Fair Market Value of the Properties and determining Net Asset Value on an ongoing basis, the Trust applies the capitalization approach on all Properties that have been part of the Trust’s portfolio for over 12 months. This approach uses internal accounting information to determine appropriate net operating income, while capitalization rates are based on inputs from external sources. Various assumptions are required as part of this process, and the Trust uses its best judgment based on information available at the time. Properties that have been part of the portfolio for less than 12 months are valued at their purchase price plus directly attributable expenditures and capital additions since acquisition.

## Commercial Properties



### Commercial Property Summary:

Property Name	Address	Date of Construction	Size of Site (square feet)	Gross Building Area (square feet)	Leasable Area (square feet)	Weighted Average Lease Expiry (Years)
<b>Commercial</b>						
Northgate Plaza	470 Puntledge Rd.	1995	52,265.00	16,084	16,084	2.38
Arbour Court	467/491 Cumberland Rd. & 480 Sixth St.	1995	21,475.00	17,581	16,746	1.09
777 Fitzgerald	777 Fitzgerald Ave.	1986	10,204.00	6,543	5,977	1.92
Fitzgerald Centre	635 Fitzgerald Ave.	1996	10,742.00	8,109	7,444	1.76
355 11th St	355 11th St.	1989	10,018.00	2,317	4,304	2.33
780 Grant Ave.	780 Grant Ave.	1976	13,200	8,384	7,480	6.37
<b>Total Commercial</b>			<b>117,904</b>	<b>59,018</b>	<b>58,035</b>	

### Residential Properties



Twenty-one of the residential Properties are located in the Comox Valley, eight are located in Campbell River, five are located in Victoria, two are located in Kelowna, and two are located in Penticton, where rental apartments are in high demand. The residential Properties were built between 1956 and 2019. A majority of the buildings are older but have been well maintained with upgrades and renovations. This attracts quality tenants and allows the residential Properties to tap into the mid-range market.

The residential Properties vary in size as they range from having 3 units to 108 units with a total of 868 units. 494 units (57%) are 2-bedroom units, 333 units (38%) are one-bedroom units, 17 units (2%) are one-bedroom plus dens, and the other 24 units (3%) are bachelor suites or three-bedroom units. The unit rent per month in respect of the residential Properties varies from \$587 to \$2,000 with an overall average rent per month of \$1,271.

The residential Properties are maintained to a high standard. The exterior aesthetics and foliage are also extensively upheld. Many of residential Properties are situated close to each other, including eight separate clusters composed of multiple properties that are in close proximity. 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 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, and updating sprinkler systems. The roofs have also been replaced or redone relatively recently, which is usually a large expenditure that can now be dated well into the future.

Above and beyond its normal course repairs and maintenance budget, the Trust maintains an active budget for replacement of major capital items and periodic base building upgrades (“**Capital Expenditures**”) of the Properties in the residential portfolio. The Trust budgets 5% - 9% of gross income for maintenance Capital Expenditures for major items such as roof

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

#### Victoria Leasehold Portfolio

On November 16, 2021, the Trust purchased the freehold interest in a portfolio consisting of five Properties in Victoria, British Columbia. Four of these Properties ("**Leasehold Properties**") have head leases registered on title that mature on December 31, 2073 (the "**Leasehold Obligation**").

These head leases are sub-leased to individual suites ("**Lessee Units**") in accordance with the terms and conditions of the leasehold contract. The contract allows the owners ("**Lessees**") of each sub-leased unit to occupy the Lessee Units until the maturity of the head lease. In aggregate, 276 Lessee Units are registered on title. The Trust owns 87 of these units, which are included in the Trust's residential portfolio as rental units. The remaining 189 units are owned by unrelated third parties. On maturity, the right to occupy the Lessee Units lapses, the Leasehold Obligation ceases, and the right to occupy all 276 units reverts to the Trust.

#### Other Asset Classes and Geographic areas

The Trust's primary focus is investing in income producing residential and commercial properties on Vancouver Island and the Okanagan, but the Trust will consider acquisitions in other locations and real estate asset classes as investment opportunities arise, as long as these investments are within the Trust's mandate.

#### Acquisition and Development Opportunities – General

Consistent with past practices and in the normal course of business, the Limited Partnership is engaged in discussions, and has various non-binding and/or binding conditional agreements, with respect to possible acquisitions of additional properties. However, there can be no assurance that these discussions or agreements will result in unconditional acquisition agreements, or if they do, what the final terms or timing of such acquisitions would be. The Limited Partnership expects to continue current discussions and actively pursue additional acquisition and investment opportunities consistent with the Trust's investment guidelines and policies.

In addition, the Limited Partnership may enter into development management agreements and construction management agreements from time to time in respect of the development and construction of additional properties which will form part of the Trust's portfolio. In the event that the Limited Partnership obtains the necessary municipal approvals, and determines to proceed with such development and construction projects, additional information will be made available to Unitholders and investors.

### **2.4 Long-Term Objectives**

The long-term objectives of the Trust are:

- (a) to issue sufficient Units to permit the Trust to in turn acquire sufficient LP Units to allow the Limited Partnership to operate, maintain and finance the Properties, and to acquire 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 (generated indirectly from the Limited Partnership's operation of the 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

The business objectives of the Trust for the next 12 months are to complete the offering of a sufficient number of Units pursuant to this Offering Memorandum to be able to indirectly acquire additional, and improve existing, properties that are accretive to unitholder value.

The Trust intends to use the subscription proceeds primarily to acquire LP Units. The Limited Partnership will use the proceeds from the issuance of LP Units to the Trust to primarily purchase additional properties. The Limited Partnership may use a portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust to pay: (i) down mortgage financing on a specific property or properties; (ii) capital expenditure on a specific property or properties; (iii) costs in connection with the re-positioning of properties; (iv) due diligence and documentation costs relating to property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties; and (v) the expenses of the Limited Partnership. The specific additional properties in which the Trust may indirectly invest have not yet been determined.

What the issuer must do and how it will do it	Target completion date or if not known, number of months to complete	Cost to complete
Raise funds	Ongoing – continuous offering of Units.	Unknown
Invest in LP Units so the Limited Partnership may purchase additional properties	Ongoing – additional acquisitions to be identified, negotiated, and acquired.	Unknown
Manage, reposition and improve properties	Ongoing – capital expenditures and repositioning of properties as required or deemed desirable.	Unknown

## 2.6 Insufficient Funds

Funds available under the offering may not be sufficient to accomplish our proposed objectives. AIE Residential may also draw on the VanCity Line of Credit, subject to conditions. Item 2.3 – “Development of Business – Credit Facility”.

## 2.7 Additional Disclosure for Issuers Without Significant Revenue

Not applicable.

## 2.8 Material Agreements

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

- (a) Trust Declaration – The Trust Declaration is described under Item 2.8 – “Material Agreements – Trust Declaration”.
- (b) Limited Partnership Agreement – The Limited Partnership Agreement is described under Item 2.1 - “Structure” and under Item 2.8 – “Material Agreements – Limited Partnership Agreement”.
- (c) Management Agreement – The Management Agreement is described under Item 2.8 – “Material Agreements – Management Agreement”.
- (d) Cost Sharing and Recovery Agreement – The Cost Sharing Agreement is described under Item 2.8 – “Material Agreements – Cost Sharing and Recovery Agreement”.
- (e) Administration Agreement – The Administration Agreement is described under Item 2.8 – “Material Agreements – Administration Agreement”.
- (f) Property Management Agreement – The Property Management Agreement is described under Item 2.8 – “Material Agreements – Property Management Agreement”.
- (g) Subscription Agreements – The Subscription Agreement is described under Item 5.2 – “Subscription Procedure”.
- (h) Agent Engagement Letter – The Agent Engagement Letter is described under Item 2.8 – “Material Agreements – Agent Engagement Letter”.



- (i) VanCity Line of Credit – The VanCity Line of Credit is described under Item 2.3 – “Development of Business – Credit Facility”.

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

#### **A. Trust Declaration**

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

#### **Units**

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

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

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

#### **Classes of Units**

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

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

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

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

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

### ***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 will be permitted.

### ***Distributions***

#### ***Distributions of Distributable Cash Flow***

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

#### ***Computation of Cash Flow of the Trust***

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

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

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

#### ***Computation of Income and Net Realized Capital Gains***

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

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

### *Other Distributions*

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

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

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

### *Allocation*

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

### *Reclassification of Units*

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

Generally, reclassification or switches between classes of Units is not considered a disposition for tax purposes, which means that Unitholders will not realize a capital gain or loss. However, Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying or switching between classes of Units. See Item 8 – "Income Tax Consequences and RRSP Eligibility."

### *Character of Distributions and Designations*

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

### *Special Distribution Provisions*

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

In the event that a Unitholder has held his Unit for less than the entire Distribution Period for which a distribution is payable, the Unitholder shall only be entitled to a proportionate share of the distributions based on the proportion that the number

of days between the date of first issue of his Units and the last day of the Distribution Period bears to the aggregate total number of days in such Distribution Period.

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

#### *Enforceability of Right to Receive Distributions*

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

#### *Method of Payment of Distributions*

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

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

#### *Withholding Taxes*

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

#### *Calculation of Net Asset Value*

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

#### *Method of Determining Value*

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

#### *Redemption*

##### *Redemption - Generally*

Redemption of Units by Unitholders is restricted under the terms of the Trust Declaration. In accordance with the process described below (which is qualified by the provisions of 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 Trust of the Redemption Notice. Units will be considered to be tendered for redemption on the date that the Trust 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 (such date referred to herein as, 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 10 – "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 limits in 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.

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 the Trust Declaration.

*Capital Gains and Income on In Specie Distribution*

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

*Order of Redemptions*

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

**Retraction**

*Trust's Right of Retraction*

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

*Partial Retraction*

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

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

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

#### *Exercise of Right*

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

#### *Retraction Price*

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

#### *Meetings of Unitholders*

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

#### *Quorum*

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

#### *Voting Rights*

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

#### *Powers Exercisable Ordinary Resolution*

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

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

### ***Powers Exercisable Special Resolution***

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

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

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

### ***Unitholder Meeting Information***

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

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

### ***Termination of the Trust***

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

### ***Amendments to the Trust Declaration***

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

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

### ***Information and Reports***

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



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

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

#### ***Liability of Unitholders***

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

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

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

#### ***Powers of the Trustee***

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

#### ***Specific Powers and Authorities***

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

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to hold the Trust Property in safekeeping, retaining moneys, securities, property, assets or investments, and investing moneys from time to time forming part of the Trust Property;
- (c) to ensure that the Subscription Proceeds are invested in LP Units;
- (d) to borrow money as necessary to pay distributions to Unitholders, and encumbering Trust Property in respect thereof;

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

Trust, or any part thereof, and to settle or compromise disputed tax liabilities, and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections, allocations and determinations in respect of Trust Income, Net Realized Capital Gains or any other amounts distributed, allocated and made payable to Unitholders in a year and any other matter as shall be permitted under the Tax Act and analogous provisions of any provincial income tax legislation, and to do all such other acts and things as may be deemed by the Trustee in its sole discretion to be necessary, desirable or convenient;

- (y) to do all such acts and things, and to execute, deliver and perform the obligations of the Trust under all such agreements and instruments as are necessary to complete the Offering or as are contemplated by the offering documents; and
- (z) to do all such other acts and things and execute all such agreements and other instruments as are incidental to the foregoing, and to exercise all powers that are necessary or useful to carry on the purpose and activities of the Trust, to promote or advance any of the purposes or objectives for which the Trust is formed and to carry out the provisions of the Trust Declaration whether or not specifically mentioned in the Trust Declaration.

### ***Resignation and Removal of Trustee***

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

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

### ***Indemnification of Trustee***

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

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

### ***Fees and Expenses***

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

### ***Standard of Care***

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

### ***Conflicts of Interest***

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

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

### ***Rights of Unitholders***

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

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

### ***Constraint on Non-Resident Unitholders***

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

The Trustee may require declarations as to the jurisdictions in which beneficial owners of Units and/or Options are resident. If the Trustee becomes aware that the beneficial owners of 40% of the Units and/or Options then outstanding are or may be Non-residents, or that such a situation is imminent, the Trustee shall not accept a subscription for Units or Options from or issue or register a transfer of Units or Options to a person unless the person provides a declaration that the person is not a Non-resident. If the Trustees 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 and/or Manager.**

### ***B. Limited Partnership Agreement***

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

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

### ***Capital in the Limited Partnership***

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

The General Partner has made a capital contribution of \$10.00 to the Limited Partnership, and has no further obligation to contribute capital. Patrick Sullivan, as the Founding Limited Partner, has also made a capital contribution of \$10.00 to the

Limited Partnership, which capital contribution will be returned to him upon the completion of the initial subscription for LP Units. Limited Partners will contribute to the Limited Partnership \$10.00, or such other amount as the General Partner may determine, per Unit subscribed for.

***Allocation of Net Income and Net Loss***

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

- (a) firstly, the General Partner shall be allocated .01% of the Net Income (LP) to a maximum of \$100 per annum;
- (b) secondly, the balance of Net Income (LP) shall be allocated to the Limited Partners.

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

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

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

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

***Distributions***

Subject to distributions on dissolution of the Limited Partnership:

- (a) distributable cash shall be distributed quarterly, as cash flow permits, as follows:
  - (i) firstly, to the General Partner 0.01% of the Distributable Cash to a maximum of \$100 per annum;
  - (ii) secondly, the balance of the Distributable Cash to the Limited Partners; and
- (b) extraordinary net cash receipts, being the net proceeds from a Sale or Refinancing calculated in accordance with the Limited Partnership Agreement, will be distributed as and when funds are received and are available for distribution, as follows:
  - (i) firstly, in the event of a Sale of a Property, to pay any costs involved in the Sale, and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
  - (ii) secondly, to pay to the Limited Partners that amount which is estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of the Sale;
  - (iii) thirdly, to pay all current obligations of the Limited Partnership, including without limitation, mortgage loans and any loans advanced by the General Partner or the Limited Partners, plus accrued interest, and any applicable fees payable under the Management Agreement;
  - (iv) fourthly, the balance of extraordinary net cash receipts will be distributed to the Limited Partners, *pro rata* in accordance with their respective Income Shares.

### ***Additional Capital Contributions***

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

### ***Partner Loans***

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

### ***Distributions upon Wind-up, etc.***

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

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

### ***Management and Control of the Limited Partnership***

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

### ***Removal of the General Partner***

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

expenses with respect to events which occur in relation to the Limited Partnership after the appointment of the new General Partner.

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

### ***Voting***

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

### ***Financial Information***

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

### ***Residency***

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

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

## ***C. Management Agreement***

### ***Powers and Responsibilities of the Manager***

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

#### ***Acquisition, Disposition and Financing Services***

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

- (a) structuring the acquisition and ownership by the Limited Partnership of the Properties or interests in the Properties, including overseeing the preparation, execution and delivery of all agreements, transfers, documents and instruments required for such acquisitions;
- (b) structuring the sale and disposition by the Limited Partnership of any Properties or interests in the Properties, including overseeing the preparation, execution and delivery of all agreements, transfers, documents and instruments required for such dispositions;
- (c) 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;
- (d) engaging such counsel and other professional advisers or consultants as the Manager considers advisable in order to perform its duties hereunder; and



- (e) 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) liaising 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.

#### *Re-positioning Services*

The Manager will provide the following Re-positioning Services in connection with a Re-Positioning Program relating to a Property:

- (a) considering and initiating the development of a Re-positioning Program for the property;
- (b) preparing a preliminary summary form of Re-positioning Program concurrently with the due diligence investigations of the property;
- (c) preparing the budget in respect of a Re-positioning Program approved by the Partnership;
- (d) overseeing and coordinating the design of the Re-positioning Program and engaging the services of and supervising such design, engineering and other consultants as are reasonably required for the Re-positioning Program;
- (e) applying for and obtaining all necessary municipal and other governmental approvals and permits to permit the construction of the Re-positioning Program;
- (f) providing ongoing liaison and coordination among consultants, tenants and all other affected parties to ensure the orderly completion of the Re-positioning Program;
- (g) co-ordinating the preparation and negotiation of any construction contract documents;
- (h) supervising and inspecting the progress of the course of construction of the Re-positioning Program so as to accomplish completion of the Re-positioning Program in a timely manner;
- (i) preparing all requests for advances under any financing and assisting the Limited Partnership in receiving and applying the proceeds of the financing in payment of project costs;
- (j) inspecting, checking, approving and processing payment for all invoices submitted by contractors, subcontractors and material suppliers for Re-positioning Program work and materials provided for in the approved budget;
- (k) ensuring compliance with general municipal and other governmental requirements relating to the Re-positioning Program;
- (l) using commercially reasonable efforts to ensure that the completion of the Re-positioning Program is undertaken in accordance with all laws and regulations; and
- (m) performing and administering any and all other services and responsibilities which are required to be performed for the Re-positioning Program.

### *Supervision of Property Management*

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

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

### *Service Requirements*

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

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

### *Fees*

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

- (a) the Asset Management Fee;
- (b) the Acquisition Fee;
- (c) the Re-positioning Fee;
- (d) the Financing Fee; and
- (e) the Disposition Fee, provided, however, that such fee will only be payable in the event that the Limited Partnership must sell, transfer, assign or dispose of a Property or interest therein to generate cash amounts to satisfy redemptions of LP Units by the Trust.

### *Expenses*

The Manager shall be reimbursed by the Limited Partnership for all out-of-pocket costs and expenses incurred by the Manager in connection with the performance of the services described above and any additional services to be performed by the Manager as may be agreed to from time to time by the Manager and the Partnership (collectively, the “**Expenses**”). For greater clarity, these Expenses shall include, but not be limited to, the following:

- (a) interest and other costs of borrowed money of the Limited Partnership;
- (b) fees and expenses of lawyers, accountants, tax consultants, auditors, investor relations firms, appraisers, receivers and other agents or consultants employed by or on behalf of the Limited Partnership;
- (c) fees and expenses relating to tax compliance;
- (d) fees and expenses of the directors of the General Partner;

- (e) fees and expenses connected with the acquisition, disposition, ownership, operation and re-positioning of the Properties;
- (f) insurance expenses;
- (g) expenses in connection with payments of distributions to holders of LP Units;
- (h) expenses in connection with communications to Unitholders and the other bookkeeping, and clerical work necessary in maintaining relations with Unitholders;
- (i) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, and transfer of LP Units and other required governmental filings;
- (j) fees and expenses payable under the Management Agreement;
- (k) all costs and expenses in connection with the incorporation, formation, organization and maintenance of corporations or entities formed to hold investments, other investments or other assets of the Limited Partnership; and
- (l) expenses of any action, suit or other proceedings in which or in relation to which the Manager and any of its officers, directors, employees, consultants or agents are entitled to an indemnity from the Limited Partnership.

The Manager will not be reimbursed for any overhead costs of the Manager, including costs incurred for rent in respect of the Manager's or any of its affiliate's own premises, equipment, personnel costs general administrative expenses and other expenses that are customarily considered to be overhead expenses., except as explicitly provided for above.

#### ***Waiver of Fees***

The Manager may, from time to time, waive the obligation of the Limited Partnership to pay all or any portion of the fees payable by the Limited Partnership to the Manager for any applicable transaction (i.e., acquisition or disposition) or period (i.e., month or quarter), if applicable, during the term of the Management Agreement, provided, however, that the waiver by the Manager of the obligation of the Limited Partnership to pay all or any portion of such fees for any applicable transaction or period, if applicable, shall not act as a waiver of such obligation for any subsequent transactions or periods.

#### ***Term and 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, 2028. The Management Agreement will be automatically renewed thereafter for terms of five years, unless otherwise terminated in accordance with its terms.

The Management Agreement may be terminated by the Limited Partnership in the event that: (i) a bankruptcy, receivership or liquidation order is issued against the Manager; (ii) the Manager makes an assignment for the benefit of creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (iii) the Manager commits a breach or default under the Management Agreement not related to the payment of any money to be paid by the Manager to the Limited Partnership and the same is not cured within 90 days of the Manager receiving notice thereof; (iv) the Manager commits a breach or default under the Management Agreement related to the payment of any money to be paid by the Manager to the Limited Partnership and the same is not cured within 45 days of the Manager receiving notice thereof; or (v) the Limited Partnership gives the Manager 90 days prior written notice of intention to terminate the Management Agreement.

The Management Agreement may be terminated by the Manager in the event that: (i) a bankruptcy, receivership or liquidation order is issued against the Limited Partnership; (ii) the Limited Partnership makes an assignment for the benefit of the Limited Partnership's creditors or commits any act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada); (iii) the Limited Partnership commits a breach or default of a material term of the Management Agreement that is not cured within 90 days of the Limited Partnership receiving notice thereof; or (iv) the Manager gives the Limited Partnership 90 days prior written notice of intention to terminate the Management Agreement.

### ***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.

In addition to any other amounts to which the Manager is entitled under the Management Agreement, upon the termination of the Management Agreement: (i) by the Limited Partnership by giving the Manager 90 days written notice of intention to terminate the Management Agreement, whether at the end of a term or otherwise; (ii) by the Manager in the event that the Limited Partnership commits a breach or default of a material term of the Management Agreement that is not cured within 90 days of the Limited Partnership receiving notice thereof; or (iii) by the Manager by giving the Limited Partnership 90 days prior written notice of intention to terminate the Management Agreement (collectively, the "**Termination Events**"), in the event that the Limited Partnership engages another person to provide services similar to the services provided by the Manager to the Limited Partnership under the Management Agreement, the Limited Partnership shall pay to the Manager, in immediately available funds on the date of termination (such date, the "**Termination Date**") an amount equal to the greater of the following: (x) twelve times the total amount of the Asset Management Fee received and/or earned by the Manager pursuant to the Management Agreement during the most recently completed quarter on or prior to the Termination Date; and (y) \$2,500,000, in each case, plus applicable taxes (in either case, the "**Termination Payment**"). The Limited Partnership shall not be required to pay to the Manager the Termination Payment if the Limited Partnership terminates the Management Agreement for any other reason that does not constitute a Termination Event.

### ***Indemnities***

The Limited Partnership will indemnify and save harmless the Manager, its directors, officers, employees and other representatives from and against any and all losses, suits, claims, demands, liabilities, penalties, assessments, fines, actions, causes of action, costs and expenses, including legal expenses and including amounts paid to settle an action or satisfy a judgement (for purposes of the Management Agreement, collectively, "damages") in any way arising from or attributable to the performance by the Manager, or its directors, officers, employees and other representatives acting within the scope of their duties, employment or engagement, as applicable, of the Manager's obligations under the Management Agreement, except as arise from or are attributable to the gross negligence or wilful misconduct of the person seeking indemnification.

No person will be indemnified in respect of damages that arise out of or as a result of or in the course of his, her or its failure to act honestly and in good faith, or out of or as a result of or in the course of his, her or its 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 person did not have reasonable grounds for believing that his, her or its conduct was lawful.

The Manager will indemnify and save harmless the Limited Partnership from and against any and all damages which arise from or are attributable to the gross negligence or wilful misconduct of the Manager, its directors, officers, employees or other representatives acting within the scope of their duties, employment or engagement, as applicable, in the performance of the Management Agreement.

### ***D. 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: (a) the Offering of Units by the Trust, and (b) 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, including, 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 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.

**E. Administration Agreement**

Pursuant to the Administration Agreement, the Administrator has agreed to provide to the Trust general administrative services, including:

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

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

The Administration Agreement will continue in full force and effect until the earlier of: (i) the termination of the Limited Partnership, the dissolution of the Trust and the distribution of all amounts due to Unitholders; and (ii) December 31, 2028. The Administration Agreement will be automatically renewed thereafter for terms of five years, unless otherwise terminated in accordance with its terms.

**F. Property Management Agreement**

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

- (a) bookkeeping and related activities;

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

Pursuant to the Property Management Agreement, Devon will be paid a fee equal to 4% of the gross revenue derived from the residential properties as described in the residential property management agreement and 5% of the gross revenue derived from the commercial properties as described in the commercial property management agreement. The Property Management Agreement can be terminated by either party following sixty (60) days' written notice to the other party.

#### **G. Agent Engagement Letter**

Pursuant to the Agent Engagement Letter, except as provided therein, the Agent has the exclusive right to act as agent to the Trust in respect of the Offering. The Agent is permitted to appoint, at its sole expense, other registered dealers (collectively, the "**Selling Group**"), in each case acceptable to the Trust, as its agents to assist in the Offering. In addition, pursuant to the Agent Engagement Letter, with the consent of the Agent, acting reasonably, the Trust may facilitate subscriptions of Units pursuant to the Offering from clients of Exempt Market Dealers, investment-counselling / portfolio management (or ICPM) firms, other licensed fiduciary entities or family offices (in any case, the "**Non-IIROC Firms**") that are either unable or unwilling to settle through the facilities of IIROC syndication or where regulations may, if compensation is applicable, prevent the Agent from paying selling commission compensation directly to such parties. Where the Agent and the Trust have mutually agreed to facilitate a subscription in this manner (each, a "**Non-IIROC Subscription**"), any such Non-IIROC Subscription will not be considered a breach of the Agent's exclusive appointment under the Agent Engagement Letter.

The Agent's ability to sell the Units is contingent upon several factors including, without limitation, general market conditions at the time of the Offering, completion of satisfactory due diligence, the prospects of the Trust, the Trust and Trustee's compliance with applicable laws, and the success of the Agent's marketing efforts on a commercially reasonable efforts basis.

The Agent is registered under NI 31-103 as an "exempt market dealer", "portfolio manager" and/or "registered dealer" in all jurisdictions in Canada where so required, and will at all times during the term of the Agent Engagement Letter requirements of NI 31-103 and any other applicable securities laws and in particular, will not sell the Units except as permitted by applicable securities laws. The Agent agrees that it will not make any representation to any prospective subscriber regarding the Units other than as is set out in this Offering Memorandum and will not deliver any material regarding the Units to any prospective subscriber except: (i) as may be approved by the Trustee in writing; (ii) as set out in this Offering Memorandum; or (iii) with respect to the Subscription Agreement and any risk acknowledgement form or other instruments required by applicable securities laws whether or not referred to in this Offering Memorandum.

Pursuant to the Agent Engagement Letter, the Trust has agreed to pay the Agent: (i) a fee equal to 4.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) found and referred to the Trust by the Agent, on its own behalf and on behalf of the Selling Group, at each closing thereof, payable in cash, Units or a combination thereof, as directed by the Agent; (ii) an annual trailer fee of up to 1.0% of the Net Asset Value of the Class A Units, in aggregate (the "**Agent Percent Trailer**"), on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders; and (iii) the

Agent's reasonable expenses related to the Offering, and the Agent's legal counsel fees (including all fees, disbursements and any applicable taxes and levies), provided that the Agent's legal counsel fees for which the Trust would be responsible for shall not exceed \$15,000, plus disbursements and any applicable taxes and levies. In addition, at each closing of an Offering by a Non-IIROC Firm, the Trust has agreed to pay: (i) a fee of: (A) up to 3.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through a Non-IIROC Firm (the "**Non-IIROC Commission**") to such Non-IIROC Firm; and (B) 4.0% less the Non-IIROC Commission of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through the Non-IIROC Firm to the Agent; and (ii) if applicable, an annual trailer fee to the Non-IIROC Firm equal to the Agent Percent Trailer in respect of Class A Units sold by Non-IIROC Firms, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders.

In addition, the Trust agreed to protect, indemnify and save harmless the Agent, its directors, officers, employees, agents and shareholders from and against all losses, claims, damages, liabilities, costs or expenses (other than loss of profits), in any way caused, sustained or incurred by reason of or resulting directly from any breach of the representations, warranties and covenants of the Trust and Trustee in the Agent Engagement Letter, provided that such indemnity shall not apply to any losses, claims, damages, liabilities, costs or expenses that are in any way caused, sustained or incurred by reason of or resulting from the gross negligence, fraud or willful misconduct of the party claiming such indemnity or such party being in breach of or default of any material representation, warranty or covenant in the Agent Engagement Letter.

Unless terminated earlier in accordance with the provisions of the Agent Engagement Letter, the engagement of the Agent pursuant to the Agent Engagement Letter Agreement will terminate on the earlier of: (a) the date on which the Trust and the Agent enter into a formal agency agreement; and (b) February 29, 2024, whether or not the Offering is completed except as may otherwise be agreed between the parties.

The Agent is entitled to terminate the engagement by written notice to the Trust in the event that:

- (a) any order to cease or suspend trading in any securities of the Trust, or prohibiting or restricting the distribution of the securities of the Trust is made, or any proceeding is announced or commenced for the making of any such order, by any securities regulatory authority, any applicable stock exchange or by any other competent authority, and has not been rescinded, revoked or withdrawn;
- (b) any inquiry, action, suit, investigation (whether formal or informal) or other proceeding is commenced, threatened or announced or any order or ruling is issued under or pursuant to any statute of Canada or any of the Jurisdictions, or of the United States or any state thereof or any other jurisdiction or by any official of any stock exchange or by any other regulatory authority having jurisdiction over a material portion of the business and affairs of the Trust or otherwise, or there is any change of law, or the interpretation, pronouncement or administration thereof or in respect thereof, which in the reasonable opinion of the Agent materially adversely affects, or may materially adversely affect, the distribution of, trading in, or marketability of, the Units;
- (c) there should develop, occur or come into effect or existence, or be announced, any event, action, state, condition or occurrence of national or international consequence (including any natural catastrophe, act of war, terrorism, pandemic, including without limitation matters caused by, related to or resulting from COVID-19, or similar event, except, with respect to COVID-19, to the extent that there are material adverse developments related thereto after the date of the Agent Engagement Letter), or any law, action, regulation or other occurrence of any nature whatsoever, which, in the opinion of the Agent, acting reasonably, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets generally or the business, operations or affairs of the Trust and its subsidiaries on a consolidated basis;
- (d) there shall occur any event or change (actual, imminent or reasonably expected), or any development including a prospective event or change, financial or otherwise, in the business, financial condition, affairs, operations, assets, liabilities (contingent or otherwise) or capital or ownership of the Trust which, in the Agent's opinion, could reasonably be expected to have a significant adverse effect on the market price or value of the Units;

- (e) the Agent has become aware, as a result of its due diligence review or otherwise (including the due diligence sessions), of any adverse material information, fact or change (determined solely by the Agent, acting reasonably) with respect to the Trust, which had not been disclosed in writing to the Agent prior to the date hereof or which occurred after the date hereof but prior to the Closing;
- (f) the state of the financial markets is such that, in the reasonable opinion of the Agent, the Units cannot be profitably marketed; or
- (g) the Trust is in breach of, default under or non-compliance with any material representation, warranty, term, or condition of the Trust, as the case may be, contained in the Agent Engagement Letter.

## 2.9 Related Party Transactions

Not applicable.

## ITEM 3 - COMPENSATION AND SECURITY HOLDINGS OF CERTAIN PARTIES

AIE Services Inc. is the trustee of the Trust. The Trustee has no material assets or liabilities. It carries on no business activities other than acting as trustee of the Trust.

Columbia Westmount Development Inc. is the Administrator of the Trust pursuant to the Administration Agreement.

AIE Management Inc. is the Manager of the Limited Partnership pursuant to the Management Agreement and the General Partner of the Limited Partnership pursuant to the Limited Partnership Agreement.

### 3.1 Compensation and Securities Held

#### 1. *The Trustee*

The following table sets out information about each director, officer and promoter of the Trustee or Trust, as applicable, and each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the Trust (a “**principal holder**”). Except as otherwise disclosed in this Offering Memorandum, the directors and officers of the Trustee do not presently receive compensation in their capacity as directors and officers.

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 and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust <sup>(1)(2)</sup>
Garth Lyle Busch Nanaimo, BC	Director since February 28, 2017	2022: \$24,000 2023: \$24,000	11,741.54 Class F 724.331 Class A (0.19% of voting securities)
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	2022: \$12,000 2023: \$12,000	15,264.018 Class F (0.23% of voting securities)
Shelley Lynn Legin Nanaimo, BC	Director since October 15, 2022	2022: \$4,000 2023: \$12,000	Nil
Bernard Adrian Vanderhorst Courtenay, BC	Director since September 4, 2018	2022: \$12,000 2023: \$12,000	5,033 Class F (0.08% of voting securities)
Brendan James Bennett Sutton Victoria, BC	Officer since May 5, 2020	Nil <sup>(3)</sup>	5,688.316 Class F (0.09% of voting securities)
AIE Management Inc.	Promoter since March 1, 2017	2022: Nil <sup>(4)</sup> 2023: Nil <sup>(4)</sup>	Nil



**Notes:**

- (1) There is no minimum or maximum to this offering.
- (2) Percentages are based on 2,302,612.103 Class A Units and 4,249,548.530 Class F Units issued and outstanding as of the date of this Offering Memorandum.
- (3) No compensation is paid by the Trust to the named officer. See Item 3.1 – “Compensation and Securities Held – The Manager”.
- (4) No compensation is paid by the Trust to the Manager. The Manager will receive fees from the Limited Partnership pursuant to the Management Agreement. See Item 3.1 – “Compensation and Securities Held – The Manager”.

**2. The Manager**

The following table sets out information about each director, officer and promoter of the Manager each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 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 and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust held <sup>(1)(2)</sup>
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	2021: \$24,000 <sup>(3)</sup> 2022: \$24,000 <sup>(3)</sup>	15,264.018 Class F (0.23% of voting securities)
Bernard Adrian Vanderhorst Courtenay, BC	Director since May 1, 2019	2021: \$24,000 <sup>(3)</sup> 2022: \$24,000 <sup>(3)</sup>	5,033 Class F (0.08% of voting securities)
Brendan James Bennett Sutton Victoria, BC	Officer since June 6, 2018 Director since January 1, 2022	2021: Nil <sup>(4)</sup> 2022: Nil <sup>(4)</sup>	5,688.316 Class F (0.09% of voting securities)

**Notes:**

- (1) There is no minimum or maximum to this offering.
- (2) Percentages are based on 2,302,612.103 Class A Units and 4,249,548.530 Class F Units issued and outstanding as of the date of this Offering Memorandum.
- (3) Compensation is paid out of proceeds from fees under the Management Agreement.
- (4) A company controlled by Brendan Sutton intends to pay him a salary from earnings derived from the Manager.

Under the Management Agreement various fees are payable by the Limited Partnership to the Manager. For the year ended December 31, 2022, Asset Management Fees of \$1,014,985 and Acquisition Fees of \$18,750 were paid to the Manager. No other fees were paid by the Limited Partnership to the Manager pursuant to the Management Agreement. For the year ending December 31, 2023, an estimated \$1,090,804 in fees are expected to be payable by the Limited Partnership to the Manager pursuant to the Management Agreement. Actual fees payable by Limited Partnership to the Manager pursuant to the Management Agreement may differ based on the activities of the Limited Partnership.

### 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
<b>Shelley Lynn Legin</b> <b>Director of Trustee and Manager</b>	<p>Ms. Legin's career spans forty years with her most relevant executive roles being Chief Financial Officer and Vice-President Administration at Vancouver Island University (VIU), General Manager, Corporate Services at the City of Nanaimo and Vice-President at Crown Investment Corporation (CIC). Her background includes maintenance oversight at VIU for three campuses, nine locations and fifty buildings. During her tenure at VIU, she successfully led construction projects totalling over \$80 million. At CIC, she managed equity placements and follow-on investments in a \$500 million portfolio. She is an engaged leader and is regarded as an expert in strategy development and transformational change.</p> <p>She has an MBA from Queen's University, is a Chartered Professional Accountant (CPA) and is a Doctoral Candidate for a Doctor of Business Administration degree at Royal Roads University (RRU). Ms. Legin is also Associate Faculty at RRU School of Business.</p>
<b>Garth Lyle Busch</b> <b>Director of Trustee and Manager</b>	<p>Mr. Busch 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 Airport Commission. Mr. Busch has also served on Committees of the Institute of Chartered Accountants of Saskatchewan. Mr. Busch has also coached minor softball and acted as a certified fastball umpire. He has volunteered for many other community organizations through the years.</p> <p>Mr. Busch graduated from the University of Saskatchewan with a Bachelor of Commerce degree with Distinction in 1976 and received his Chartered Accountant designation in 1978.</p>
<b>David Stewart Hammond</b> <b>Director of Trustee and Manager</b>	<p>Mr. Hammond retired as a licensed realtor in 2021. His practice was a combination of residential and commercial business. The commercial side of his practice includes multi-family, retail, office and industrial land. He has been active in real estate development on Vancouver Island both as an agent and as a principal.</p> <p>Mr. Hammond is a past director of the Vancouver Island Real Estate Board ("VIREB") and the commercial division of VIREB. His community service includes past Chair of the Nanaimo Hospital Foundation, past chair of the Nanaimo Schools Foundation, past Chair of the Nanaimo Hospice renovation project and many others. He is a long-time member of the Rotary Club of Nanaimo.</p> <p>He was awarded the Lifetime Achievement Award for Community Service from the Nanaimo Chamber of commerce.</p> <p>Mr. Hammond is a graduate of the University of British Columbia with a Bachelor of Commerce (Real Estate). Mr. Hammond was a licensed realtor from 1978, in Nanaimo since 1980, until his retirement in 2021.</p>

Name	Principal occupations and related experience
<b>Bernard Adrian Vanderhorst</b> <b>Director of Trustee and Manager</b>	<p>Mr. Vanderhorst served as Partner at Huxham &amp; Co. Chartered Accountants in Courtenay from 1997 until the merger with MNP in 2004. Mr. Vanderhorst served as Partner of MNP LLP from 2004 until his retirement in 2012.</p> <p>Mr. Vanderhorst served as a board member of the Practice Review and Licensing Committee (ICABC) from 2000 to 2008, as Director of BC Assessment from 2011 to 2017, as Chair of the HR committee and CEO search committee, and as a member of the Audit and Risk Management Committee.</p> <p>Mr. Vanderhorst is a graduate of Simon Fraser University with a Bachelor of Arts and received his Chartered Accountant designation in 1996.</p>
<b>Brendan James Bennett Sutton</b> <b>Officer of the Trustee and Manager</b>	<p>Mr. Sutton has been involved with running the Trust since September 2017. Prior to joining the Trust, Mr. Sutton spent eight years working for Devon, the top multi-family property management company in Victoria, British Columbia. While at Devon, Mr. Sutton was tasked with responsibilities in the areas of accounting, business development, and corporate development.</p> <p>Past work also includes consulting for the Halifax Municipality regarding the creation of affordable work and/or residential space for artists and for the Shoal Lake and Cowessess First Nations communities in Saskatchewan regarding the creation of Comprehensive Community-Based Plans.</p> <p>Mr. Sutton holds a Master of Urban Planning from Dalhousie University, has completed the Certified Management Accountant Accelerated Program, and is currently completing University of British Columbia 's Urban Land Economics Diploma.</p>

### 3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal and Quasi-Criminal Offences

To the Trust's knowledge, no director, executive officer or control person of the Trustee of the Trust has, or any issuer of which any of those persons was a director, executive officer or control person has:

- (a) during the last 10 years, been subject to: (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation, (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation, or (iii) an order restricting trading in securities that was in effect for a period of 30 or more consecutive days; or
- (b) during the last 10 years, made: (i) a declaration of bankruptcy, (ii) a voluntary assignment in bankruptcy, (iii) a proposal under any bankruptcy or insolvency legislation, or (iv) a proceeding, arrangement or compromise with creditors, or appointment of a receiver, receiver -manager or trustee to hold assets;

To the Trust's knowledge, no director, executive officer or control person of the Trustee of the Trust or the Trust has ever pled guilty to, or been found guilty of: (i) a summary conviction or indictable offence under the Criminal Code (Canada); (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction; (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America; or (iv) an offence under the criminal legislation of any other foreign jurisdiction.

### 3.4 Certain Loans

There are no debentures, bonds or loan agreements between the Trust and any Related Party.

## 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 <sup>(1)</sup>	Number outstanding after max. offering <sup>(1)</sup>
Class A Units	Unlimited	.(2)	2,302,612.103	N/A	N/A
Class F Units	Unlimited	.(2)	4,249,548.530	N/A	N/A

**Notes:**

<sup>(1)</sup> There is no minimum or maximum to this offering.

<sup>(2)</sup> The price per security is determined by the Trustee from time to time and will be set forth in the subscription agreement(s) entered into between the Subscribers and the Trust.

### 4.2 Long Term Debt

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

### 4.3 Prior Sales

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

Date of Issuance	Type of Security	Type of Issuance	Number of securities issued	Price per security	Total funds received
19-Apr-22	Class A Units	DRIP	9,361	\$15.92	\$149,030
19-Apr-22	Class F Units	DRIP	22,093	\$15.92	\$351,720
12-Jul-22	Class A Units	DRIP	9,025	\$15.92	\$143,674
12-Jul-22	Class F Units	DRIP	22,369	\$15.92	\$356,121
22-Sep-22	Class A Units	Private Placement	191,409	\$15.92	\$3,047,231
22-Sep-22	Class F Units	Private Placement	167,585	\$15.92	\$2,667,953
12-Oct-22	Class A Units	DRIP	9,732	\$15.92	\$154,937
12-Oct-22	Class F Units	DRIP	23,769	\$15.92	\$378,403
15-Dec-22	Class A Units	Private Placement	38,091	\$15.92	\$606,409
15-Dec-22	Class F Units	Private Placement	97,550	\$15.92	\$1,552,996
20-Dec-22	Class F Units	Private Placement	15,704	\$15.92	\$250,008
21-Dec-22	Class A Units	DRIP	9,839	\$15.92	\$156,634
21-Dec-22	Class F Units	DRIP	24,441	\$15.92	\$389,098
12-Apr-23	Class A Units	DRIP	9,868	\$16.36	\$161,447
12-Apr-23	Class F Units	DRIP	24,624	\$16.36	\$402,851

## ITEM 5 - SECURITIES OFFERED

### 5.1 Terms of Units

#### 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 Unit is determined by the Trustee from time to time and will be set forth in the Subscription Agreement(s) entered into between the Subscribers and the Trust.

The Units have those rights, privileges, restrictions and conditions ascribed thereto as set forth in the Trust Declaration, including the following:

##### ***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. Fractional Units are not entitled to vote. See Item 2.8 – “Material Agreements – Trust Declaration – Voting Rights.

##### ***Redemption***

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. The Redemption Price per Unit will be determined by the Trustee in accordance with the Trust Declaration, which provides that the Trustee may use reasonable methods to determine the value of the assets and the liabilities of the Trust, including the use of reasonable estimates and assumptions, applied on a consistent basis, and following the significant accounting policies disclosed in the audited financial statements of the Trust, subject to certain adjustments deemed necessary or desirable by the Trustee. Accordingly, the Redemption Price per Unit may or may not be equal to the net asset value per Unit calculated per the Trust’s financial statements.

The Trust Declaration includes quarterly limits and annual limits on cash payments for redemptions. If conditions preclude the payment of redemptions in cash, redemptions may be paid in-kind through the issuance of debt securities or other securities. Redemptions paid in-kind through the issuance of debt securities or other securities will generally not be qualified investments or may be prohibited investments for Deferred Plans. Unitholders requesting redemptions must comply with the provisions of the Trust Declaration

The Trust Declaration provides for the cash payment of Units tendered for redemption subject to the following limitations: (a) the total amount payable by the Trust by cash payment in respect of the redemption of Units for that calendar quarter 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 that calendar quarter will not exceed  $\frac{1}{4}$  of 1% of the aggregate subscription price of all Units that were issued and outstanding at the start of such twelve month period. If the foregoing limitations preclude payment of the Redemption Price in cash, and the Trustee does not, in its sole discretion, waive such limitation, the Redemption Price (to the extent that cash payment will not be made therefor) will be paid and satisfied by way of Trust Notes, LP Units or Debt Securities. 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. Further, any such promissory notes issued by the Trust will be unsecured debt obligations and may be subordinated to other financing obtained by the Trust and/or its subsidiaries. Trust Notes, Debt Securities or LP Units 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.

See Item 2.8 – “Material Agreements – Trust Declaration – Redemption”.

### *Redemption – Sample Calculation*

Number and Class of Units	Period Held	NAV per Unit as of the Redemption Date <sup>(1)</sup>	Redemption Amount Payable <sup>(2)</sup>
100 Class A Units	Less than 1 year	\$15	\$1,500
100 Class F Units	1.5 years	\$15	\$1,500

**Notes:**

<sup>(1)</sup> Not the NAV per Unit as of the date hereof. Used for illustrative purposes only.

<sup>(2)</sup> Assumes no administrative or processing fees applied by the Trustee.

If the Trustee determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, the Trust may suspend redemptions of its Units. See Item 10 – “Risk Factors - Risks Associated with Redemptions – Temporary Suspension of Redemptions of Units”.

### ***Distributions***

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. 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. See Item 2.8 – “Material Agreements – Trust Declaration – Distributions”.

### ***Retraction***

The Trust may retract the Units either in whole at any time or in part from time to time in accordance with the provisions of the Trust Declaration. See Item 2.8 – “Material Agreements – Trust Declaration – Retraction”.

### ***Termination of the Trust***

Upon termination of the Trust, 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. See Item 2.8 – “Material Agreements – Trust Declaration – Termination of the Trust”.

## **5.2 Subscription Procedure**

The Units are being offered for sale in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The Units are conditionally offered if, as and when Subscriptions are accepted by the Trust and subject to prior sale. Subscriptions for Units will be received by the Trust subject to rejection or allotment in whole or in part and the Trust reserves the right 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: (a) may not receive the benefits associated with the involvement of such registrants; and (b) 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 Agent (on behalf of the Trust) with such information and to execute and deliver to the Agent (on behalf of 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 NI 45-106 (the “**Offering Memorandum Exemption**”) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, two copies of a Risk Acknowledgement Form (Form 45-106F4);
- (b) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Manitoba:
  - (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
  - (ii) if the Subscriber is investing more than \$10,000 pursuant to the Offering Memorandum Exemption, the Subscriber must meet the definition of “eligible investor” (as defined in NI 45-106) and an “Eligible Investor Questionnaire”;
- (c) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Alberta, Ontario or Saskatchewan:
  - (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
  - (ii) if the Subscriber is an individual, two copies of Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4). Subscriber investing more than \$10,000 in a 12-month period must meet the definition of “eligible investor”. Subscriber investing more than \$30,000 (but not more than \$100,000) in a 12 month period must meet the definition of “eligible investor” and have received suitability advice with respect to the investment from a portfolio manager, investment dealer or exempt market dealer. These limits do not apply to “accredited investors” (as defined in NI 45-106 or the *Securities Act* (Ontario)) or persons described in section 2.5 of NI 45-106 (however, such Subscriber must complete Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4);
- (d) if the Subscriber is relying on the “accredited investor” exemption to the prospectus requirement in section 2.3 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
  - (i) the Subscriber must be an “accredited investor” as defined in NI 45-106 or section 73.3 (2) of the *Securities Act* (Ontario), and
  - (ii) if applicable, two copies of a Risk Acknowledgment Form for Individual Accredited Investors (Form 45-106F9);
- (e) if the Subscriber is relying on the “minimum investment” exemption (\$150,000) to the prospectus requirement in section 2.10 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
  - (i) the Subscriber is not an individual (as defined in applicable securities laws), and
  - (ii) the conditions of section 2.10 of NI 45-106 are satisfied;
- (f) if the Subscriber is relying on the “family, friends and business associates” exemption to the prospectus requirement in section 2.5 of NI 45-106 (subject to section 2.6 of NI 45-106 for Saskatchewan residents and 2.6.1 of NI 45-106 for Ontario residents) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
  - (i) such supporting documentation that the Trust or its legal counsel may request to establish the Subscriber’s qualification to rely on such exemption, and
  - (ii) if applicable, two copies of:
    - A. a Risk Acknowledgment Form (Form 45-106F12) (Ontario residents); or

- B. a Risk Acknowledgement Form (Form 45-106F5) (Saskatchewan residents), as applicable.

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

Subscribers may subscribe for Units by returning to the Agent at 181 University Avenue, Suite 1600, Toronto, Ontario, M5H 3V5, to the Trust at 450A Wentworth Street, Nanaimo, British Columbia, V9R 3E1, or a member of the Selling Group at the address provided by such member, as the case may be, the following:

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

In accordance with the requirements of NI 45-106, the Agent or the Trust, as applicable, 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. Subject to applicable securities laws and the Subscriber's two-day cancellation right, a subscription for Units, evidenced by a duly completed Subscription Agreement delivered to the Trust shall be irrevocable 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, including the Subscription Agreement, should be reviewed by prospective subscribers and their professional advisors prior to subscribing for Units. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf. You should consult with your own professional advisors.**



## ITEM 6 - REPURCHASE REQUESTS

### 6.1 Redemption History

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

Description of Security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year*	Number of securities repurchased during the year	Average price paid for the repurchased securities <sup>(1)</sup>	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
Class A Units	December 31, 2021	0	27,637	27,637	\$14.31	(2)	0
Class F Units	December 31, 2021	0	21,017	21,017	\$14.22	(2)	0
Class A Units	December 31, 2022	0	73,884	73,884	\$15.91	(2)	0
Class F Units	December 31, 2022	0	63,403	63,403	\$15.86	(2)	0
Class A Units <sup>(3)</sup>	December 31, 2023	0	32,497	32,497	\$16.36	(2)	0
Class F Units <sup>(3)</sup>	December 31, 2023	0	31,235	31,235	\$16.36	(2)	0

**Notes:**

- (1) No administration or processing fees were applied by the Trustee.  
(2) Amounts paid in connection with the redemption of Units were from cash on hand from operations or from the sale of Units.  
(3) For the period from January 1, 2023 to the April 30, 2023.

## ITEM 7 - CERTAIN DIVIDENDS OR DISTRIBUTIONS

The Trust has not paid dividends or distributions that exceeded cash flow from operations in the two most recently completed financial years, or any subsequent interim period.

### 7.1 Net Asset Value Per Unit and Distributions History

The Trust's historical Net Asset Value Per Unit and Distributions are set out below for the periods indicated.

Year	Net Asset Value Per Unit*	Distributions (per unit)* <sup>(1)</sup>	Extraordinary Distributions (per unit)*
2017	\$10.00	N/A	N/A
2018	\$11.36	\$0.3408 <sup>(2)</sup>	\$0.0417 <sup>(3)</sup>
2019	\$12.36	\$0.3708 <sup>(2)</sup>	N/A
2020	\$13.30	\$0.3990 <sup>(2)</sup>	N/A
2021	\$14.37	\$0.4311 <sup>(2)</sup>	N/A
2022	\$15.92	\$0.4776 <sup>(2)</sup>	N/A
2023	\$16.36	\$0.4908 <sup>(2)</sup>	N/A

**Notes:**

- \* Historical results may not be indicative of future performance. There is no guarantee of performance. See Item 10 "Risk Factors".  
(1) Total annual distributions declared for all Units that were outstanding for each Distribution Record Date in the calendar year.  
(2) Distributions calculated on a 3% annual return basis, declared quarterly.  
(3) Distribution declared as a result of capital gain consequences from the disposal of certain properties.

## ITEM 8 - INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

### 8.1 General

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

### 8.2 Summary of Income Tax Consequences

The following summary has been provided by Koffman Kalef LLP, adviser to the Trust, and describes, as of the date hereof, 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 Trust 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, a "specified financial institution", a Unitholder an interest in which is a "tax shelter investment", a Unitholder that is a partnership, a Unitholder that has entered or will enter into, with respect to their Units, a "derivative forward agreement", or a Unitholder that reports its "Canadian tax results" in a currency other than Canadian dollars (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, investments in which are listed or traded on a stock exchange or other public market, and which holds “non-portfolio property” (as defined in the Tax Act). 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 properties. Neither the Trust nor the Limited Partnership have any immediate plans to list the Units or LP Units on any stock exchange or other public market. Should the Units be in the future listed or traded on a stock exchange or other public market, the Trust expects to hold no property and carry out no activities that would cause it to become liable to SIFT tax.

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

### **Taxation of the Trust**

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

to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount.

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

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

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Trust Declaration provides that all or a portion of any income or taxable capital gain realized by the Trust as a result of that redemption may, at the discretion of the Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and thus generally deductible by the Trust in computing its income. However, the Trust will generally be denied a deduction in computing its income in respect of (i) the portion of any amount allocated to a redeeming Unitholder that is paid out of the Trust's income (other than taxable capital gains), or (ii) the portion of any amount allocated to a redeeming Unitholder that is paid out of the Trust's taxable capital gains that exceeds the taxable capital gain that would otherwise have been realized by the redeeming Unitholder on the redemption (as determined by the Trustee of the Trust using reasonable efforts to obtain the information required to determine the Unitholders' cost amount of their Units). As a result, the taxable component of distributions by the Trust to non-redeeming Unitholders may be adversely affected. The Trustee intends, to the extent possible, to administer the redemption of Units in such a manner that no deduction by the Trust will be denied.

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.

### **8.3 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 9 - COMPENSATION PAID TO SELLERS AND FINDERS

Pursuant to the Agent Engagement Letter, except as provided therein, the Agent has the exclusive right to act as agent to the Trust in respect of the Offering.

Pursuant to the Agent Engagement Letter, the Trust has agreed to pay the Agent: (i) a fee equal to 4.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) found and referred to the Trust by the Agent, on its own behalf and on behalf of the Selling Group, at each closing thereof, payable in cash, Units or a combination thereof, as directed by the Agent; (ii) the Agent Percentage Trailer which consists of an annual trailer fee of up to 1.0% of the Net Asset Value of the Class A Units, in aggregate, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders; and (iii) the Agent's reasonable expenses related to the Offering, and the Agent's legal counsel fees (including all fees, disbursements and any applicable taxes and levies), provided that the Agent's legal counsel fees for which the Trust would be responsible for shall not exceed \$15,000, plus disbursements and any applicable taxes and levies.

In addition, at each closing of an Offering by a Non-IIROC Firm, the Trust has agreed to pay the Non-IIROC Commission consisting of: (i) a fee of: (A) up to 3.0% of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through a Non-IIROC Firm to such Non-IIROC Firm; and (B) 4.0% less the Non-IIROC Commission of the aggregate gross proceeds from the Offering purchased by Subscriber(s) through the Non-IIROC Firm to the Agent; and (ii) if applicable, an annual trailer fee to the Non-IIROC Firm equal to the Agent Percent Trailer in respect of Class A Units sold by Non-IIROC Firms, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders See Item 2.8 – "Material Agreements – The Agent Engagement Letter".

## ITEM 10 - RISK FACTORS

The purchase of Units involves a number of risk factors. The risks described below are not the only risks involved with an investment in the Units. If any of the following occur, or if others occur, the Trust's business, operating results and financial condition could be seriously harmed and purchasers of Units may lose all of their investment. Risks affecting the Trust will affect its ability to make distributions on the Units. In addition to the risk factors set forth elsewhere in this Offering Memorandum, prospective purchasers should consider the following risks associated with a purchase of such securities:

### **Risks Related to the Coronavirus and Other Public Health Crises**

Public health crises, including the ongoing health crisis related to the COVID-19 pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "**Health Crisis**") could adversely impact the Trust, including through: a general or acute decline in economic activity in the Trust Region; increased unemployment, reduced immigration, closure of college and university campuses, household consolidation (young adults moving back in with their parents), supply shortages, mobility restrictions and other quarantine measures; increased government regulation, inability to access governmental programs or processes on a timely basis, efficacy of governmental relief efforts; and the quarantine or contamination of one or more of the Trust's Properties. Contagion in a property or market in which the Trust operates could negatively impact its occupancy, reputation or attractiveness of that market. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the Trust's ability to enforce material provisions under its leases among other potential adverse impacts. All of these occurrences may have a material adverse effect on the business, cash flows, financial condition and results of operations of the Trust, including the Redemption Price per Unit as calculated under the Trust Declaration.

The current COVID-19 public health crisis has also resulted in general economic slowdown and increased volatility in financial markets. In addition to impacting the Redemption Price per Unit, this may create difficulty in raising capital in debt and equity markets, which could in turn adversely impact the Trust's strategy. While various governments and central banks have announced or implemented a range of measures targeted to alleviate these impacts and encourage economic growth, the impact of these measures remains uncertain, particularly in the short term. In the medium to long term, government debt accumulated as a result of relief measures may lead to tax increases for consumers and businesses. The duration and impact of the COVID-19 pandemic on the Trust remains unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Trust.



## **Investment Risk**

### ***This is a Blind Pool Offering***

This is primarily a “blind pool” Offering. The Trust expects that the available net proceeds of the Offering will be applied by the Trust to indirectly purchase additional properties, however, the specific additional properties in which the Trust may indirectly invest have not yet been determined. In addition, the Trust may use a portion of the available net proceeds of the Offering to pay the Redemption Price of Units tendered for redemption. Further, a portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust may also be used to pay: (a) down mortgage financing on a specific property or group of properties; (b) capital expenditure on a specific property or properties; (c) infill development projects; and (d) due diligence and documentation costs relating to such property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to acquisitions.

### ***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.

### ***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.

### ***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.

### ***Reliance on Estimates and Assumptions***

The Trust’s business plan and investment strategy have been formulated based on the Trust’s analysis and expectations, based on estimates and assumptions by management, regarding economic developments in the Trust Region, the economic and financial environment in Canada, the Canadian real estate markets generally.

## **Risks Associated with Redemptions**

### ***Temporary Suspension of Redemptions of Units***

If the Trustee determines that conditions exist which render impractical the sale of assets of the Trust or which impair the ability of the Trustee to determine the value of the assets of the Trust, the Trust may suspend redemptions of its Units. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Trustee of the suspension and that the redemption will be effected at a Redemption Price determined on a later Redemption Date, as applicable, following the termination of the suspension or such other date as the Trustee may determine upon the conditions giving rise to such suspension having ceased to exist or no longer being applicable. Unitholders requesting redemptions may therefore potentially experience delays in receiving redemption payments.

### ***Use of Available Cash***

The payment by the Trust of the redemption price of Units in cash (as opposed to payment of the redemption price through the issuance of promissory notes or in kind) will reduce the amount of cash available to the Trust for the payment of distributions to Unitholders, as cash payments of the amount due in respect of redemptions will take priority over the payment of cash distributions.

### ***Redemption Price***

Any amount received on a redemption of Units will be equal to the redemption price of a Unit (calculated in accordance with the Declaration of Trust) multiplied by the number of Units that a Unitholder tenders for redemption, less administration and processing fees that may be determined and applied by the Trustee, in its sole discretion, from time to time.

### ***Determination of Redemption Price***

The redemption price per Unit is calculated based on the Net Asset Value per Unit as determined by the Trustee as of each Valuation Date, and is subject to valuation rules set by the Trust from time to time. There is a risk that the redemption price calculated by the Trustee, subject to the valuation rules set by the Trust, may not accurately reflect the true value of the Units. Unitholders will have no recourse against the Trust or the Trustee in this respect.

### ***Payment of Redemption Price by Promissory Note or in Kind***

The Trust Declaration includes quarterly limits and trailing 12 month limits on cash payments for redemptions. If conditions preclude the payment of redemptions in cash, redemptions may be paid in-kind through the issuance of debt securities or other securities. Redemptions paid in-kind through the issuance of debt securities or other securities will generally not be qualified investments or may be prohibited investments for Deferred Plans. Unitholders requesting redemptions must comply with the provisions of the Trust Declaration.

The Trust Declaration provides for the cash payment of Units tendered for redemption subject to the following limitations: (a) the total amount payable by the Trust by cash payment in respect of the redemption of Units for that calendar quarter 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 that calendar quarter will not exceed  $\frac{1}{4}$  of 1% of the aggregate subscription price of all Units that were issued and outstanding at the start of such twelve month period. If the foregoing limitations preclude payment of the Redemption Price in cash, and the Trustee does not, in its sole discretion, waive such limitation, the Redemption Price (to the extent that cash payment will not be made therefor) will be paid and satisfied by way of Trust Notes, LP Units or Debt Securities. 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. Trust Notes, Debt Securities or LP Units 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.

### ***Priority of Promissory Notes over Units***

Promissory notes, if issued by the Trust, will likely have priority over Units in the event of the liquidation of the assets of the Trust. There are various considerations with respect to creditor rights and bankruptcy law that will need to be considered both at the time promissory notes are issued and at the time of any liquidation of the assets of the Trust in order to determine if such a priority exists.

### ***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 12 – “Resale Restrictions”.

### ***Issuer Risk***

### ***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.

### ***Conflicts of Interest***

Conflicts of interest exist, and may arise from time to time, between investors and the Trustee, directors and officers of the Trustee, Manager, Administrator and Devon, and their respective associates and affiliates. There is no assurance that any conflicts of interest that may arise will be resolved in a manner favorable to investors. Persons considering a purchase of

Units pursuant to this Offering must rely on the judgment and good faith of the Trustee, the directors and officers of the Trustee, as applicable, the Manager, the Administrator and Devon in resolving such conflicts of interest as may arise. The Trust and the Manager may be considered affiliates and negotiations between them have not been, and will not be, conducted at arm's length. As a result, the Trust may be subject to various conflicts of interest arising from its relationship with the Manager. The risk exists that such conflicts will not be resolved in the best interests of the Trust. Notwithstanding the foregoing, pursuant to the Trust Declaration, 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. See Item 2.8 "Material Agreements – Trust Declaration – Powers of the Trustee" and "Material Agreements – Trust Declaration – Conflicts of Interest".

### ***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.

### ***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.

Unitholders may be required to include amounts in their taxable income even where they have not received a cash distribution in respect of such amounts. The Trust Declaration generally provides that a sufficient amount of the Trust's Trust Income and Net Realized Capital Gains will be distributed or otherwise made payable each year to Trust Unitholders in order to ensure that the Trust is not liable for non-refundable income tax under Part I of the Tax Act. Where the amount of Trust Income and Net Realized Capital Gains of the Trust for a particular taxation year exceeds the cash available for distribution in the year, such excess may be distributed to Trust Unitholders in the form of additional Trust Units.

There can be no assurances that the CRA will agree with the tax treatment adopted by the Trust in filing its tax return and the CRA could reassess the Trust on a basis that results in tax being payable by the Trust, thereby reducing the after tax returns to Unitholders.

Pursuant to rules in the Tax Act, if the Trust experiences a "loss restriction event" it will be deemed to have a year-end for tax purposes (which could result in an unscheduled distribution of Trust Income and Net Realized Capital Gains, if any, at such time to Unitholders so that the Trust is not liable for non-refundable income tax on such amounts under Part I of the Tax Act); and it will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Trust will be subject to a loss restriction event if a Unitholder becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of the Trust, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of the Trust is a beneficiary in the income or capital, as the case may be, of the Trust whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the Trust.

### ***Current and Future Economic Environment***

Continued concerns and uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of unemployment, volatile energy costs, geopolitical issues, supply chain issues, health events such as pandemics (including COVID-19), and the availability and cost of credit may contribute to increased market

volatility and weakened business and consumer confidence. Such economic uncertainties and market challenges, which may result from a continued or exacerbated general economic slowdown experienced by Canada as a whole, by the local economies where the Trust's Properties are located or where the Trust's tenants conduct business, or by the real estate industry in particular, and their effects could materially and adversely affect the Trust's ability to generate revenues, thereby potentially reducing its future operating income and earnings. A difficult operating environment could also have a material adverse effect on the ability of the Trust to maintain occupancy rates at the Properties, which could harm the Trust's financial condition. Under such economic conditions, the Trust's tenants may be unable to meet their rental payments and other obligations due to the Trust, which could have a material adverse effect on the Trust's financial position.

In respect of the Trust's real estate purchases, the Trust is also subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of its purchases, or the number of investors seeking to acquire properties decreases, the value of the Trust's investments may not appreciate or may depreciate. Accordingly, the Trust's operations and financial condition could be materially and adversely affected to the extent that an economic slowdown or downturn occurs, is prolonged or becomes more severe.

Increased inflation could have a more pronounced negative impact on any variable rate debt the Trust is subject to or incurs in the future and on its results of operations. Similarly, during periods of high inflation, annual allowable rent increases as may be provided for in any of the Trust's leases may be less than the rate of inflation on a continual basis. Substantial inflationary pressures and increased costs may have an adverse impact on the Trust's tenants if increases in their operating expenses exceed increases in revenue. This may adversely affect the tenants' ability to pay rent, which could negatively affect the Trust's financial condition.

#### ***Major Assets; Geographic Concentration***

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

#### ***Net Worth of the Trustee; Limited Recourse***

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

#### ***Vacancy Rates of Properties***

The Trust's Properties, including the Properties which comprise the commercial Properties, 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.

#### ***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.

#### ***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.

## ***Cybersecurity***

In the ordinary course of the Trust's business, the Trust collects, stores, processes and/or transmits sensitive data belonging to subscribers, Unitholders, partners, vendors, employees and contractors, as well as, proprietary business information and intellectual property of the Trust. The secure processing, maintenance and transmission of this information is critical to the business of the Trust. The Trust has implemented a secure operating framework which includes policies and governance, prevention and detection technologies, backup and recovery processes and other procedures and technology in the protection of its data, software and infrastructure assets from loss, theft, unauthorized access, vandalism, cyber-attacks, or events such as power outages or surges, floods, fires or other natural disasters. Despite such security measures, data, systems and infrastructure may be vulnerable to cyber-attacks or breached due to employee error, malfeasance or other disruptions. These security breaches could materially compromise information, disrupt business operations or cause the Trust to breach obligations, thereby exposing the Trust to liability, reputational harm and/or significant remediation costs. A theft, loss, corruption, exposure, fraudulent use or misuse of information whether by third parties or as a result of employee malfeasance could result in significant remediation and other costs, fines, litigation or regulatory actions against the Trust, as well as, cause reputational harm, negatively impact the Trust's competitive position and affect financial results.

## ***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.

## ***Industry Risk***

### ***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.

### ***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.

### ***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.

### ***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.

### ***Potential Liability under Environmental Protection Legislation***

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the owner of real estate properties 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.

### ***Climate Change***

The Trust and its Properties may be exposed to risks associated with the physical effects of climate change, such as natural disasters and increasingly frequent and serious weather conditions. Such events could interrupt the Trust's and its tenants' operations and activities, damage its Properties, diminish traffic and require the Trust to incur additional expenses, including in respect of insurance, materials and energy costs. Climate change may also have indirect effects on the Trust's business by increasing the cost of (or making unavailable) property insurance on terms the Trust finds acceptable, as well as increasing the cost of renovations, energy, water and other services at its Properties. Although the Trust cannot predict with certainty the rate at which climate change is occurring and the physical effects of climate change on its Properties and operations, the Trust's financial position and results from operations could be adversely affected by the materialization of any of the risks identified herein related to climate change.

### ***Market Disruption and Geopolitical Risk***

Geopolitical, environmental and other events may disrupt securities markets and adversely affect global economies and markets. These disruptions could prevent or affect the Trust from implementing its investment policies and achieving its investment objectives, and increase the Trust's exposure to the other risks detailed in this Offering Memorandum. Given the increasing interdependence among global economies and markets, conditions in one country, market, or region might adversely affect markets, issuers, and/or foreign exchange rates in other countries, including Canada. War, terrorism, public health crises, and geopolitical events, such as sanctions, tariffs, trade disputes, conflicts, the imposition of exchange controls or other cross-border trade barriers, have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on North American and world economies and markets generally.

**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/its 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 11 - REPORTING OBLIGATIONS**

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

Notwithstanding the foregoing, issuers relying on the offering memorandum exemption to distribute securities in certain provinces are required to file, deliver or make reasonably available, as applicable, certain prescribed documents within prescribed time periods with or to, as applicable, the applicable securities regulatory authority and each holder of a security acquired under the offering memorandum exemption.

In Ontario, Québec, Saskatchewan, and New Brunswick, the Trust must, within 120 days after the end of each its financial years, deliver to the securities regulatory authorities annual financial statements and make them reasonably available to each Trust Unitholder who has acquired Trust Units under this Offering Memorandum. In Alberta, the Trust must, within 120 days after the end of each its financial years, file with the securities regulatory authority annual financial statements and make them

reasonably available to each Unitholder who has acquired Units under this Offering Memorandum. In Nova Scotia, the Trust must, within 120 days after the end of each its financial years, make the annual financial statements reasonably available to each Unitholder who has acquired Units under this Offering Memorandum. Such financial statements must be provided until the earlier of the date that the Trust becomes a reporting issuer in any jurisdiction in Canada or the Trust ceases to carry on business and it must be accompanied by a notice of the Trust disclosing in reasonable detail the use of the aggregate gross proceeds raised by the Trust raised under this Offering Memorandum.

In New Brunswick, Nova Scotia and Ontario, the Trust must make reasonably available to each Subscriber who has acquired Units under this Offering Memorandum, a notice of each of the following events within 10 days of the occurrence of the event: (a) a discontinuance of the Trust's business; (b) a change in the Trust's industry; or (c) a change of control of the Trust.

The Trust intends to provide to each Unitholder audited annual financial statements and all other information required to file Canadian income tax returns on or before March 31 in each calendar year.

#### **ITEM 12 - RESALE RESTRICTIONS**

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

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

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

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

#### **ITEM 13 - 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.

##### **13.1 Two Day Cancellation Right for a Subscriber**

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

##### **13.2 Rights of Action in the Event of a Misrepresentation**

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

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

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

#### **Investors in British Columbia**

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

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

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

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

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

#### **Investors in Alberta**

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

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

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

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

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

#### **Investors in Ontario**

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

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

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



of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

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

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

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

### **Investors in Saskatchewan**

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

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

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

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

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

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

### **Investors in Manitoba**

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

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

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

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

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

### **Cautionary Statement Regarding Report, Statement or Opinion by Expert**

This Offering Memorandum includes: (i) the independent auditor's report on the annual consolidated financial statements of the Trust dated March 9, 2023; and (ii) a summary of the income tax consequences to Canadian residents prepared by the Trust's tax adviser. You do not have a statutory right of action against these parties for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.

***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 14 - FINANCIAL STATEMENTS**

See attached.

**ALL ISLAND EQUITY REIT**  
**Consolidated Financial Statements**

**Year Ended December 31, 2022 and December 31, 2021**  
**Expressed in Canadian Dollars**  
*(except for unit and per unit amounts)*

## Independent Auditor's Report

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To the Unitholders of All Island Equity REIT:

### Opinion

We have audited the consolidated financial statements of All Island Equity REIT and its subsidiaries (the "the REIT"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of earnings, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

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

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

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

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

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

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

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

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

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

Vancouver, British Columbia

March 9, 2023

**MNP<sub>LLP</sub>**  
Chartered Professional Accountants

**Independent Auditor's Report**

**Consolidated Financial Statements**

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

As at December 31	2022	2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties (Note 4)	\$210,160,000	\$199,011,887
Derivative financial instruments (Note 5)	229,432	-
	210,389,432	199,011,887
<b>Current assets</b>		
Cash and cash equivalents	3,400,031	1,266,366
Trade and other receivables	226,188	74,465
Prepaid expenses and deposits	1,106,223	502,252
	4,732,442	1,843,084
<b>Total assets</b>	<b>\$215,121,874</b>	<b>\$200,854,971</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Non-current liabilities</b>		
Long term portion of loans (Note 5)	100,043,223	87,365,352
	100,043,223	87,365,352
<b>Current liabilities</b>		
Trade payables and accruals	1,119,612	705,563
Security deposits	559,639	507,407
Deferred revenue	3,092	3,092
Current portion of long-term loans (Note 5)	2,099,031	14,925,297
	3,781,374	16,141,358
<b>Total liabilities</b>	<b>103,824,596</b>	<b>103,506,710</b>
Unitholders' equity (Note 6)	111,297,278	97,348,260
<b>Total liabilities &amp; unitholders' equity</b>	<b>\$215,121,874</b>	<b>\$200,854,971</b>

Nature of operations and basis of presentation (Note 1 and 2)  
Subsequent events (Note 13)

**Approved on behalf of the Trustee of All Island Equity REIT**

"Garth Lyle Busch" \_\_\_\_\_ -Director

"Bernard Adrian Vanderhorst" \_\_\_\_\_ -Director

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



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

For the years ended December 31	2022	2021
Rental revenues	\$13,046,647	\$8,030,053
Property operating expenses	(5,649,082)	(3,280,178)
<b>EARNINGS FROM PROPERTY OPERATIONS</b>	<b>7,397,565</b>	<b>4,749,875</b>
Administration fees and other expenses (Note 10)	(1,353,931)	(599,773)
Professional fees	(186,862)	(102,563)
<b>OTHER EXPENSES</b>	<b>(1,540,792)</b>	<b>(702,336)</b>
Interest expense (Note 5)	(3,094,573)	(1,423,925)
Amortization of mortgage transaction cost (Note 5)	(464,560)	(200,949)
Interest income	11,554	4,364
<b>NET INTEREST EXPENSES</b>	<b>(3,547,579)</b>	<b>(1,620,510)</b>
<b>NET OPERATING INCOME</b>	<b>2,309,194</b>	<b>2,427,030</b>
Fair value adjustments to investment properties (Note 5)	6,800,313	10,196,231
Fair value adjustments to derivative financial instrument (Note 5)	229,432	-
<b>OTHER INCOME</b>	<b>7,029,744</b>	<b>10,196,231</b>
<b>NET EARNINGS FOR THE YEAR</b>	<b>\$9,338,938</b>	<b>\$12,623,261</b>
<b>Weighted average number of units</b>		
Basic and diluted	<b>6,126,287</b>	<b>4,368,200</b>

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

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

	Number of Class A PAY units	Number of Class F PAY units	Number of Class A DRIP units	Number of Class F DRIP units	Total Units	Total
Balance as of January 1, 2021	169,578	670,748	1,126,072	2,067,987	4,034,385	\$57,955,611
Unit Issuance – Raised (Note 6)	147,968	101,523	1,017,577	756,026	2,023,094	29,071,861
Unit Issuance – Distribution (Note 6)	-	-	29,931	75,646	105,577	1,517,142
Distribution – Paid	-	-	-	-	-	(395,627)
Distribution – Trailer fees	-	-	-	-	-	(253,462)
Distribution – DRIP	-	-	-	-	-	(1,517,142)
Unit Redemptions (Note 6)	(3,328)	(18,718)	(24,309)	(2,299)	(48,654)	(694,201)
Class Switch	82,385	66,541	(216,711)	67,785	-	-
Unit Issuance Costs	-	-	-	-	-	(959,183)
Net earnings for the year	-	-	-	-	-	12,623,261
<b>Balance as of December 31, 2021</b>	<b>396,603</b>	<b>820,094</b>	<b>1,932,559</b>	<b>2,965,146</b>	<b>6,114,402</b>	<b>\$97,348,260</b>

	Number of Class A PAY units	Number of Class F PAY units	Number of Class A DRIP units	Number of Class F DRIP units	Total Units	Total
Balance as of January 1, 2022	396,603	820,094	1,932,559	2,965,146	6,114,402	\$97,348,260
Unit Issuance – Raised (Note 6)	692	40,762	228,808	240,077	510,339	8,124,597
Unit Issuance – Distribution (Note 6)	-	-	37,957	92,672	130,629	2,079,617
Distribution – Paid	-	-	-	-	-	(567,556)
Distribution – Trailer fees	-	-	-	-	-	(361,293)
Distribution – DRIP	-	-	-	-	-	(2,079,617)
Unit Redemptions (Note 6)	(22,671)	(30,859)	(51,213)	(32,544)	(137,287)	(2,180,838)
Class Switch	(27,012)	179,590	(170,483)	17,905	-	-
Unit Issuance Costs	-	-	-	-	-	(404,831)
Net earnings for the year	-	-	-	-	-	9,338,938
<b>Balance as of December 31, 2022</b>	<b>347,612</b>	<b>1,009,586</b>	<b>1,977,628</b>	<b>3,283,256</b>	<b>6,618,083</b>	<b>\$111,297,278</b>

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

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

Years ended December 31	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$9,338,938	\$12,623,261
Items not affecting cash:		
Accretion of mortgage transaction costs (Note 5)	464,560	200,949
Fair value adjustment to investment properties (Note 4)	(6,800,313)	(10,196,231)
Fair value adjustment to derivative financial instruments (Note 5)	(229,432)	-
Changes in non-cash working capital items:		
Increase in receivables	(151,723)	(20,612)
Decrease (Increase) in prepaid expenses	(603,971)	365,547
Increase in accounts payable and accruals	414,051	494,731
Increase in security deposits	52,232	256,014
Increase in deferred revenue	-	3,092
Net cash received from operating activities	2,484,342	3,726,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of new investment property (Note 4)	(1,939,609)	(97,781,059)
Proceeds from sale of properties (Note 4)	-	4,045,233
Capital additions to investment properties (Note 4)	(2,408,191)	(1,542,135)
Net cash used in investing activities	(4,347,800)	(95,277,961)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross proceeds from issuance of units (Note 6)	8,124,597	29,071,861
Cash distribution (Note 6)	(928,849)	(649,089)
Unit redemption (Note 6)	(2,180,838)	(694,201)
Issuance costs and commissions	(404,831)	(959,183)
Mortgage proceeds received (Note 5)	17,170,301	67,847,051
Mortgage transaction costs (Note 5)	(2,090,331)	(1,481,820)
Repayment of mortgages (Note 5)	(15,692,925)	(6,251,654)
Net cash received from financing activities	3,997,123	86,882,965
<b>Net change in cash and cash equivalents</b>	<b>2,133,665</b>	<b>(4,668,245)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,266,366</b>	<b>5,934,611</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$3,400,031</b>	<b>\$1,266,366</b>

Supplementary cash flow information in Note 11

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

## **1. NATURE OF OPERATIONS**

All Island Equity REIT (the "REIT") is a limited purpose, unincorporated open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated March 1, 2017, as amended on May 29, 2018 and July 19, 2022, and by the general laws of trusts and the laws of British Columbia, Canada. AIE Services Inc. acts as the trustee of the REIT ("Trustee"). The principal office of the REIT is located at 450A Wentworth St, Nanaimo, BC V9R 3E1.

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.

COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the REIT as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the future variants and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the REIT has put risk mitigation processes in place the full extent of the impact of COVID-19 is unknown. We anticipate that this outbreak may cause changes in tenant demand, disruptions in procurement, affect staff, and increased government regulations, all of which may negatively impact the REIT's business and financial condition.

## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

### ***a. Statement of compliance***

These consolidated financial statements have been prepared in accordance with 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, 2022.

These consolidated financial statements for the year ended December 31, 2022 were authorized for issue by the Board of Directors of the Trustee (the "Board") on March 9, 2023.

### ***b. Basis of measurement***

These consolidated financial statements have been prepared on a going concern basis, under historic cost convention, except for investment properties and derivative financial instruments 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(L).

### ***c. Functional and presentation currency***

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

### 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 subsidiaries, 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, its 100% owned subsidiary, All Island Equity REIT Limited Partnership (the "REIT LP") (collectively, the "Limited Partnership"), and all related bare trust nominee, or similar, companies.

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(J).

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 directly attributable expenditures. 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 consolidated statements of earnings in the year of retirement or disposal. Gains or losses on the disposal of investment property are recognized through fair value adjustments to investment properties and 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 three months or less from the purchase date.

**E. *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 the amount paid, calculated in accordance with the Trust Declaration. Incremental costs directly attributable to the issuance of new units are recorded as reductions in equity as unit issuance costs.

**F. *Revenue recognition***

Rental revenue is recognized in income on a straight-line basis over the lease term subject to ultimate collection being reasonably assured in accordance with IFRS 16.

Revenues, including recoveries of specified operating expenses, in accordance with the terms of the lease agreements, parking and other incidental income are recognized when they are earned in accordance with IFRS 15.

**G. *Financial instruments***

All financial instruments are initially measured at fair value on the Statement of Financial Position. Subsequent measurement of the financial instrument is based on their respective classification. For financial assets, the subsequent measurement is based on the REIT's business model for managing the asset and the cash flow characteristics of the asset. The REIT's financial assets are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest and are therefore measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### G. Financial instruments (continued)

Financial asset/liability	Measurement
Cash and cash equivalents	Amortized cost
Interest Rate Swap	Fair Value
Trade and other receivables	Amortized cost
Trade payables and accruals	Amortized cost
Security deposits	Amortized cost
Loans	Amortized cost

##### *Amortized cost*

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

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

##### *Impairment of financial assets*

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***H. Income taxes***

The REIT qualifies as a “mutual fund trust” under the Income Tax Act (Canada) and as a Real Estate Investment Trust (“REIT”) eligible for the ‘REIT Exemption’ in accordance with the rules affecting the tax treatment. Pursuant to the Declaration of Trust, 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.

#### ***I. 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.

#### ***J. 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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *J. Significant accounting judgments and estimates (continued)*

##### *i. 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. IFRS 3, Business Combinations ("IFRS 3"), is only applicable if it is considered that a business has been acquired. According to IFRS 3, a business is 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 as the lessor. 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 as the REIT retained substantially all of the risks and benefits of ownership of its investment properties.

##### *(iii) Lessor entities*

The REIT incorporated two entities that act as lessors in their respective headleases. The REIT does not have power over the lessor entities nor exposure or rights to variable returns from its involvement in the lessor entities and therefore the entities are not consolidated under IFRS 10, *Consolidated financial statements*.

##### *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 the investment properties requires the use of estimates such as future cash flows from assets (based on the review of anticipated cash flows involving assumptions relating to occupancy, rental rates and residual value, and overall repair and condition of the property) and capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### ***J. Significant accounting judgments and estimates (b. Estimate) (continued)***

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 4.

#### ***K. 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.

#### ***L. Standards, Amendments and Interpretations Adopted***

##### ***IFRS 16 Leases (Amendment)***

In March 2021, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 Leases to extend the availability of the exemption for COVID-19-related rent concessions by one year to June 30, 2022. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2021. The exemption applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met. The amendments are effective for annual reporting periods beginning on or after April 1, 2021. These amendments and their adoption had no measurable effect on the financial results of the REIT.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *M. New and revised IFRS standards in issue but not effective yet*

##### *New accounting standards adopted*

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

##### ***Interest Rate Benchmark Reform: Amendments to IFRS 9 and IFRS 7***

In September 2019, IASB issued Phase 1 of its amendments to IFRS 9 – Financial Instrument sand IFRS 7 – Financial Instruments: Disclosures, to amend certain requirements for hedge accounting and provide relief during the period of uncertainty arising from the phase out of interest rate benchmarks (e.g. interbank offered rates [“IBOR”s]). These amendments modify hedge accounting requirements, allowing entities to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. Phase 2 of the IASB’s project on IBOR is underway and will address transition from IBOR. The Phase 1 amendments will be effective for annual periods beginning on or after January 1, 2020, with early adoption permitted. The REIT does not expect any potential impact of these amendments on hedge accounting relationships.

##### ***Insurance Contracts***

In May 2017, the International Accounting Standards Board (“IASB”) issued IFRS 17 – Insurance Contracts (“IFRS 17”), that replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. In June 2019, the IASB proposed an amendment to IFRS 17 providing a deferral of one year of the effective date to January 1, 2022. Early adoption is permitted. The REIT does not except any potential impact of this standard.

### 4. INVESTMENT PROPERTIES

The balance of the investment properties as at December 31, 2022 and December 31, 2021 is as follows:

As at December 31,	2022	2021
Balance, beginning of year	<b>\$199,011,887</b>	\$93,537,695
Purchase of new investment properties	<b>1,939,609</b>	97,781,059
Capital additions	<b>2,408,191</b>	1,542,135
Disposal of investment properties	-	(4,045,233)
Changes in fair value adjustments to investment properties	<b>6,800,313</b>	10,196,231
Balance, end of year	<b>\$210,160,000</b>	\$199,011,887

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**4. INVESTMENT PROPERTIES (continued)**

The fair value of investment property acquired recently is the purchase price plus directly attributable expenditures and capital additions since acquisition. Subsequently, the fair value of the investment properties is determined on a fair 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 annually 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 values of the properties.

The significant assumptions made to the fair value of the investment properties as at December 31, 2022 and December 31, 2021 are set out below:

For December 31, 2022	Weighted average	Range
Capitalization rate (%)	4.25%	3.25% - 5.50%
Net operating income (\$)	\$8,938,699	\$20,391 - \$1,037,628

For December 31, 2021	Weighted average	Range
Capitalization rate (%)	4.18%	3.00% - 6.25%
Net operating income (\$)	\$8,327,130	\$15,565 - \$953,877

Valuations determined by the income method are most sensitive to changes in capitalization rates and net operating income (NOI). The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and changes in NOI as at December 31, 2022 and 2021.

		Change in NOI				
<i>As at December 31, 2022</i>		<b>-2.00%</b>	<b>-1.00%</b>	<b>As reported</b>	<b>1.00%</b>	<b>2.00%</b>
Change in Capitalization Rate	<b>-0.50%</b>	23,233,689	25,615,257	27,996,825	30,378,393	32,759,962
	<b>-0.25%</b>	8,658,545	10,891,387	13,124,229	15,357,071	17,589,914
	<b>As reported</b>	(4,203,200)	(2,101,600)	-	2,101,600	4,203,200
	<b>0.25%</b>	(15,636,904)	(13,651,974)	(11,667,044)	(9,682,115)	(7,697,185)
	<b>0.50%</b>	(25,867,891)	(23,987,359)	(22,106,827)	(20,226,295)	(18,345,764)

		Change in NOI				
<i>As at December 31, 2021</i>		<b>-2.00%</b>	<b>-1.00%</b>	<b>As reported</b>	<b>1.00%</b>	<b>2.00%</b>
Change in Capitalization Rate	<b>-0.50%</b>	22,488,150	24,748,354	27,008,558	29,268,763	31,528,967
	<b>-0.25%</b>	8,412,993	10,529,573	12,646,154	14,762,734	16,879,314
	<b>As reported</b>	(3,980,238)	(1,990,119)	-	1,990,119	3,980,238
	<b>0.25%</b>	(14,976,021)	(13,098,104)	(11,220,187)	(9,342,270)	(7,464,353)
	<b>0.50%</b>	(24,798,103)	(23,020,411)	(21,242,720)	(19,465,028)	(17,687,336)

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**5. LOANS**

Loans are recorded at amortized cost and are secured by first charges on the REIT's investment properties, with a carrying and fair value of \$102,142,253 and \$105,832,843, respectively (2021 - \$102,290,649 and \$104,355,468). Included in loans are unamortized mortgage transaction costs, which are amortized over the term of each mortgage using the effective interest rate method.

As at December 31,	2022	2021
Balance, beginning of year	102,290,649	41,976,123
Mortgage Proceeds Received	17,170,301	67,847,051
Mortgage Payments - Principal	(15,692,925)	(6,251,654)
Mortgage Payments - Interest	(3,094,573)	(1,423,925)
Interest Expense	3,094,573	1,423,925
Mortgage transaction cost paid	(2,090,331)	(1,481,820)
Amortization of mortgage transaction cost	464,560	200,949
Balance, end of year	102,142,253	102,290,649

***Detailed Mortgage Summary***

As at December 31,	2022	2021
CMHC-insured fixed rate mortgages	82,860,656	45,561,115
Less: unamortized mortgage transaction costs	(3,471,546)	(1,343,587)

Mortgages with various lenders, with a weighted average interest rate of 2.78% (2021 - 2.50%) and range of 1.69% to 4.14% (2021 - 1.69% to 3.26%). Payable in total monthly installment payments of \$351,458 (2021 - \$202,421), with a weighted average remaining term of 8.3 years (2021 - 7.3 years) and maturities ranging from December 1, 2026 to September 5, 2032 (2021 - June 1, 2022 to December 1, 2031). Secured by certain investment properties.

	79,389,110	44,217,528
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Conventional fixed rate mortgages	11,050,922	15,023,446
Less: unamortized mortgage transaction costs	(82,337)	(92,557)

Mortgages with various lenders, with a weighted average interest rate of 3.86% (2021 - 3.17%) and range of 2.75% to 4.71% (2021 - 2.75% to 3.47%). Payable in total monthly installment payments of \$56,930 (2021 - \$92,557), with a weighted average remaining term of 4.2 years (2021 - 1.9 years) and maturities ranging from November 5, 2026 to June 1, 2027 (2021 - November 5, 2026 to December 1, 2031). Secured by certain investment properties.

	10,968,585	14,930,889
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## 5. LOANS (continued)

### *Detailed Mortgage Summary (continued)*

As at December 31,	2022	2021
Conventional fixed rate mortgages with interest rate swap	11,921,265	12,270,907
Less: unamortized mortgage transaction costs	(136,706)	(171,551)
Mortgages with single lender, with a fixed interest rate of 2.73% until December 2, 2024, and a floating rate thereafter to expiry on December 2, 2026. After entering into an interest rate swap to cover the floating rate with the same lender, the total effective fixed interest rate for this period is 3.20%. Payable in total monthly blended installment payments of \$56,490 and secured by certain investment properties.		
(See note on derivative financial instrument below)	11,784,559	12,099,356
Short-term variable rate bridge	-	31,500,000
Less: unamortized mortgage transaction costs	-	(457,124)
Bridging facility with interest of prime + 1.30%, paying interest only, which rolled into a group of 10-year CMCH mortgages in 2022, secured by certain investment properties		
	-	31,042,876
<b>Total</b>	<b>102,142,254</b>	<b>102,290,649</b>
Current Portion of unamortized mortgage transaction costs	(471,910)	(282,969)
Current portion of long-term debt	2,570,940	15,208,266
Long term portion of unamortized mortgage transaction costs	(3,218,680)	(1,781,850)
Long-term portion of long-term debt	103,261,903	89,147,202
<b>Total</b>	<b>102,142,254</b>	<b>102,290,649</b>

### *Derivative financial instrument*

The REIT has entered into interest rate swap agreement to manage the volatility of interest rates. Starting December 2, 2024 with a notional principal of \$11,179,620, the REIT receives a floating interest rate while paying a fixed rate of 2.05% to the lender until the maturity of the underlying mortgage. The notional principal and maturity date of the interest rate swap is the same as the actual principal and maturity date of the associated long-term debt.

The fair value of the interest rate swap at December 31, 2022 is \$229,432 (2021 – \$nil) which is recorded on the Statement of Financial Position. The current year impact of the change in fair value of the interest rate swap is \$229,432 (2021 – \$nil) on the Statement of Earnings.

## 5. LOANS (continued)

### *Derivative financial instrument (continued)*

The fair value of the interest rate swaps has been determined using Level 2 of the fair value hierarchy. The fair value of interest rate swaps is based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

During the year ended December 31, 2022, the REIT incurred interest expense of \$3,094,573 (2021 - \$1,423,925) and amortization expense of \$464,560 (2021 - \$200,949). Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at December 31, 2022 and 2021, all covenants were met.

Principal repayments based on scheduled repayments to be made on the long-term debt are as follows as of December 31, 2022:

2023	\$2,570,940
2024	2,644,185
2025	2,697,247
2026	22,690,190
Thereafter	75,230,280
	<u><b>\$105,832,843</b></u>

## 6. 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. All Class A units allow for a trailer fee (an annual fee which may be paid by the REIT to registered securities dealers and exempt market dealers) of up to 1% of the Net Asset Value.

Unitholders can elect to either receive distribution in cash or participate in the Distribution Reinvestment Plan ("DRIP"). The DRIP allows holders of REIT units to have all cash distributions from the REIT reinvested in additional units of the same classes of units held. Unitholders can switch between receiving distribution in cash or participating DRIP at their discretion. Cash undistributed by the REIT upon the issuance of additional units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements, reducing liabilities, and working capital.

As at December 31, 2022, total unitholders equity was \$111,297,278 (2021 - \$97,348,260) which consists of unitholder contributions, distributions declared, DRIP units issued, issuance costs and net earnings for the year ended December 31, 2022.

## 6. UNITHOLDERS' EQUITY (continued)

### *a. Unit Classification*

The REIT presents units as equity, notwithstanding the fact that the units meet the definition of a financial liability. Under IAS 32, *Financial Instruments: Presentation* (IAS 32), the units are considered a puttable financial instrument because of the holder's option to redeem the units, generally at any time, subject to certain restrictions, the redemption price per unit is equal to 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.

The REIT has determined the units can be presented as equity and not financial liabilities because the REIT units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- Units entitle the holder to a pro rata share of the REIT's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets;
- Units are the class of instruments that are subordinate to all other classes of instruments as they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the REIT to redeem the units for cash or another financial asset, the units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the REIT, and it is not a contract that will or may be settled in the REIT's own instruments;
- The total expected cash flows attributable to the units over their lives are based substantially on the profit or loss, and the change in the recognized net assets and unrecognized net assets of the REIT over the life of the units; and
- Units are initially recognized at the fair value of the consideration received by the REIT. Any transaction costs arising on the issuance of units are recognized directly in unitholders' equity as a reduction of the proceeds received.



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**6. UNITHOLDERS' EQUITY (continued)**

**b. Unit Issuance**

The REIT issued the following units:

for the year ended 31 December, 2022	Units Issued	Gross Proceeds	Price Per Unit
Class A PAY	692	\$11,017	\$15.92
Class F PAY	40,762	648,931	15.92
Class A DRIP	228,808	3,642,623	15.92
Class F DRIP	240,077	3,882,026	15.92
<b>Total</b>	<b>510,339</b>	<b>\$8,124,597</b>	<b>\$15.92</b>

for the year ended 31 December, 2021	Units Issued	Gross Proceeds	Price Per Unit
Class A PAY	147,968	\$2,126,300	\$14.37
Class F PAY	101,523	1,458,886	14.37
Class A DRIP	1,017,577	14,622,581	14.37
Class F DRIP	756,026	10,864,094	14.37
<b>Total</b>	<b>2,023,094</b>	<b>\$29,071,861</b>	<b>\$14.37</b>

**c. Unit Redemptions**

The total value 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:

- i. the total amount payable by the REIT 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
- ii. the total amount payable by the REIT 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.

Notwithstanding the foregoing, the Trustee, in its sole discretion, may but will in no way be obligated to make cash payments in excess of the limits set out in the Trust Declaration.

To date, all units tendered for redemption have been paid out by way of cash payment.

The REIT redeemed the following units:

for the year ended 31 December,	2022		2021	
	Units Redeemed	Redemption Amount	Units Redeemed	Redemption Amount
Class A PAY	22,671	\$360,927	3,328	\$47,823
Class F PAY	30,859	491,275	18,718	265,759
Class A DRIP	51,213	814,393	24,309	347,586
Class F DRIP	32,544	514,242	2,299	33,033
<b>Total</b>	<b>137,287</b>	<b>\$2,180,838</b>	<b>48,654</b>	<b>\$694,201</b>

**All Island Equity REIT**  
**Notes to Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**For the year ended December 31, 2022 and 2021**

**6. UNITHOLDERS' EQUITY (continued)**

*d. 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 Partnership. 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.

The REIT distributed the following:

for the year ended 31 December, 2022	Distributions Declared	Distributions Reinvested	Units Issued through DRIP	Trailer Fee Paid
Class A PAY	\$177,496	\$0	-	\$59,165
Class F PAY	449,225	-	-	302,129
Class A DRIP	916,404	604,275	37,957	-
Class F DRIP	1,475,342	1,475,342	92,672	-
<b>Total</b>	<b>\$3,008,466</b>	<b>\$2,079,617</b>	<b>130,629</b>	<b>\$361,293</b>

for the year ended 31 December, 2021	Distributions Declared	Distributions Reinvested	Units Issued through DRIP	Trailer Fee Paid
Class A PAY	\$115,255	\$0	-	\$38,418
Class F PAY	318,790	-	-	215,044
Class A DRIP	645,148	430,103	29,931	-
Class F DRIP	1,087,038	1,087,038	75,646	-
<b>Total</b>	<b>\$2,166,231</b>	<b>\$1,517,142</b>	<b>105,577</b>	<b>\$253,462</b>

**7. OPERATING LEASES – REIT AS 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:

	2022	2021
Within one year	<b>\$901,899</b>	\$804,676
Two to five years	<b>1,441,339</b>	1,500,486
Over five years	<b>301,844</b>	400,171
	<b>\$2,645,082</b>	<b>\$2,705,333</b>

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.

**7. OPERATING LEASES – REIT AS LESSOR (continued)**

**VICTORIA LEASEHOLD PORTFOLIO**

On November 16th, 2021, the REIT purchased the freehold interest in a portfolio consisting of five properties in Victoria, BC. Four of the properties (“Leasehold Properties”) have head leases registered on title that mature on 31 December 2073 (“Leasehold Obligation”).

These head leases are sub-leased to individual suites (“Lessee Units”) in accordance with the terms and conditions of the leasehold contract. The contract allows the owners (“Lessees”) of each sub-leased unit to occupy the Lessee Units until the maturity of the head lease. On maturity, the right to occupy the Lessee Units lapses and the Leasehold Obligation ceases. In aggregate, 276 Lessee Units are registered on title, of which the REIT purchased 87. The REIT purchased two more units after the initial closing. The remaining 187 units are owned by unrelated third parties.

To administer the Leasehold Obligation, the REIT incorporated two entities that act as the lessors in the head leases (“Lessors”). These entities have no economic interest in the properties, cannot make a profit or a loss, and are not consolidated.

Under the terms of the lease, the Lessee Units do not pay rent but are responsible for all costs related to the property incurred by the Lessor, acting reasonably (“Operating Costs”). These costs include all amounts payable, including capital expenditures, during the year. Prior to the commencement of each calendar year, the Lessor must provide the Lessees an estimate of the Operating Costs for the upcoming year. Each Lessee must pay 12 equal monthly payments of the estimated costs to the Lessor (“Monthly Assessments”) on the first of each month. If the actual Operating Costs exceed the estimate for that calendar year, the Lessees pay their share of the difference (“Shortfall”). If the actual Operating Costs are less than estimated, the Lessee’s share of operating expenses for the following year are reduced accordingly (“Excess”).

An independent third-party property manager manages the Operating Cost on behalf of and allocates costs to all Lessee Units per the lease terms, which are applied consistently irrespective of whether the units are owned by the REIT or by unrelated third parties. All funds associated with Operating Costs flow through a dedicated bank account for each Leasehold Property. These bank accounts are held in trust by the property manager.

The REIT recognizes any expenses incurred and obligations to or from the Lessor entities as it relates to its ownership of its 89 Lessee Units. The REIT may also be required to fund temporary Shortfalls until funds are recovered from the Lessees. The REIT recognizes these transactions as loans to the Lessor. For the year ended 31 December 2022, \$571,953 (2021 - \$37,428) in Operating Costs were allocated to the REIT. At December 31, 2022, the REIT had loaned \$44,028 (2021 - \$24,061) to the Lessors.

Supplementary information is provided following the notes to the consolidated financial statements.

**8. 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.

## 9. 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; which is in accordance with level 1 fair value hierarchy (as set out in Note 3(l)).

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 (as set out in Note 3 (l)) 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 that are carried at amortized cost:

As at December 31,	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$3,400,031	\$3,400,031	\$1,266,366	\$1,266,366
Trade and other receivables	226,188	226,188	74,465	74,465
Trade payable and accruals	1,119,612	1,119,612	705,563	705,563
Security deposits	559,639	559,639	507,407	507,407
Loans	102,142,253	105,832,843	102,290,649	104,355,468

### 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.

**9. FINANCIAL INSTRUMENTS (continued)**

**a. Credit risk (continued)**

Trade and other receivables are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write-offs. The REIT performs frequent reviews of its receivables and has determined there is no significant provision for doubtful accounts as at December 31, 2022 and 2021. The table below shows trade receivables due from tenants:

Aged trade receivables	December 31, 2022	December 31, 2021
Current	\$54,893	\$56,409
Past due 31 – 60 days	6,260	-
Past due 61 – 90 days	8,048	266
Past due 90+ days	156,987	17,790
	<b>\$226,188</b>	<b>\$74,465</b>

The REIT places its cash and cash equivalents 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 will be exposed to interest rate risk on the fixed rate debt it carries against the investment properties as at December 31, 2022 and December 31, 2021 at maturity.

**c. Foreign currency risk**

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

**d. Liquidity risk**

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

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet those liabilities which are not expected to be refinanced when they come due. As at December 31, 2022, the REIT reasonably expects that all mortgages with maturities in 2022 will be refinanced, and has sufficient cash on hand to settle all other current liabilities.

The following are the contractual maturities of financial liabilities as at December 31, 2022.

	Amortized cost	Due in 1 year	Over 1 year
Trade payable and accruals	\$1,119,612	\$1,119,612	-
Loans	\$102,142,254	\$2,099,031	\$100,043,223

**9. 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 waste 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 of 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*

Redemptions will be paid 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 REIT 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 REIT 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.

If any of the conditions in (a) and (b) immediately above preclude the payment of the redemption price in cash, and the REIT does not, in its sole discretion, waive such limitation, payment will be made in specie.

**Payment of Redemption Price in Specie**

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

- a. the issuance and delivery of a number of Trust Notes, each in the principal amount of \$100, having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of units tendered for redemption;
- b. a distribution in specie to the Unitholder of a number of Limited Partnership units having an aggregate value determined on the redemption date based on the redemption price of the Limited Partnership 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.

To date, all redemption requests have been paid by way of cash payment.

## 9. FINANCIAL INSTRUMENTS (continued)

### *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 endeavors to sign long term leases with commercial tenants to minimize lease rollover risk. At December 31, 2022, the occupancy rate across all of the commercial properties is 93.2% (2021 – 94.1%). For any vacant space, the REIT uses qualified third-party leasing agents to actively market the space.

## 10. RELATED PARTY TRANSACTIONS

The REIT's related parties consist of its subsidiaries, directors, 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 AIE 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.

As of December 31, 2022, the Limited Partnership Agreement states that 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 Partner to a maximum of \$100 per annum; and
- Secondly, the balance of net income or loss shall be allocated to the REIT, as the sole Limited Partner.

From inception to date no net income or loss was allocated, nor any payments made or are due to the Manager under any provision contained within the Limited Partnership Agreement.

In connection with the services provided by the Manager under the Management Agreement with the Limited Partnership, the following amounts will be payable to the Manager:

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

For the year ended December 31, 2022, the Manager was entitled to charge acquisition fees totaling \$19,688 (2021 - \$937,050) of which \$19,688 (2021 - \$468,525) was paid to the Manager, and \$nil (2021 - \$468,525) was waived during the year.

- b.* An asset management fee up to 0.50% of the Gross Asset Value (2022 - \$204,302,975 and 2021 - \$122,438,518) (defined as the fair market value of all assets of the REIT, as measured on the financial statements of the REIT as at the end of each quarter) payable quarterly, no later than the last day of each quarter. The Manager may waive the obligation of the Limited Partnership 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 subsequent obligations in subsequent years.

For the year ended December 31, 2022, the Manager was entitled to charge asset management fees totaling \$ 1,066,438 (2021 - \$612,877) of which \$1,066,438 (2021 - \$281,744) was payable to the Manager, and \$nil (2021 - \$331,133) was waived during the year. At December 31, 2022, the REIT had a payable to the Manager of \$185,320.

## **10. RELATED PARTY TRANSACTIONS (continued)**

- c.* Re-positioning and financing fees that will be payable if those services are provided by the Manager. These services were not required for either 2021 or 2022.
- d.* A disposition fee of 1.00% of the sales price of a property may apply, provided that such fee will only be payable in the event that the Limited Partnership must sell, transfer, assign or dispose of a property or interest therein to generate cash amounts to satisfy redemptions of Limited Partnership units by the Trust. No such dispositions occurred in 2021 or 2022.
- e.* Upon termination of the Management Agreement:
  - i. by the Limited Partnership by giving the Manager 90 days written notice of intention to terminate the Management Agreement, whether at the end of a term or otherwise;
  - ii. by the Manager in the event that the Limited Partnership commits a breach or default of a material term of the asset management agreement that is not cured within 90 days of the Limited Partnership receiving notice thereof; or
  - iii. by the Manager by giving the Limited Partnership 90 days prior written notice of intention to terminate the Management Agreement in the event that the Limited Partnership engages another person to provide services similar to the services provided by the Manager to the Limited Partnership under the Management Agreement (collectively, the “Termination Events”)

the Limited Partnership shall pay to the Manager, in immediately available funds on the date of termination an amount equal to the greater of the following: (1) twelve times the total amount of the asset management fee received and/or earned by the Manager pursuant to the Management Agreement during the most recently completed quarter on or prior to the termination date; and (2) \$2,500,000, in each case, plus applicable taxes.

The Limited Partnership shall not be required to pay to the Manager the termination payment if the Limited Partnership terminates the Management Agreement for any other reason that does not constitute a Termination Event, including if the Manager is in breach of the contract, or is unable to discharge its duties thereunder.

### **Transactions with 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 REIT.

During the years December 31, 2022 and 2021, there were no transactions with the Trustee.

During the years December 31, 2022 and 2021, the REIT paid director fees of \$72,880 (2021 - \$70,636). At December 31, 2022, the Trustee had a payable to the REIT of \$1,004.

## **11. SUPPLEMENTARY CASH FLOW INFORMATION**

### **Non-cash transaction**

The REIT issued 130,629 units (2021 – 105,577) as part of the DRIP program, of which 37,957 was issued as Class A DRIP (2021 – 29,931) and 92,672 was issued as a Class F DRIP (2021 – 75,646), for a total value of \$2,079,617 (2021- \$1,517,142) of distributions reinvested (Note 6).



## **12. SEGMENTED DISCLOSURE**

The REIT operates in one business segment, being the owning and operating of investment properties in Canada. As at December 31, 2022, the REIT operates forty-three investment properties located in British Columbia, Canada.

## **13. SUBSEQUENT EVENTS**

The REIT purchased a 33-unit building in Penticton B.C. for a \$7,000,000 on February 7, 2023. On closing, an existing CMHC mortgage facility secured by the property with an 1.73% underwriting rate and outstanding balance of \$3,777,625 was assumed.

Subsequent to December 31, 2022, the REIT redeemed 250 Class A DRIP units for a total payment of \$3,980 to unitholders.

**All Island Equity REIT**  
**Unaudited Supplementary Information**  
**Expressed in Canadian Dollars**  
**For the year ended December 31, 2022**

**UNAUDITED SUPPLEMENTARY INFORMATION: VICTORIA LEASEHOLD PORTFOLIO**

The following unaudited information supplements the consolidated statements of financial position in reference to Note 7 – Operating Leases- REIT: Victoria Leasehold Portfolio.

The freehold interests in the four properties with existing head leases were purchased on November 16, 2021. The following information is provided as supplementary for the year ended December 31, 2022, to provide information and to show the obligations assumed by the REIT.

On incorporation of the new entities that act as Lessors, these entities assumed the obligations of the previous lessor. The annual operational information and obligations assumed by the REIT are summarized below:

<i>for the year ended 31 December, 2022</i>	<b>Edgemont</b>	<b>El Mirador</b>	<b>Ocean Villa</b>	<b>Villa Royale</b>
Opening Excess / (Shortfall)	(\$18,701)	\$41,397	(\$23,140)	\$15,326
Total Receipts	336,294	376,975	338,052	581,735
Monthly Assessments	279,825	363,375	278,119	577,979
Special Assessments	51,965	-	56,404	-
Other Income	4,504	13,600	3,529	3,756
Total Payments	325,605	427,579	309,481	576,107
Operational Expenditure	257,091	347,305	241,050	576,107
Capital Expenditure	33,264	33,264	33,264	-
Prepaid Expenses	35,250	47,010	35,167	-
<b>Closing Excess / (Shortfall)</b>	<b>(\$8,012)</b>	<b>(\$9,207)</b>	<b>\$5,431</b>	<b>\$20,954</b>

<i>as at 31 December, 2022</i>	<b>Edgemont</b>	<b>El Mirador</b>	<b>Ocean Villa</b>	<b>Villa Royale</b>
Bank	\$680	\$111	\$2,506	\$45,616
Accounts Payable	-	(66)	-	-
Accounts Receivable	1,421	-	2,926	-
Loans to / (from) related parties	(\$10,114)	(\$9,752)	\$0	(\$24,662)

**ITEM 15 - DATE AND CERTIFICATE**

Dated May 15, 2023

**This Offering Memorandum does not contain a misrepresentation.**

***On behalf of the Trustee in its capacity as trustee of the Trust and as Promoter:***

**AIE SERVICES INC.**

*"Brendan James Bennett Sutton"*

Name: Brendan James Bennett Sutton  
Title: Chief Executive Officer and Acting Chief Financial Officer

*"Garth Lyle Busch"*

Name: Garth Lyle Busch  
Title: Director

*"Bernard Adrian Vanderhorst"*

Name: Bernard Adrian Vanderhorst  
Title: Director

***On behalf of the Manager and as Promoter:***

**AIE MANAGEMENT INC.**

*"Brendan James Bennett Sutton"*

Name: Brendan James Bennett Sutton  
Title: Director

*"Bernard Adrian Vanderhorst"*

Name: Bernard Adrian Vanderhorst  
Title: Director

*"David Stewart Hammond"*

Name: David Stewart Hammond  
Title: Director