



APCAPITAL.ca



Offering Memorandum



APREIT

FORM 45-106 F2
Offering Memorandum for Non-Qualifying Issuers
AP CAPITAL REIT

Date: August 15, 2016

The Issuer
Name: AP Capital REIT (the “REIT”).
Head office: 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8
Phone #: 778-328-7401
E-mail address: investor@apcapital.ca
Fax #: (604) 608-9070

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

Reporting issuer? No.

SEDAR filer? Yes.

The Offering

Securities offered: Eight (8) classes of Trust Units (each, a “Unit” and together, the “Units”) are being offered under this Offering Memorandum, designated as either Class B, Class C1, Class C2, Class D1, Class D2, Class E, Class F or Class G Trust Units (each, a “Class”). Certain Classes of Units will only be offered at certain times and each Class shall have the attributes and characteristics set out under Item 5 - “Securities Offered – Terms of Units”.

Price per security: \$1,000 per Class C1 and, Class C2 Unit.
\$1,050 per Class D1 and Class D2 Unit.
The subscription price for Class E and Class F Units will be determined by the REIT and set out in the subscription agreement(s) to be entered into between the subscribers and the REIT.
The REIT has completed its offering of Class B and Class G Units to qualified investors and neither class is available for subscription.

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

Minimum Subscription: 10 Units, except in the case of Class C2 and D2 Units, which must be purchased in a minimum subscription amount of \$150,000. The Trustee may in its discretion, on an individual basis, accept subscriptions from Subscribers for less than 10 Units. See Item 5 “Securities Offered- Subscription Procedure”

Payment terms: Bank draft, certified cheque on closing or, if subscribing through a Deferred Plan, an Authorization Letter to a financial institution.

Proposed closing date(s): None. This is a continuous offering. The Trustee may terminate the Offering at any time.

Tax consequences: There are important tax consequences to these securities. See Item 6 “Income Taxes and Qualified Investment Status”.

Selling agent: Where permitted by applicable securities legislation, the Trustee intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. In addition, the Trustee may pay agents selling Class C1/C2, Class D1/D2 and Class F Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. See Item 7 “Compensation Paid to Sellers and Finders”.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 11. However, the Units are redeemable in certain circumstances. See Item 5.1 “Terms of Units – Unitholders’ Right to Retract”.

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 12.

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

AP CAPITAL TRUST COPY – Please initial below and submit this page with your subscription agreement.

Investor Initials

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Securities offered: Eight (8) classes of Trust Units (each, a “Unit” and together, the “Units”) are being offered under this Offering Memorandum, designated as either Class B, Class C1, Class C2, Class D1, Class D2, Class E, Class F or Class G Trust Units (each, a “Class”). Certain Classes of Units will only be offered at certain times and each Class shall have the attributes and characteristics set out under Item 5 - “Securities Offered – Terms of Units”.

Price per security: \$1,000 per Class C1 and, Class C2 Unit.
\$1,050 per Class D1 and Class D2 Unit.
The subscription price for Class E and Class F Units will be determined by the REIT and set out in the subscription agreement(s) to be entered into between the subscribers and the REIT.
The REIT has completed its offering of Class B and Class G Units to qualified investors and neither class is available for subscription.

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

Minimum Subscription: 10 Units, except in the case of Class C2 and D2 Units, which must be purchased in a minimum subscription amount of \$150,000. The Trustee may in its discretion, on an individual basis, accept subscriptions from Subscribers for less than 10 Units. See Item 5 “Securities Offered- Subscription Procedure”

Payment terms: Bank draft, certified cheque on closing or, if subscribing through a Deferred Plan, an Authorization Letter to a financial institution.

Proposed closing date(s): None. This is a continuous offering. The Trustee may terminate the Offering at any time.

Tax consequences: There are important tax consequences to these securities. See Item 6 “Income Taxes and Qualified Investment Status”.

Selling agent: Where permitted by applicable securities legislation, the Trustee intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. In addition, the Trustee may pay agents selling Class C1/C2, Class D1/D2 and Class F Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. See Item 7 “Compensation Paid to Sellers and Finders”.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 11. However, the Units are redeemable in certain circumstances. See Item 5.1 “Terms of Units – Unitholders’ Right to Retract”.

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 12.

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

The REIT conditionally offers the Units for sale by way of private placement to qualified investors who are residents of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and in Yukon, Nunavut and the Northwest Territories. Subscriptions will be received if, as and when accepted, subject to satisfaction of the conditions set forth under "Subscription Procedure" and to the right of the Trustee to close the subscription books at any time without notice. Closings will be held from time to time as determined by the Trustee. See Item 4 "Prior Sales" and Item 5 "Subscription Procedure".

The REIT intends to offer Units as follows:

- (a) Class C1 and Class C2 Units will be offered at a price of \$1,000 per Class C1 or Class C2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class C1 and Class C2 Units together. At such time, the REIT will cease offering Class C1 and Class C2 Units;
- (b) Class D1 and Class D2 Units will be offered at a price of \$1,050 per Class D1 and Class D2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class D1 and Class D2 Units together. At such time, the REIT will cease offering Class D1 and Class D2 Units; and
- (c) Class E and Class F Units will be offered to qualified investors at a subscription price to be determined by the REIT and set forth in the subscription agreement(s) to be entered into between the subscribers and the REIT.

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

The Units will be issued only on the basis of information contained in this Offering Memorandum and provided by the REIT, and no other information or representation has been authorized or may be relied upon as having been authorized by the REIT. Any subscription for the Units made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such person.

This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Units. Distribution of this Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect hereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the REIT is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes to make no photocopies of or to otherwise reproduce, in whole or in part, this Offering Memorandum or any documents relating thereto and, if such prospective purchaser does not purchase any of the Units or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the REIT, if so requested by the REIT.

This is a partial blind pool Offering. The REIT expects that the available net proceeds of the Offering will be applied by the CDN LP and the CDN/US LP in the purchase of one or more Properties and/or Mortgages. However, other than Morrison Centre and Greenway Plaza described below in Item 2.3 "Development of the Business of the REIT – Morrison Centre" and "Development of the Business of the REIT – Greenway Plaza", the specific Properties and Mortgages in which the CDN LP and the CDN/US LP will invest have not yet been determined.

Note Regarding Forward-Looking Statements

This Offering Memorandum contains forward-looking statements. These statements relate to future events or the REIT's future performance. 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. These statements are only predictions. In addition, this Offering Memorandum may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement.

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Schedule:

Schedule A - Form of Subscription Agreement

SUMMARY

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

Business of the REIT:

AP Capital REIT (the “**REIT**”) is a limited purpose, unincorporated open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated June 26, 2015 and by the general laws of trusts and the laws of British Columbia.

The REIT has been established to:

- (a) acquire limited partnership units of AP Capital REIT Limited Partnership (the “**CDN LP**”);
- (b) acquire limited partnership units of AP Capital REIT (CDN/US) Limited Partnership (the “**CDN/US LP**”); and
- (c) temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the REIT, making other investments as contemplated by the Trust Declaration, paying amounts payable by the REIT in connection with the redemption of any Units and making distributions to Unitholders.

The principal business of the REIT will be to issue Units to subscribers and to invest the proceeds from such issuance in Class A limited partnership units of the CDN LP (the “**Class A CDN LP Units**”) and Class A limited partnership units of the CDN/US LP (the “**Class A CDN/US LP Units**”).

Business of the CDN LP

AP Capital REIT (GP) Ltd. (the “**General Partner**”) and the CDN LP Founding Limited Partner have established the CDN LP pursuant to the laws of the Province of British Columbia for the purposes of:

1. acquiring, owning and operating Morrison Centre and an as-yet unidentified portfolio (the “**Canadian Portfolio**”) of additional revenue-producing real estate properties (“**Properties**”) in Canada;
2. developing or redeveloping a building or buildings on the Properties and thereafter owning and operating such Properties on a long-term basis;
3. subject to the availability of funds and the market conditions in which the CDN LP operates, providing short-term, secured mortgages (collectively “**Short Term Mortgage Lending**”) with respect to real estate properties owned or to be acquired by third parties unrelated to the CDN LP (each a “**Mortgage Borrower**”) and subject to the parameters set out below under the heading “Business of the REIT – Our Business - Short Term Mortgage Lending Financing Terms”; and
4. conducting any other business or activity incidental, ancillary or related thereto.

Business of the CDN/US LP

The General Partner and the CDN/US LP Founding Limited Partner have established AP Capital REIT (CDN/US) Limited Partnership pursuant to the laws of the Province of British Columbia for the purposes of:

1. acquiring limited partnership units (“**US Class A LP Units**”) of AP Capital REIT (USA) LP, an Arizona limited partnership (the “**US LP**”);

2. advancing funds to the US LP by way of loan (the “**US LP Loan**”); and
3. conducting any other business or activity incidental, ancillary or related thereto.

Business of the US LP

AP Capital REIT US (GP) Ltd. (the “**US GP**”) and the CDN/US LP will establish the US LP pursuant to the laws of Arizona for the purposes of:

1. acquiring, owning and operating Greenway Plaza and an as-yet unidentified portfolio (the “**US Portfolio**”) of additional revenue-producing real estate properties in the United States (“**Properties**”);
2. developing or redeveloping a building or buildings on the Properties and thereafter holding, renting and operating such Properties;
3. subject to the availability of funds and the market conditions in which the US LP operates, providing short-term, secured mortgages (collectively “**Short Term Mortgage Lending**”) with respect to real estate properties owned or to be acquired by third parties unrelated to the US LP (each a “**Mortgage Borrower**”) and subject to the parameters set out below under the heading Business of the REIT – Our Business - Short Term Mortgage Lending Financing Terms; and
4. conducting any other business or activity incidental, ancillary or related thereto.

The US LP may accept subscriptions directly from qualified US investors, and such funds will be used in addition to funds received from the CDN/US LP for the purposes enumerated above.

Offering:

This is a continuous offering of the Units. There is no minimum offering. This Offering is being made pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in Canada.

See Item 5.2 “Subscription Procedure”. A subscriber whose subscription is accepted will become a Unitholder of the REIT.

Subscription Procedure:

Subscribers may subscribe for Units by returning to the REIT a completed Subscription Agreement, together with payment in the form of a certified cheque, bank draft or Authorization Letter to the Subscriber’s financial institution in the amount of the aggregate Subscription Price for the Subscriber’s Units. A Subscriber whose subscription is accepted by the Trustee will become a Unitholder. The Trustee may terminate the Offering at any time. See Item 5.2 “Subscription Procedure”.

Subscription Price and Offering Thresholds:

The subscription prices per Unit are as follows:

- (d) Class C1 and Class C2 Units will be offered at a price of \$1,000 per Class C1 or Class C2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class C1 and Class C2 Units together. At such time, the REIT will cease offering Class C1 and Class C2 Units. Any person wishing to subscribe for Class C2 Units must purchase a minimum amount of \$150,000;
- (e) Class D1 and Class D2 Units will be offered commencing on the REIT ceasing to offer Class C1 and Class C2 Units. Class D1 and Class D2 Units will be offered at a price of \$1,050 per Class D1 and Class

D2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class D1 and Class D2 Units together. At such time, the REIT will cease offering Class D1 and Class D2 Units. Any person wishing to subscribe for Class D2 Units must purchase a minimum amount of \$150,000; and

- (f) Class E and Class F Units will be offered commencing on the REIT ceasing to offer Class D1 and Class D2 Units. Class E and Class F Units will be offered to qualified investors at a subscription price to be determined by the REIT and set forth in the subscription agreement(s) to be entered into between the subscribers and the REIT.

The REIT reserves the right to commence or cease offering any of the Classes of Units at times and in amounts which are different than as set out above.

Minimum Subscription:

10 Units, except in the case of Class C2 and D2 Units, which must be purchased in a minimum subscription amount of \$150,000. The Trustee may in its discretion, on an individual basis, accept subscriptions from Subscribers for less than 10 Units. See Item 5.2 "Subscription Procedure".

Sales Fee:

Where permitted by applicable securities legislation, the Trustee intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. In addition, the Trustee will pay agents selling Class C1/C2 and Class D1/D2 Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. See Item 7 "Compensation Paid to Sellers and Finders".

The REIT will be obligated to pay any applicable GST or other taxes on such fees.

Use of Proceeds:

The Net Subscription Proceeds will be used by the REIT to invest in the acquisition of Class A CDN LP Units and Class A CDN/US LP Units.

The CDN LP will invest the proceeds of the issuance of the Class A CDN LP Units to the REIT in the acquisition, ownership and operation of revenue producing real estate properties in Canada (the "**Canadian Portfolio**"), the acquisition of a portfolio of Mortgages on real property located in Canada. A portion of the proceeds received by the CDN LP on account of the subscription by the REIT for Class A CDN LP Units will also be used to pay due diligence and documentation costs relating to such property and mortgage acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to the Properties and Mortgages.

The CDN/US LP will invest the proceeds of the issuance of the Class A CDN/US LP Units to the REIT in limited partnership units of the US LP, and through such investment, indirectly in the acquisition, ownership and operation of revenue producing real estate properties in the United States (the "**US Portfolio**") and the acquisition of a portfolio of Mortgages on real property located in the United States. A portion of the proceeds received by

the CDN/US LP on account of the subscription by the REIT for Class A CDN/US LP Units will also be used to pay due diligence and documentation costs relating to such property and mortgage acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to the Properties and Mortgages.

As a result, an investment in Units of the REIT represents an indirect investment in the acquisition, ownership and operation of the Properties owned by the CDN LP and the US LP and of the Mortgages, and the distributions and other returns on and of capital payable on account of the Class A CDN LP Units and Class A CDN/US LP Units will ultimately flow through to the Unitholders.

Pending investment in Class A CDN LP Units and Class A CDN/US LP Units, the Net Subscription Proceeds will be invested in cash and money market investments. The General Partner and the US GP will use their best efforts to make suitable investments of the Net Subscription Proceeds as soon as possible following each Closing.

**The REIT's
Distribution Policy:**

The REIT will distribute to each Unitholder on a monthly basis an amount equal to the Trustee's estimate of the net income and net realized capital gains of the REIT, less estimated non-capital losses carried forward, if any, for each month. For each year ending December 31, the distribution will equal an amount equal to 100% of the REIT's net income and net realized capital gains, less non-capital losses carried forward, if any, for the year, less the amounts distributed for the previous 11 months. Such monthly distributions will be paid in arrears on the 15th day of the next calendar month immediately following the calendar month to which distribution relates, except the December 31 distribution, which will be paid on the immediately preceding Business Day or such other date determined from time to time by the Trustee.

The REIT has the right but not the obligation to make distributions and allocations among the Unitholders in such a manner so as to ensure where possible that the Unitholders are treated equitably taking into account differences that may arise as a result of the acquisition of Units at different times in the Fiscal Year or in different fiscal calendar years.

The REIT intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income tax is payable by the REIT. If distributions to Unitholders are in excess of net income and net realized capital gains, if any, of the REIT the adjusted cost base of the Unitholders' Units will generally be reduced. See Item 5.1 "Terms of Units – Distributions" and Item 6 "Income Taxes and Qualified Investment Status".

**Distributions by
the CDN LP**

Pursuant to the Limited Partnership Agreement for the CDN LP (the "**CDN LP Agreement**"), the CDN LP will distribute in each month the amount by which the CDN LP's cash on hand or to be received in respect of that month (excluding any proceeds from any financing) exceeds unpaid administration expenses of the CDN LP (excluding the Asset Management Fee (as defined herein)); amounts required for the business and operations of the CDN LP, including operating expenses and capital expenditures; all current obligations of the CDN LP; and all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by General Partner, as follows:

- (a) first as 0.01% thereof, to the General Partner, to a maximum of \$100 per annum;
- (b) second to Limited Partners holding Class A Units of the CDN LP (each, a “**Class A CDN LP Unit**”), an amount equal to \$70 per annum per Class A CDN LP Unit (the “**Class A Preferred Return**”) commencing as of the date a Unit Certificate representing a Class A CDN LP Unit is issued to such Limited Partner;
- (c) third to Limited Partners holding Class B Units of the CDN LP (each, a “**Class B CDN LP Unit**”), an amount equal to 30/70th of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return; less
 - (ii) the amount which would have been paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN LP Units and 30% to the limited partners holding Class B CDN LP Units.

**Distributions by
the CDN/US LP**

Pursuant to the Limited Partnership Agreement for the CDN/US LP (the “**CDN/US LP Agreement**”), the CDN/US LP will distribute in each month the amount by which the CDN/US LP’s cash on hand or to be received in respect of that month (excluding any proceeds from any financing) exceeds unpaid administration expenses of the CDN/US LP (excluding the Asset Management Fee (as defined herein)); amounts required for the business and operations of the CDN LP, including operating expenses and capital expenditures; all current obligations of the CDN/US LP; and all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by General Partner, as follows:

- (a) first as 0.01% thereof, to the General Partner, to a maximum of \$100 per annum;
- (b) second to Limited Partners holding Class A Units of the CDN/US LP (each, a “**Class A CDN/US LP Unit**”), an amount equal to \$70 per annum per Class A CDN/US LP Unit (the “**Class A Preferred Return**”) commencing as of the date a Unit Certificate representing a Class A CDN/US LP Unit is issued to such Limited Partner;
- (c) third to Limited Partners holding Class B Units of the CDN/US LP (each, a “**Class B CDN/US LP Unit**”), an amount equal to 30/70th of the difference between:
 - (iii) the amount paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return; less
 - (iv) the amount which would have been paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return if such amount had been

calculated on the basis of \$60 per annum per Class A
CND/US LP Unit;

- (d) thereafter, 70% to the limited partners holding Class A CDN/US LP Units and 30% to the limited partners holding Class B CDN/US LP Units.

Redemption:

Units will be redeemable at the request of the Unitholders, subject to applicable law and certain other conditions set out in the Trust Declaration. Different redemption rights apply to each Class of Units. See Item 5.1 “Terms of Units – Unitholders’ Right to Redeem”.

Continuous Offering and Closings of Subscriptions:

This is a continuous offering. The Trustee may terminate the Offering at any time. Different Classes of Units will have varied offering and closing dates. See Item 5.1 – “Securities Offered - Terms of Units”

Administration Agreements:

Pursuant to Administration Agreements, as amended, between the Manager and each of the CDN LP and the CDN/US LP (the “**Administration Agreements**”), the Manager has agreed to provide certain services relating to the Properties and the Mortgages, including structuring this Offering, structuring the ownership of each of the Properties, arranging for mortgage loans, if any, in respect of the Properties, negotiating and completing the sale of one or more Properties, overseeing and supervising property management of the Properties, and preparing annual financial reports on the Properties.

In consideration of providing such services, each of the CDN LP and the CDN/US LP will pay to the Manager an acquisition fee (the “**Acquisition Fee**”), in an amount equal to 0.75% of the gross purchase price of each Property, plus GST if applicable, upon the completion of the purchase of each Property, a disposition fee (the “**Disposition Fee**”), in an amount equal to 0.45% of the gross selling price of a Property, plus GST if applicable, upon the completion of the sale of the Property, and an annual management fee (the “**Asset Management Fee**”) equal to 1.0% of the Annual Portfolio Value, payable monthly on the last day of each month during the term of the Administration Agreements.

See Item 2.7- “Material Agreements”.

Distribution on Termination:

On the termination of the REIT, the assets of the REIT will be liquidated and the proceeds distributed to pay the liabilities of the REIT and to establish reserves for the contingent liabilities of the REIT. Thereafter, the Trustee will redeem the Units from the Unitholders on a *pro rata* basis.

See Item 5.1 “Terms of Units –Termination of the REIT”.

Residency Requirement:

Unitholders must be residents of Canada. The General Partner may force a transfer or redemption of Units if a Unitholder becomes a non-resident. See Item 5.1 “Terms of the REIT Units - Forced Redemption Upon Non-Residency”

Eligibility for Investment:

Provided that the REIT is a mutual fund trust, the Units will be a qualified investment for Deferred Plans. See Item 6 “Income Taxes and Qualified Investment Status”.

Taxation of the REIT and Unitholders:

The REIT will not pay tax on the net income and net realized capital gains that are distributed to Unitholders (as is required under the terms of the Declaration of Trust), provided the REIT has no non-resident or other Designated Beneficiaries. The Declaration of Trust prohibits the issue of

Units to non-resident or other Designated Beneficiaries. Losses incurred by the REIT cannot be allocated to Unitholders but may be deducted by the REIT in future years.

In computing their taxable income, Unitholders will be required to include the income and the taxable portion of capital gains distributed to them by the REIT. Distributions not included in taxable income, other than the untaxed one-half of capital gains, will generally reduce a Unitholder's adjusted cost base of the Units held.

On a redemption or other disposition of Units, the Unitholder will realize a capital gain or loss to the extent that the proceeds of disposition exceed or are exceeded by the adjusted cost base of the Units, respectively. One-half of a capital gain must be included in income as a taxable capital gain. One-half of a capital loss is an allowable capital loss which may be applied against taxable capital gains realized in the year, with any excess (adjusted to reflect the appropriate inclusion rate) available for carry back three years or forward indefinitely and applied against taxable capital gains realized in those earlier or later years.

No Transferability:

Units will not be transferable, except if required as a result of a Unitholder becoming a non-resident. Units will not be listed on any stock exchange. As well, securities requirements may prohibit or restrict transferability of Units. See Item 5.1 "Terms of Units - Forced Redemption Upon Non-Residency" and Item 11 "Resale Restrictions".

Risk Factors:

An investment in Units entails a number of risks, including that this Offering is a partial blind pool offering; that there is no market for Units and a market for Units is not expected to develop; that an investment in Units is an indirect investment in the Properties acquired by the CDN LP and the US LP, and have attached to them various risks of investing in real estate; environmental risk; competition for real estate properties; risk associated with changes in economic conditions; risks associated with redemptions and retractions of Units; the possibility of conflicts of interest; and risks associated with changes in income tax regulation. These risks are more fully described in Item 8 "Risk Factors".

This Offering is not suitable for investors who cannot afford to assume any significant risks in connection with their investments.

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.

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

"Annual Portfolio Value" means the aggregate of the following, calculated as at on the last day of each fiscal year of the CDN LP or the CDN/US LP, as applicable:

- (a) the year-end value of the Portfolio,
- (b) the principal amount of all Mortgages which the applicable partnership holds (including indirectly through the US LP), and
- (c) the available cash of the applicable partnership,

and for greater certainty, in the case of the CDN/US LP, the value of the Portfolio and Mortgages of the US LP will be taken into account;

"Acquisition Fee" means a fee payable by each of the CDN LP and the CDN/US LP to the Manager for services related to the acquisition of Properties, in an amount equal to 0.75% of the gross purchase price of each Property, plus GST if applicable, and payable to the General Partner upon the completion of the purchase of each Property;

"Administration Agreements" means the agreements between the Manager and each of the CDN LP and the US LP pursuant to which the Manager agrees to provide certain services to each of the CDN LP and the US LP in consideration for the payment of the Asset Management Fee, the Acquisition Fee and the Disposition Fee;

"Asset Management Fee" means an annual fee payable by each of the CDN LP and the CDN/US LP to the Manager equal to 1.0% of the Annual Portfolio Value, payable monthly on the last day of each month during the term of the Administration Agreements;

"Authorized Interim Investments" means such investments that are "qualified investments" for a trust governed by a Deferred Plan and may include shares, bonds, debentures, notes, marketable securities and cash, among other things;

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

"Business Day" means a day other than a Saturday, Sunday or any day on which the principal office of the REIT's bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

"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;

"Canadian Portfolio" means the revenue-producing Properties acquired, owned and operated by the CDN LP;

"Cash Flow (Trust)" means, for any calendar month:

- (a) the sum of all cash amounts received by the REIT for or in respect of such month Period, including the amounts received as a limited partner holding Class A CDN LP Units and Class A CDN/US LP Units pursuant

to the terms of the CDN LP Agreement and the CDN/US LP Agreement, returns of capital and repayments of indebtedness, as well as all amounts received by the REIT in any prior calendar month to the extent not previously distributed; less

- (b) all costs and expenses of the REIT 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 month or a prior month if not accrued in such prior month; less
- (c) all amounts payable in cash that relate to the redemption or repurchase of Units and that have become payable by the REIT in such month or prior month; and less
- (d) any interest expense incurred by the REIT between distributions,

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

"CDN LP" means means AP Capital REIT Limited Partnership, a British Columbia limited partnership established by the REIT and the General Partner pursuant to the laws of the Province of British Columbia and the CDN LP Agreement;

"CDN LP Agreement" means the agreement establishing the CDN LP made as of June 25, 2015 between the General Partner and the REIT, as such agreement may be amended, restated, modified or supplemented from time to time;

"CDN LP Founding Limited Partner" means Steve Froese, businessman and resident of Alberta;

"CDN LP Limited Partner" means a partner of the CDN LP holding Class A CDN LP Units or Class B CDN LP Units of the CDN LP;

"CDN/US LP" means AP Capital REIT (CDN/US) Limited Partnership, a British Columbia limited partnership established by the REIT and the General Partner pursuant to the laws of the Province of British Columbia and the CDN/US LP Agreement;

"CDN/US LP Agreement" means the agreement establishing the CDN/US LP made as of June 25, 2015 between the General Partner and the REIT, as such agreement may be amended, restated, modified or supplemented from time to time;

"CDN/US LP Founding Limited Partner" means Steve Froese, businessman and resident of Alberta;

"CDN/US LP Limited Partner" means a partner of the CDN/US LP holding Class A CDN/US LP Units or Class B CDN/US LP Units of the CDN/US LP;

"Class A CDN LP Unit" means a Class A limited partnership unit of the CDN LP and includes the Class A limited partnership units of the CDN LP acquired by the REIT with the gross proceeds of the sale of Units;

"Class A CDN/US LP Unit" means a Class A limited partnership unit of the CDN/US LP and includes the Class A limited partnership units of the CDN/US LP acquired by the REIT with the gross proceeds of the sale of Units;

"Class A Preferred Return (CDN/US LP)" means an annual amount equal to \$70 per Unit, payable to the Limited Partners holding Class A CDN/US LP Units of the CDN/US LP;

“Class A Proportionate Share (CDN/US LP)” of any amount at any time, means a fraction equal to the number of Class A CDN/US LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class A CDN/US LP Units at that time;

“Class A Preferred Return (CDN LP)” means an annual amount equal to \$70 per Unit, payable to the Limited Partners holding Class A CDN LP Units of the CDN LP;

“Class A Proportionate Share (CDN LP)” of any amount at any time, means a fraction equal to the number of Class A CDN LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class A CDN LP Units at that time;

“Class A Unit” means a Class A trust unit of the REIT;

“Class B LP Unit (CDN/US LP)” means a Class B limited partnership unit of the CDN/US LP;

“Class B LP Unit (CDN LP)” means a Class B limited partnership unit of the CDN LP;

“Class B Proportionate Share (CDN/US LP)” of any amount at any time, means a fraction equal to the number of Class B CDN/US LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class B CDN/US LP Units at that time;

“Class B Proportionate Share (CDN LP)” of any amount at any time, means a fraction equal to the number of Class B CDN LP Units of which a Limited Partner is the registered holder at that time divided by the total number of issued and outstanding Class B CDN LP Units at that time;

“Class B Unit” means a Class B trust unit of the REIT;

“Class C1 Unit” means a Class C1 trust unit of the REIT;

“Class C2 Unit” means a Class C2 trust unit of the REIT;

“Class D1 Unit” means a Class D1 trust unit of the REIT;

“Class D2 Unit” means a Class D2 trust unit of the REIT;

“Class E Unit” means a Class E trust unit of the REIT;

“Class F Unit” means a Class F trust unit of the REIT;

“Class G Unit” means a Class G trust unit of the REIT;

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

“Cost Sharing and Recovery Agreements” means the Cost Sharing and Recovery Agreement (CDN/US LP) and the Cost Sharing and Recovery Agreement (CDN LP), together;

“Cost Sharing and Recovery Agreement (CDN/US LP)” means an agreement dated as of June 26, 2015 between the REIT and the CDN/US LP pursuant to which the CDN/US LP has agreed to bear all of the costs of this Offering incurred by the REIT, as a cost of issuing Class A CDN/US LP Units;

“Cost Sharing and Recovery Agreement (CDN LP)” means an agreement dated as of June 26, 2015 between the REIT and the CDN LP pursuant to which the CDN LP has agreed to bear all of the costs of this Offering incurred by the REIT, as a cost of issuing Class A CDN LP Units;

“Debt Securities” means debt securities of any subsidiary of the REIT 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;

“Declaration of Trust” means the Declaration of Trust dated June 26, 2015, as amended from time to time, creating the REIT under the laws of the Province of British Columbia;

“Deferred Plan” means a trust governed by a “registered retirement savings plan”, “registered retirement income fund” or “deferred profit sharing plan” as those terms are defined in the Tax Act;

“Designated Beneficiary” has the meaning given to it in section 210 of the Tax Act and proposed subsection 210(1) of the Tax Act;

“Disposition Fee” means a fee payable to the General Partner for services rendered in connection with the sale of a Property, including identifying and engaging a real estate broker, readying the Property for sale and overseeing the conduct and completion of the sale process, in an amount equal to 0.45% of the gross selling price of the Property, plus GST if applicable, and payable to the General Partner upon the completion of the sale of the Property;

“Distributable Cash (CDN/US LP)” means with respect to a particular period, the amount by which the CDN/US LP’s cash on hand or to be received in respect of that period (excluding any proceeds from any Financing) exceeds:

- (a) unpaid administration expenses of the CDN/US LP but excluding the Asset Management Fee;
- (b) amounts required for the business and operations of the CDN/US LP, including operating expenses and capital expenditures;
- (c) amounts required in order to meet all debts, liabilities and obligations in respect of any Financing, including reserves to ensure compliance with agreements to which the CDN/US LP is subject; and
- (d) any amounts which the General Partner in its discretion determines is necessary to satisfy the CDN/US LP’s current and anticipated debts, liabilities and obligations and to comply with applicable laws;

“Distributable Cash (CDN LP)” means with respect to a particular period, the amount by which the CDN LP’s cash on hand or to be received in respect of that period (excluding any proceeds from any Financing) exceeds:

- (a) unpaid administration expenses of the CDN LP but excluding the Asset Management Fee;
- (b) amounts required for the business and operations of the CDN LP, including operating expenses and capital expenditures;
- (c) amounts required in order to meet all debts, liabilities and obligations in respect of any Financing, including reserves to ensure compliance with agreements to which the CDN LP is subject; and
- (d) any amounts which the General Partner in its discretion determines is necessary to satisfy CDN LP’s current and anticipated debts, liabilities and obligations and to comply with applicable laws;

“Distributable Cash Flow (Trust)” means, for any calendar month, an amount equal to the Cash Flow (Trust) for such month, 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 REIT, that have been or are reasonably expected

to be incurred in the activities and operations of the REIT (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow (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 calendar month, means a date on which the Trustee is required to make a distribution of Distributable Cash Flow (Trust), which date shall be on or before the 15th day of the next calendar month or, if such day is not a Business Day, the immediately following Business Day, except in the case of the distribution for the period ending December 31 in which case the Distribution Payment Date will be the immediately preceding Business Day or such other date determined from time to time by the Trustee;

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

“Financing” means any credit facility granted or extended to or for the benefit of, or investment by way of debt in, the CDN LP or the US LP whereby or pursuant to which money, credit or other financial accommodation has been or may be provided, made available or extended to the CDN LP or US LP by way of borrowed money, the purchase of debt instruments or securities, bankers acceptances, letters of credit, overdraft or other forms of credit and financial accommodation, and includes any and all trust deeds, indentures, mortgages, bonds or debentures (whether issued and delivered as security or sold to a purchaser), security agreements and other deeds, instruments or documents in respect thereof;

“Fiscal Year” means each consecutive period of twelve (12) months coinciding with the calendar year and ending on December 31;

“General Partner” means AP Capital REIT (GP) Ltd.;

“Greenway Property” means the lands and premises acquired by the US LP located at 3202-3342 East Greenway Road, Phoenix, Maricopa County, Arizona 85032;

“Lender” means a lender and mortgagee of any of the Mortgage Loans;

“Manager” means AP Capital REIT Services Ltd.;

“Morrison Centre” means the lands and premises acquired by the CDN LP located at 9914 Morrison Street, Fort McMurray, Alberta;

“Mortgage” means a mortgage, charge, pledge, hypothec, lien, security interest or other encumbrance of any kind or nature whatsoever of real property located in Canada;

“Net Asset Value” means, on the date that such valuation is made, the aggregate fair market value of the assets of the REIT on such valuation day less the amount of the liabilities of the REIT at that time, as determined in accordance with the terms of the Trust Declaration;

“Net Asset Value Per Unit” means the quotient obtained by dividing the aggregate Net Asset Value by the number of Units issued and outstanding;

“Net Subscription Proceeds” means the gross proceeds to the REIT from the sale of the Units less the costs of this Offering and the Sales Fee;

“Non-residents” means non-residents of Canada within the meaning of the Tax Act and includes partnerships that are not “Canadian partnerships” within the meaning of the Tax Act;

“Offering” means this offering of Units;

“Ordinary Resolution” means a resolution approved by more than 50% of the votes cast by those Unitholders who vote and who are entitled to vote in person or by proxy at a duly convened meeting of Unitholders, or a written resolution in one or more counterparts distributed to all Unitholders and signed by Unitholders holding in the aggregate more than 50% of the aggregate number of votes held by those Unitholders who are entitled to vote;

“Partnership Capital Contribution (CDN LP)” means the total amount of money or property paid to the CDN LP in respect of Units held by a Limited Partner;

“Partnership Capital Contribution (CDN/US LP)” means the total amount of money or property paid to the CDN/US LP in respect of Units held by a Limited Partner;

“Permitted Investments” means

- (a) debt obligations of or guaranteed by the Government of Canada or a province of Canada;
- (b) 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;
- (c) interest-bearing accounts and short term (which shall mean having a date of maturity or call for payment not more than 60 days from the date on which the investment is made) certificates of deposit issued or guaranteed by a Canadian chartered bank or trust company, provincial credit union or registered broker dealers;
- (d) money market mutual funds; or
- (e) any combination thereof;

“Portfolio” means, collectively, the Canadian Portfolio and the US Portfolio;

“Properties” means the revenue-producing commercial real estate properties to be acquired, owned and operated by the CDN LP and the US LP and **“Property”** means any one of them;

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

“Redemption Penalty Amount” means:

- (a) with respect to a Unitholder holding Class C1, D1 or E Units who has requested the redemption of such Units by the REIT pursuant to the terms and conditions of the Trust Declaration:
 - (i) up to 7% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C1, D1 or E Units to be redeemed where the request for redemption occurs within 12 months from the date that the subscription for such Class C1, D1 or E Units was accepted by the Trustee on behalf of the REIT;
 - (ii) up to 6% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C1, D1 or E Units to be redeemed where the request for redemption occurs between 13 months and 24 months from the date that the subscription for such Class C1, D1 or E Units was accepted by the Trustee on behalf of the REIT;
 - (iii) up to 5% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C1, D1 or E Units to be redeemed where the request for redemption occurs

between 25 months and 36 months from the date that the subscription for such Class C1, D1 or E Units was accepted by the Trustee on behalf of the REIT;

- (iv) up to 4% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C1, D1 or E Units to be redeemed where the request for redemption occurs between 37 months and 48 months from the date that the subscription for such Class C1, D1 or E Units was accepted by the Trustee on behalf of the REIT;
- (v) up to 3% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C1, D1 or E Units to be redeemed where the request for redemption occurs between 49 months and 60 months from the date that the subscription for such Class C1, D1 or E Units was accepted by the Trustee on behalf of the REIT;

For greater clarity, there will be no Redemption Penalty Amount applicable to Class C1, D1 or E Units that have been held by a Unitholder for more than sixty (60) months;

- (b) with respect to a Unitholder holding Class C2 or D2 Units who has requested the redemption of such Units by the REIT pursuant to the terms and conditions of the Trust Declaration:
 - (i) 2% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C2 or D2 Units to be redeemed where the request for redemption occurs within 12 months from the date that the subscription for such Class C2 or D2 Units was accepted by the Trustee on behalf of the REIT;
 - (ii) 1% of the amount of the Subscription Price paid by the Unitholder with respect to the Class C2 or D2 Units to be redeemed where the request for redemption occurs between 13 months and 24 months from the date that the subscription for such Class C2 or D2 Units was accepted by the Trustee on behalf of the REIT;

For greater clarity, there will be no Redemption Penalty Amount applicable to Class C2 or D2 Units that have been held by a Unitholder for more than twenty-four (24) months;

- (c) with respect to a Unitholder holding Class G Units who has requested the redemption of such Units by the REIT pursuant to the terms and conditions of the Trust Declaration:
 - (i) \$350 per Class G Unit to be redeemed where the request for redemption occurs within 12 months from the date that the subscription for such Class G Units was accepted by the Trustee on behalf of the REIT;

For greater clarity, there will be no Redemption Penalty Amount applicable to Class G Units that have been held by a Unitholder for more than twelve (12) months;

"REIT" means means AP Capital REIT, a trust created pursuant to the Declaration of Trust;

"RESPs" means registered education savings plans as defined in the Tax Act;

"Sales Fee" means a fee which may be paid by the REIT to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 7% of the subscription monies obtained by such persons, payable at the time of the initial subscription;

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

“Special Resolution” means a resolution approved by not less than 75% of the votes cast by those Unitholders who vote and are entitled to vote in person or by proxy at a duly convened meeting of Unitholders or a written resolution in one or more counterparts distributed to all Unitholders and signed by Unitholders holding in the aggregate not less than 75% of the aggregate number of votes held by those Unitholders who are entitled to vote;

“Subscriber” means a subscriber for Units;

“Subscription Form” means the subscription form to subscribe for Units in the form of Schedule A attached hereto;

“Subscription Price” means the amount paid by a Subscriber for a Unit;

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

“Termination Date” means the date on which the REIT is terminated;

“TFSAs” means tax-free savings accounts as defined in the Tax Act;

“Trailer Fee” means an annual fee payable to agents selling Class C1/C2 and Class D1/D2 Units, commencing after the first anniversary of any subscriptions for such units, up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent;

“Trustee” means AP Capital REIT Operations Ltd., the Trustee named under the Declaration of Trust;

“Trust Notes” means promissory notes of the REIT 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 REIT’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 REIT or by the Trustee on behalf of the REIT, including:

- (a) the contribution in the amount of \$10 by the settlor of the REIT;
- (b) all funds or property derived from the issuance or sale of Units and Trust Notes or other funds or property received by the REIT;
- (c) any Class A CDN/US LP Units and the Class A CDN LP Units or other securities of the CDN/US LP or the CDN LP or of any other person held from time to time by or on behalf of the REIT;
- (d) any Permitted Investments held from time to time by or on behalf of the REIT;
- (e) 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 REIT; and
- (f) 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;

“Unit” means a unit of individual beneficial interest in the REIT;

“**Unitholders**” means those investors whose subscriptions to purchase Units are accepted by the REIT and thereafter at any particular time the persons entered in the register or registers of the REIT as holders of Units and the singular form means one such registered holder;

“**US Class A LP Units**” means limited partnership units of the US LP;

“**US GP**” means AP Capital REIT US (GP) Ltd., an Arizona corporation;

“**US LP**” means AP Capital REIT (USA) LP, an Arizona limited partnership;

“**US LP Loan**” means a loan to be made by the CDN/US LP to the US LP and used by the US LP for the purposes of acquiring, owning and operating Properties comprising the US Portfolio;

“**US Portfolio**” means the revenue-producing real estate properties acquired, and owned and operated by the US LP with the proceeds from the issuance of US Class A LP Units to the CDN/US LP.

CANADIAN CURRENCY

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

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Available Funds of the REIT		
Sources of Funds	Assuming Minimum Offering⁽¹⁾	Assuming Maximum Offering⁽²⁾
A. Amount to be Raised by this Offering	N/A	\$10,000,000
B. Selling Commissions and Fees ⁽³⁾	N/A	N/A
C. Costs of the Offering (e.g., legal, accounting, audit) ⁽⁴⁾	N/A	N/A
D. Available Funds: D = A – (B + C)	N/A	\$10,000,000
E. Additional Sources of Funding Required	N/A	N/A
F. Working Capital Deficiency ⁽⁶⁾⁽⁷⁾	N/A	\$3,098,261.85
G. Total: G = (D+E) - F	N/A	\$6,901,738.15
Use of Net Funds By Trust		
I. Operating and administrative costs of the Trust	N/A	\$35,000
J. Investment by Trust in Class A CDN LP Units and Class A CDN/US LP Units ⁽⁵⁾	N/A	\$6,866,738.15
K. Total	N/A	\$6,901,738.15

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering. This is a continuous offering. Subscription prices for Units vary, and so the value of “\$10,000,000” is used for illustrative purposes only.

⁽³⁾ The REIT may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 7% of the subscription monies. Pursuant to the Cost Sharing and Recovery Agreements, the CDN LP and the CDN/US LP will reimburse the REIT for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the REIT in offering the Units and obtaining

subscriptions for Units, in consideration of the REIT investing the subscription proceeds in the acquisition of Class A CDN LP Units and Class A CDN/US LP Units. See Item 1.2 below, “Use of Available Funds”.

- (4) Estimated Offering Costs include expenses of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, fees and disbursements of legal counsel and accountants, and the reasonable out-of-pocket expenses (including applicable taxes) of the General Partner in connection with such issue, sale and delivery. Pursuant to the Cost Sharing and Recovery Agreements, the CDN LP and the CDN/US LP will reimburse the REIT for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the REIT in offering the Units and obtaining subscriptions for Units, in consideration of the REIT investing the subscription proceeds in the acquisition of Class A CDN LP Units and Class A CDN/US LP Units. See Item 1.2 below, “Use of Available Funds”.
- (5) The net proceeds raised by the REIT from the issuance of the Units will be invested in Class A CDN LP Units and Class A CDN/US LP Units.
- (6) The REIT’s working capital deficiency includes a \$1,107,200 (USD\$800,000) demand loan payable to Tandem Assets I LP, an Alberta limited partnership which is related to the REIT in that its general partner has directors and officers in common with the Trustee. This loan is a non-interest bearing demand loan and, subject to Tandem Assets I LP obtaining approval from its limited partners (and compliance with applicable securities laws, rules and regulations), may be converted by Tandem Assets I LP into Units of the REIT.
- (7) Pursuant to the terms and conditions of the Administration Agreements, as amended, the CDN LP and the US LP owe the Manager accrued and unpaid management fees in the aggregate amount of \$1,991,061.85. This figure does not include the Acquisition Fee in the amount of \$375,000 + GST that would have been payable in respect of the purchase of Morrison Centre, because the Manager has waived payment of that fee. Pursuant to the terms of the Administration Agreements, the Manager may require the CDN LP and/or the US LP to pay all or any portion of these fees to the Manager by issuing to the Manager that number of Class A CDN LP Units and/or that number of Class A US LP Units at a price equal to 80% of the then current Subscription Price for such units, having an aggregate price equal to pay the Acquisition Fee, the management fees then payable. The Manager intends to request that its accrued and unpaid management fees be paid to it as Class A CDN LP Units and/or number of Class A US LP Units, which will have a positive impact on the cash flow of the REIT because the cash that would otherwise have been paid to the manager on account of such fees will instead be available for future property acquisitions, capital improvements and working capital. See Item 2.7 “Material Agreements – Administration Agreement”.

1.2 Use of Available Funds

The REIT intends to use the Net Subscription Proceeds to invest in and acquire the Class A CDN LP Units and Class A CDN/US LP Units. Pending such investment, the Net Subscription Proceeds will be invested in Authorized Interim Investments.

The CDN LP has been established by the REIT for the purposes of establishing the Canadian Portfolio of Properties and acquiring Mortgages in Canada. The CDN/US LP has been established by the REIT for the purposes of investing in the US LP, which will establish the US Portfolio of Properties and acquire Mortgages in the United States. See Item 2.2 “Our Business”, below, for a more complete description of the business of the CDN LP and the CDN/US LP. Pending investment in the Properties and Mortgages, the gross proceeds received by the CDN LP and the CDN/US LP on account of the subscription by the REIT in the Class A CDN LP Units and Class A CDN/US LP Units will be invested in Authorized Interim Investments. The General Partner will use its best efforts to make suitable investments of such funds as soon as possible following each Closing.

A portion of the Net Subscription Proceeds will be invested by the CDN/US LP in the US LP. The US LP has been established for the purposes of acquiring, owning and operating a portfolio (the “US Portfolio”) of revenue-producing real estate properties in the United States.

Description of intended use of available funds by the CDN LP and the US LP listed in order of priority	Assuming min. offering ⁽¹⁾	Assuming max. offering ⁽²⁾
Payment of Offering Costs	N/A	\$75,000
Payment of Sales Fees	N/A	\$400,000 ⁽⁵⁾
Investment in Properties and Mortgages, including Properties	N/A	\$6,391,738.15

acquired by the US LP ⁽¹⁾⁽²⁾		
Total: Equal to J in the “Available Funds of the REIT” table at Item 1.1 above	N/A	\$6,866,738.15

- (1) There is no minimum offering.
- (2) There is no maximum offering. This is a continuous offering. Subscription prices for Units vary, and so the value of “\$10,000,000” is used for illustrative purposes only.
- (3) Tandem Assets I LP loaned \$1,107,200 (USD\$800,000) to the US LP in October, 2015 to assist with the acquisition of the Greenway Property. Tandem Assets I LP is an Alberta limited partnership which is related to the REIT in that its general partner has directors and officers in common with the Trustee. The money loaned by Tandem Assets I LP to the REIT is non-interest bearing, repayable on demand and (subject to approval by the limited partners of Tandem Assets I LP and compliance with applicable securities laws, rules and regulations) may be converted by Tandem Assets I LP into Units of the REIT. Although this loan is not currently payable, Tandem Assets I LP could demand repayment at any time.
- (4) Pursuant to the terms and conditions of the Administration Agreements, as amended, the CDN LP and the US LP owe the Manager accrued and unpaid management fees in the aggregate amount of \$1,991,061.85. The Manager may require the CDN LP and/or the US LP to pay all or any portion of these fees to the Manager by issuing to the Manager that number of Class A CDN LP Units and/or that number of Class A US LP Units at a price equal to 80% of the then current Subscription Price for such units, having an aggregate price equal to pay the Acquisition Fee, the management fees then payable. The Manager intends to request that its accrued and unpaid management fees be paid to it as Class A CDN LP Units and/or number of Class A US LP Units, which will have a positive impact on the cash flow of the REIT because the cash that would otherwise have been paid to the manager on account of such fees will instead be available for future property acquisitions, capital improvements and working capital. See Item 2.7 “Material Agreements – Administration Agreement”.
- (5) The REIT may pay sales fees pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. Accordingly, using the illustrative example of \$10,000,000 as noted in Note 2 above, the REIT could pay as much as \$700,000 in up front selling commissions and fees. The amount included in the table above is based on the REIT’s expectation that the average sales fee paid will be approximately 4% of the subscription proceeds. In addition, the Trustee may pay agents selling Class C1/C2, Class D1/D2 and Class F Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. To the extent that the REIT is responsible for the payment of compensation to securities dealers, the funds available to the REIT will be reduced.

1.3 Reallocation

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

ITEM 2 - BUSINESS OF THE REIT

2.1 Structure

The REIT – The REIT is an open-ended, unincorporated investment trust governed by the laws of the Province of British Columbia. The REIT was formed by a Declaration of Trust made June 26, 2015, as amended by an Amendment Agreement dated for reference the 11th day of August, 2015 and as further amended by an Amendment to the Declaration of Trust dated May 1, 2016, between the Trustee and James Speakman, as settlor. The principal office of the REIT is located at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8.

The REIT intends to qualify as a mutual fund trust for purposes of the Tax Act. The beneficial interests in the REIT are divided into Units. There is no limit to the number of Units that may be issued by the REIT, subject to any determination to the contrary made by the Trustee.

The Trustee – The Trustee of the REIT is AP Capital REIT Operations Ltd., which was incorporated pursuant to the *Business Corporations Act* (British Columbia) on December 23, 2014 under incorporation number BC1023032. The

registered and records office of the Trustee is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

The CDN LP – The CDN LP was formed by the REIT and the General Partner under the name “AP Capital REIT Limited Partnership” by a Certificate of Limited Partnership filed pursuant to the *Partnership Act* (British Columbia) on June 25, 2015 under registration number LP664124. The registered office of the CDN LP is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

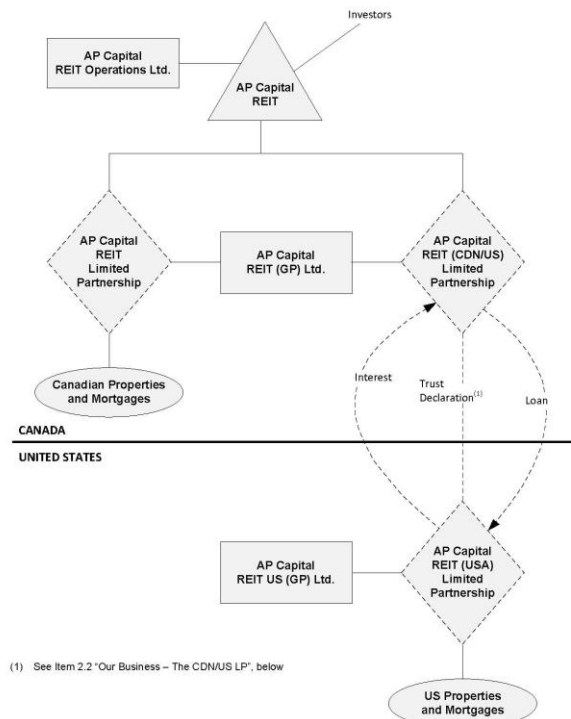
The CDN/US LP – The CDN/US LP was formed by the REIT and the General Partner under the name “AP Capital REIT (CDN/US) Limited Partnership” by a Certificate of Limited Partnership filed pursuant to the *Partnership Act* (British Columbia) on June 25, 2015 under registration number LP664121. The registered office of the CDN/US LP is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

The General Partner – The general partner of the CDN LP and the CDN/US LP is AP Capital REIT (GP) Ltd., a British Columbia company incorporated under the *Business Corporations Act* (British Columbia) on November 13, 2014, under incorporation number BC01018996. The registered and records office of the General Partner is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1.

The US LP – The US LP was formed by the US LP Founding Limited Partner and the US GP under the name “AP Capital REIT (USA) LP” by a Certificate of Limited Partnership filed pursuant to the laws of the State of Arizona on September 11, 2015. The registered office of the US LP is located at 2390 East Camelback Road, Phoenix, Arizona.

The US GP – The general partner of the US LP is AP Capital REIT US (GP) Ltd., a corporation incorporated under the laws of the State of Arizona on September 9, 2015. The registered office of the US GP is located at 2390 East Camelback Road, Phoenix, Arizona.

AP CAPITAL REIT ORGANIZATIONAL STRUCTURE



2.2 Our Business

The REIT - The REIT has been established for the purpose of investing in the Class A CDN LP Units issued by the CDN LP and the Class A CDN/US LP Units issued by the CDN/US LP. The REIT will invest the Net Subscription Proceeds that it receives from the issuance of its Units to qualified investors in Class A CDN/US LP Units and Class A CDN LP Units, in such proportions as the Trustee may determine. The REIT will also temporarily hold cash and money market investments for the purposes of paying the expenses and liabilities of the REIT, paying amounts payable by the REIT in connection with the redemption of any Units, and making distributions to Unitholders.

The principal business of the REIT will be to issue Units and to acquire and hold Class A CDN LP Units and Class A CDN/US LP Units. The REIT's long-term objective is to earn income by way of distributions from the CDN LP and the CDN/US LP to holders of the Class A CDN LP Units and the Class A CDN/US LP Units, which will originate from the CDN LP's portfolio of income-producing Properties in Canada and the CDN/US LP's investment in the US LP's portfolio of income-producing real estate Properties in the United States and the portfolio of Mortgages held by each of the CDN LP and the US LP. An investment in Units is intended to provide Subscribers with the opportunity to receive cash distributions originating from the ongoing operation of the Properties and the ownership of the Mortgages.

The CDN LP - The gross proceeds from the issuance of the Units will be invested by the REIT in the CDN LP and the CDN/US LP through the REIT's investment in Class A CDN LP Units and Class A CDN/US LP Units, in such proportions as the Trustee may determine. The CDN LP will use the net subscription proceeds received from the REIT for the purposes of:

- (a) acquiring, owning and operating Morrison Centre and an as-yet unidentified portfolio (the "**Canadian Portfolio**") of additional revenue-producing real estate properties ("**Properties**") in Canada;
- (b) developing or redeveloping a building or buildings on one or more Properties and thereafter owning and operating such Properties on a long-term basis;
- (c) subject to the availability of funds and the market conditions in which the CDN LP operates, providing short-term, secured mortgages (collectively "**Short Term Mortgage Lending**") with respect to real estate properties owned or to be acquired by third parties unrelated to the CDN LP (each a "**Mortgage Borrower**") and subject to the parameters set out under the heading "Short Term Mortgage Lending Financing Terms", below; and
- (d) conducting any other business or activity incidental, ancillary or related thereto.

To date, other than Morrison Centre previously acquired by the CDN LP, the General Partner has not identified any Properties for potential acquisition by the CDN LP.

In carrying on its business, the CDN LP may:

- (a) acquire Properties from the officers and directors of the General Partner or from partnerships and or corporations controlled by the officers and directors of the General Partner. In acquiring Properties from such parties, the purchase price of such Properties shall be based on the value established by a certified appraisal obtained from an independent appraiser with respect to the Property in question; and
- (b) invest in short term investment opportunities with respect to undeveloped and developed parcels of lands where the General Partner identifies an opportunity to increase the re-sale value of a parcel through having a parcel re-zoned or through obtaining a change of use with respect to a parcel to achieve the overall "highest and best use" of a parcel. Investments by the CDN LP in this respect shall not exceed more than 20% of the overall anticipated Portfolio value of the CDN LP.

Subscribers should note that neither they nor any limited partner of the CDN LP will acquire an interest in the CDN LP's Properties or Mortgages.

The CDN/US LP - The gross proceeds from the issuance of the Units will be invested by the REIT in the CDN LP and the CDN/US LP through its investment in Class A CDN LP Units and Class A CDN/US LP Units, in such proportions as the Trustee may determine. The CDN/US LP will use the net subscription proceeds received from the REIT for the purposes of:

- (e) acquiring limited partnership units ("**US Class A LP Units**") of AP Capital REIT (USA) LP, an Arizona limited partnership (the "**US LP**");
- (f) advancing funds to the US LP by way of loan (the "**US LP Loan**"); and
- (g) conducting any other business or activity incidental, ancillary or related thereto.

On October 29, 2015, the CDN/US LP acquired 5,382.10623 Class A Units of the US LP (the "**October 2015 US LP Units**"). In order to satisfy the requirements of the mortgage lender to the US LP, Steve Froese, the sole director of the US GP, has entered into a Declaration of Bare Trust and Agency Agreement dated November 1, 2015, whereby Mr. Froese has agreed to hold the October 2015 US LP Units as bare trustee, nominee and agent for the sole benefit and account of the CDN/US LP, which was deemed necessary due to the lack of borrowing and credit history of the newly formed US LP. It is expected that as the REIT and the US Portfolio continue to grow and the US LP continues to deal with US-based lenders, this arrangement will be unnecessary and the CDN/US LP will hold US LP Units directly in the future.

Subscribers should note that neither they nor any limited partner of the CDN/US LP will acquire an interest in the CDN/US LP's Properties or Mortgages.

The US LP - The Net Subscription Proceeds received by the US LP from the issuance of the US Class A LP Units to the CDN/US LP and from the US LP Loan will be used for the purposes of:

- (a) acquiring, owning and operating Greenway Plaza and an as-yet unidentified portfolio (the "**US Portfolio**") of additional revenue-producing real estate properties in the United States;
- (b) developing or redeveloping a building or buildings on the Property and thereafter owning and operating such Property on a long-term basis;
- (c) subject to the availability of funds and the market conditions in which the US LP operates, providing short-term, secured mortgages (collectively "**Short Term Mortgage Lending**") with respect to real estate properties owned or to be acquired by third parties unrelated to the US LP (each a "**Mortgage Borrower**") and subject to the parameters set out below under the heading "Short Term Mortgage Lending Financing Terms", below; and
- (d) conducting any other business or activity incidental, ancillary or related thereto.

The US LP may accept subscriptions directly from qualified US investors, and such funds will be used in addition to funds received from the CDN/US LP for the purposes enumerated above.

To date, other than Greenway Plaza previously acquired by the US LP, the US GP has not identified any Properties for potential acquisition by the US LP.

Investment Philosophy

Each of the General Partner's and US GP's focus will be on purchasing commercial Properties that are undervalued and mismanaged in markets located in municipal centres within North America that show promising potential for

growth and where the asset values are sufficient to allow profitable operations over the subject term and the continued financing of additional Properties. As well, prior to Properties being identified for purchase and when funds are otherwise available for short term investment, each of the General Partner and the US GP will identify Mortgages for investment.

The General Partner and US GP each believes that research combined with professional management expertise is the cornerstone to a successful real estate investment program. The General Partner and US GP aim to create value by investing in Properties that they have identified as having the potential to create value:

- (a) by purchasing mismanaged, undervalued or underutilized Properties from vendors;
- (b) by performing strategic renovations and other capital improvements to the Properties, if required, to improve marketability, rental income and occupancy levels thereby causing forced appreciation;
- (c) by refinancing Properties where appropriate to realize immediate market value gains and reinvest funds to acquire additional Properties for the Portfolio; and
- (d) by realizing value through capital appreciation of the Portfolio through the acquisition of Properties based on solid economic fundamentals and research.

The General Partner and US GP intend to operate on the following principles:

- (a) that strategically-located Properties in areas with solid economic fundamentals have historically appreciated in value over time;
- (b) that the current low interest environment enables real estate owners to obtain historically low mortgage rate financing;
- (c) that when total income from a Property meets or exceeds the Property carrying costs, there is an opportunity to gain positive leverage which increases the overall return on equity invested;
- (d) that the current low financing costs provide investment opportunity in real estate with attractive leveraged yields that are not available from many other investment alternatives; and
- (e) that real estate investment is also likely to provide an opportunity for greater returns through leveraged capital appreciation.

The General Partner and US GP also believe that Properties may be acquired at attractive prices as a result of market inefficiencies, below market rents, poor management practices or an absence of sound investment strategies by the current property owners. By providing experienced and proven management systems, the General Partner and US GP anticipate higher returns from these Properties over time.

The General Partner and US GP believe that increased value can be realized through a variety of techniques such as strategic renovations, restructuring, refinancing, re-branding, re-leasing, re-negotiating existing leases, change of use, capital improvements, or market repositioning.

Investment Mandate

The General Partner and US GP will focus on acquiring Properties that can be purchased for less than what the General Partner and US GP believe to be their intrinsic value. The General Partner and US GP will identify investments in the market segment between that occupied by individual real estate investors and by pension funds, REITs and public real estate companies.

The General Partner and US GP believe there is an opportunity to purchase Properties in this niche either before they come to market, at valuations below those that would be paid in an open bidding process, or when analysis suggests an undervaluation.

Target real estate markets are continually reviewed by the General Partner and US GP to assess the potential for new opportunities.

Economic fundamentals are the key drivers to the selection of areas and Properties. As the CDN LP's and the US LP's available funds grow, the Portfolio will be expanded to include Properties that can benefit from economies of scale, and also fit within the investment philosophy.

Investment Strategy

The General Partner and US GP intend to make acquisitions that represent an opportunity to establish and improve the overall quality of the Portfolio, minimize and mitigate the risk(s) associated with any investment and enhance the sustainability of the long term investment strategy of the CDN LP and the US LP.

The General Partner and US GP will focus on acquiring Properties which they believe to be operating below their potential realizable value. The General Partner and US GP will focus on identifying Properties for possible acquisition in growth markets and aggressively manage and reposition those Properties with the view to preserving partnership capital, and enhancing the potential for increased income and capital gains.

The General Partner and US GP will focus on acquiring Properties located in municipal centres within North America. This will allow the CDN LP and US LP to capitalize on operational efficiencies and further increase their presence and critical mass in these markets.

The CDN LP and the US LP may also expand, renovate or take advantage of the development opportunities presented by a Property to enhance the return on partnership capital while retaining a diversified Portfolio and conservative risk profile as a whole. Consistent cash flow creates the ability to pay interest on the debt incurred to purchase Properties.

Re-mortgaging an existing Property over time will provide pools of further investment capital which can be used to reduce the mortgage principal or reinvest in additional Properties, all of which serves to increase the value of the Portfolio.

Excess cash flow will be re-invested into the Portfolio or utilized to pay down any mortgage debts on the Properties. Additionally the General Partner and the US GP may invest these idle funds into Mortgages providing the CDN LP and the US LP with additional investment returns and positive cash flow.

Investment Process

The CDN LP and the US LP intend to use the aggregate net proceeds realized from this Offering together with the proceeds from periodic re-mortgaging of their Properties and positive cash flow to acquire Properties and manage/operate the Portfolio.

The CDN LP and the US LP will purchase Properties at prices and on terms negotiated with arm's length third party vendors. In some cases the CDN LP and US LP might acquire a property under an agreement initiated by the General Partner, US GP or parties associated with the General Partner or US GP, or their nominee, with arm's length third party vendors, which agreement will be assigned to the CDN LP or US LP, as the case may be, which will, upon assignment, reimburse any deposits and due diligence or other out-of-pocket expenses incurred by the General Partner or US GP before the assignment.

From time to time, there may be a fee charged for property assignments by the General Partner and/or US GP, as applicable.

The CDN LP and US LP may purchase Properties from the officers and directors of the General Partner or US GP, as the case may be, or from corporations associated with such parties at a price below or equal to the average of the value established by a certified appraisal obtained from an independent appraiser with respect to the Property in question and a single market valuation obtained from an independent realtor with respect to the Property.

The General Partner and US GP will identify and evaluate potential acquisitions. When the General Partner and US GP decide that an acquisition is worth considering, then a strict due diligence process is followed. The General Partner and US GP may obtain independent property, environmental and structural reports even if not required by lenders.

The following are some of the material considerations that the General Partner and US GP will examine as part of their due diligence process with respect to a proposed acquisition of a Property:

Appraisal - What is the Property worth and how was it appraised (Direct comparison, Income or Cost Approach).

Zoning - What is the Property being used for today? Is it the best use? Are there limitations against future improvements/additions to the Property?

Financing - How is this Property going to be purchased? How will lenders view this purchase?

Environmental Report - Are there any current environmental concerns? What is the environmental history of the Property?

Engineering Report - What is the condition of the existing building or buildings located on the Property? What is the structural integrity of any buildings?

Site Survey Real Property Report - Are there any easements registered on the Property?

Macroeconomics - Refer to high level economic fundamentals that speak to the future viability to a neighborhood, city or province. These are broad economic indicators that help the General Partner identify areas of interest based on several key factors.

Net Migration - What are the population trends in the area? Are there more people arriving or departing? Thriving areas tend to see population increases over the long term. An increase is generally a positive indicator for real estate values as more people arrive and the supply of available residential and commercial properties tighten.

Industry - What are the major industries in the area? Who are the major employers and how much of the job market do they represent? What are the future prospects for current major employers? What other businesses are locating/relocating in the area?

Transportation - How accessible is the area? Are there any infrastructure expansion plans pending?

Government - How easy/difficult is it to do business in the area? How do taxes for businesses compare to other areas?

After the successful acquisition of a Property, the General Partner and US GP will implement a value enhancement process that consists of value-increasing and revenue augmentation activities, including strategic capital improvements and the implementation of value-added tenant services.

The Properties will be monitored by the General Partner and US GP on a constant basis to gauge the effectiveness of the management process on cash flows and tenant satisfaction. Through analysis of market rental rates, the General Partner and US GP will determine where capital expenditures will permit the largest increase in rents and

when a Property's rate of return has been maximized. The General Partner and US GP may decide to sell a particular Property and reinvest capital into opportunities that will provide superior returns.

Disposition Guidelines

The CDN LP and US LP may sell a Property when the General Partner and US GP determine that the associated capital can be more efficiently deployed. This is an ongoing monitoring process, where economic, political and demographic trends are taken into account.

The CDN LP and US LP may also sell Properties to the officers and directors of the General Partner or US GP or to corporations or limited partnerships associated with such parties at a purchase price based on the value established by a certified appraisal obtained from an independent appraiser with respect to the Property in question

The General Partner and US GP may, at their discretion and without notice to the limited partners of the CDN LP or the US LP, reallocate the CDN LP's and/or the US LP's assets to Properties as determined by the General Partner or US GP, as applicable, in their discretion.

Debt Financing

The CDN LP and US LP may finance a part of the purchase price and the operating cost of their respective Properties, and may refinance any acquisition financing where more favourable financing becomes available from third party lenders such as banks, trust companies, mortgage syndicates or other providers of mortgage funding. The General Partner and US GP expect that a mortgage loan charging a Property will typically not be more than 75% of the appraised value of the Property, although occasionally higher leverage may be desired or assumed. Additional funds may be required for the property management reserve account which may be required by the applicable lenders.

Cash Flow Payments

In accordance with the terms of their respective limited partnership agreements, the CDN LP and US LP will apply cash flow from operations of the Properties and interest payments from any Mortgages towards the operating expenses, provision of reasonable reserves for working capital, renovations and upgrades to Properties, and the payment of interest and annual principal payments on the mortgage loans of the Properties. The amount by which the cash on hand of each of the CDN LP and the US LP exceed the foregoing will constitute "Distributable Cash" under each of their respective limited partnership agreements.

Pursuant to the CDN LP Agreement, the CDN LP will distribute in each month the amount by which the CDN LP's cash on hand or to be received in respect of that month (excluding any proceeds from any financing) exceeds unpaid administration expenses of the CDN LP (excluding the Asset Management Fee (as defined herein)); amounts required for the business and operations of the CDN LP, including operating expenses and capital expenditures; all current obligations of the CDN LP; and all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by General Partner, as follows:

- (a) first as 0.01% thereof, to the General Partner, to a maximum of \$100 per annum;
- (b) second to Limited Partners holding Class A CDN LP Units, an amount equal to the Class A Preferred Return commencing as of the date a Unit Certificate representing a Class A CDN LP Unit is issued to such Limited Partner;
- (c) third to Limited Partners holding Class B CDN LP Units, an amount equal to 30/70th of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return; less

- (ii) the amount which would have been paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN LP Units and 30% to the limited partners holding Class B CDN LP Units.

Pursuant to the CDN/US LP Agreement, the CDN/US LP will distribute in each month the amount by which the CDN/US LP's cash on hand or to be received in respect of that month (excluding any proceeds from any financing) exceeds unpaid administration expenses of the CDN/US LP (excluding the Asset Management Fee (as defined herein)); amounts required for the business and operations of the CDN LP, including operating expenses and capital expenditures; all current obligations of the CDN/US LP; and all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by General Partner, as follows:

- (a) first as 0.01% thereof, to the General Partner, to a maximum of \$100 per annum;
- (b) second to Limited Partners holding Class A CDN/US LP Units, an amount equal to the Class A Preferred Return commencing as of the date a Unit Certificate representing a Class A CDN/US LP Unit is issued to such Limited Partner;
- (c) third to Limited Partners holding Class B CDN/US LP Units, an amount equal to 30/70th of the difference between:
 - (iii) the amount paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return; less
 - (iv) the amount which would have been paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND/US LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN/US LP Units and 30% to the limited partners holding Class B CDN/US LP Units.

Distributions of cash flow in accordance with the foregoing will take priority over redemption of Units. Redemptions are undertaken in accordance with the terms, conditions and restrictions set out in the Trust Declaration. See Item 5.1 "Terms of Units – Distributions" for further discussion regarding distributions and redemptions.

Distribution Reinvestment Plan

The REIT offers investors to take part in an optional distribution reinvestment plan ("DRIP") for all classes of Units, pursuant to which Unitholders are entitled to elect to have all cash distributions they receive from the REIT automatically reinvested in additional Units of the same class. No brokerage commissions, service charges or similar fees are payable in connection with the purchase of Units under the DRIP. Units issued under the DRIP are issued by the REIT 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 REIT, 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 written notice to the REIT 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.

For the period ended December 31, 2015, the REIT had issued 152.568 Class B Units, 1.173 Class C2 Units and 67.270 Class G Units pursuant to the DRIP at \$1,000 per Unit, for \$152,568, \$1,173 and \$67,270 respectively, for a total aggregate investment of \$221,011.

As of July 18, 2016, the REIT issued 420.737240 Class B Units, 4.754760 Class C2 Units and 240.8583 Class G Units pursuant to the DRIP at \$1,000 per Unit, for \$420,727.24, \$4,754.76 and \$240,858.30, respectively, for a total aggregate investment of \$666,340.34.

Because a significant number of Unitholders participate in the DRIP, the REIT expects that the DRIP will have a positive impact on cash flow because pursuant to the operation of the plan, distributions that would otherwise be paid out to investors in cash will instead be reinvested in Units of the REIT. Cash undistributed by the REIT due to the issuance of additional Units under the DRIP will be available for future property acquisitions, capital improvements and working capital.

Property Management

Unless the General Partner or US GP assumes the responsibility or contracts with parties related to the CDN LP or US LP to provide such services, the CDN LP and US LP will engage one or more licensed (where required) third party property management companies to provide property management services in respect of the Properties.

The property management agreements, whether they are with the Canadian GP, the US GP, entities affiliated with the Canadian LP or the US LP, or third party property management companies, will be on standard commercial terms. Such terms will include, among other things, provisions relating to budgeting, collection of rents and maintaining property bank accounts, payment of expenses, the maintenance of the property, attending to tenant matters, leasing and enforcing leases, insurance management and other related matters. Such agreements will be for terms not exceeding five years and may be terminated by the CDN LP and US LP on the sale of the relevant Property, in the event of a default by the property management entity or upon 90 days' prior written notice.

The fee paid to the property management companies will be at market pricing and based on a percentage of the rental revenue from each Property and will, for the most part, be recoverable from the tenants under the terms of their leases.

Short Term Mortgage Lending Financing Terms

The parameters under which the CDN LP and the US LP will engage in Short Term Mortgage Lending transactions are as follows:

- (i) neither the CDN LP nor the US LP will commit more than \$1,000,000 of the aggregate of funds raised by either of them through the issuance of Class A CDN LP Units and Class A CDN/US LP Units to the REIT, or any further issuance of limited partnership units by them, to any one Short Term Mortgage Lending transaction;
- (ii) the CDN LP will not lend beyond a loan-to-value of current appraised market value of a property of more than 75%, although occasionally higher leverage may be desired or assumed;
- (iii) the CDN LP and the US LP will only loan funds where their security is either a first or second mortgage or where the security obtained is similar in nature to a mortgage and registered on the title to the property to which the loan relates; and
- (iv) neither the CDN LP nor the US LP will lend in any situation where they reasonably believe the repayment in full of a Short Term Mortgage Lending transaction will not occur within a 12 month period from the date of first advance.

Title to the Properties – The CDN LP intends to have title to each of the Properties comprising the Canadian Portfolio registered in the name of a nominee company, which will own such title as bare trustee for and on behalf of the CDN LP.

Subject to legal, tax and accounting advice, the US LP intends to create one or more United States limited partnerships and/or limited liability companies through which the acquisition of the Properties comprising the US Portfolio will occur. The US LP will hold a 99% interest in any such United States limited partnership and/or LLC formed for the purpose of acquiring Properties in the United States (collectively the “US Entities”). The officers and directors of the General Partner or parties related to them will be the officers, directors and shareholders of the general partners of any United States registered limited partnership or LLCs. Where the US GP believes that it is in the best interests of the US LP with respect to risk, financing, tax and accounting matters, the US LP may lend funds to any one or all of the US Entities in order to allow such US Entities to acquire a Property or Properties.

Investment Fund Manager

The General Partner and the US GP may, in their discretion, appoint an investment fund manager to act on behalf of the CDN LP and/or the CDN/US LP.

2.3 Development of the Business

To date, other than the purchase of Morrison Centre and Greenway Plaza described in this part, neither the General Partner nor the US GP has identified any other Properties for acquisition or Mortgages for investment by the CDN LP or the US LP.

Morrison Centre

Morrison Centre is a 50,700 square foot three level multi-tenanted office building with retail on the ground floor and 80 parking stalls. It is located in downtown Fort McMurray on the corner of Franklin Avenue and Morrison Street, directly across the street from the site where a 7,000-seat downtown event arena was proposed to be built. As of October, 2015, the plans to construct that arena have been put on hold by the municipality due to continued and prolonged period of low oil prices and the resulting downturn in economic conditions in Alberta. Fort McMurray’s primary economic drivers are oil and gas extraction, mining, construction, pipeline maintenance, forestry and governance. The decrease in oil pricing and related downturn in economic conditions in Alberta have curtailed certain planned projects and have resulted in significant job losses, decreases in the housing market and similar negative impacts on local businesses. Nevertheless, the CDN LP and REIT believe that the central location of Morrison Centre and its relatively stable tenant mix (as further described below), which is mostly concentrated in the medical, dental and similar health-related service businesses, will hold it in good stead during the current economic downturn.



The CDN LP acquired Morrison Centre effective June 30, 2015 for a price of \$25,000,000 from 1576697 Alberta Ltd., which is a company related to the REIT in that 50% of its shares are held by AP Capital Mortgage Investment Corporation which is an entity that has directors in common with the Trustee and the General Partner. The Manager waived the Acquisition Fee in the amount of \$375,000 + GST in respect of the purchase of Morrison Centre. The CDN LP incorporated a new Alberta corporation called 1904934 Alberta Ltd. to hold Morrison Centre as nominee, bare trustee and agent for and on behalf of the CDN LP. 1576697 Alberta Ltd. originally acquired Morrison Centre for \$14,000,000 on or about May 15, 2011 from Bond St. Properties Inc. Bond Street Properties Inc. had originally planned to construct two residential towers on a portion of the property on which Morrison Centre is located but, during the economic downturn, experienced permitting and other similar delays and financial difficulties and ultimately sold the Morrison Centre for a discount to 1576697 Alberta Ltd. Bond Street Properties Inc. experienced similar difficulties with its “Bayview Estates” project in Yellowknife when that development went into foreclosure in 2009, and Bond Street Properties Inc. had to make a similar distressed sale of that property.

The purchase price of \$25,000,000 paid by the CDN LP to 1576697 Alberta Ltd. for Morrison Centre was paid by way of (a) the short-term assumption of the existing mortgage in favour of Servus Credit Union (the “**Servus Mortgage**”) in the amount of \$14,748,174.94 at the time of closing, (b) cash raised from the Offering of Units as described herein and (c) the issuance of Class A Units of the CDN LP. The CDN LP also assumed 1576697 Alberta Ltd.’s obligation in respect of \$173,712.22 in security deposits held under the various leases at Morrison Centre. The Servus Mortgage had been bearing interest at Servus’ prime lending rate plus 0.9%, repayable in monthly blended instalments of \$96,595. 1576697 Alberta Ltd. did not sell Morrison Centre to the CDN LP to meet its obligations under the Servus Loan. Instead, rather than renew the Servus Mortgage when it came up for renewal, 1576697 Alberta Ltd. decided to sell Morrison Centre to the CDN LP provided that the CDN LP would assume the mortgage as part of closing. On a post-closing basis, the CDN LP replaced the Servus Mortgage with a new loan from Servus (the “**Replacement Loan**”) in the amount of \$16,500,000, which was secured by a first mortgage charge against Morrison Centre. The Replacement Loan bears interest at a rate equal to Servus’ prime lending rate (which was 2.70% on the date of the Commitment Letter, which was August 5, 2016) plus 0.75%, floating, calculated daily and payable monthly in arrears. The Replacement Loan is repayable with monthly blended instalments of \$95,300, which will be applied firstly to interest and secondly to principal and is amortized over a 240 month period with a three year term expiring 36 months after the interest adjustment date, which was October 1, 2015.

There are two appraisals in place with respect to Morrison Centre. Independent Property Appraisal assesses that Morrison Centre has a value of \$26,360,000 and R. Wyton Appraisal & Consulting Ltd.’s assessment is slightly lower at \$26,000,000.



The net operating income of Morrison Centre is \$1,825,000 per year, which indicates a capitalization rate of 7.3% at acquisition. The concept of “capitalization rate”, which is often simply referred to in the real estate industry as “the cap rate” is the ratio of net operating income to property asset value. The concept of “net operating income” or “NOI” is a financial measure that is not specifically defined by International Financial Reporting Standards (“IFRS”), and it represents total investment property revenue less investment property operating expenses for a given income-producing real estate asset.

Net operating income is a measure that is used by investors and management alike to evaluate and compare the performance of properties and to determine trends in earnings and to compute the fair value of properties because it is not affected by (1) the cost of funds of the property owner, (2) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with IFRS, or (3) general and administrative expenses and other gains and losses that are specific to the property owner.

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

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

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

The Morrison Center was built in 1977, and construction materials used were concrete block with steel trusses and concrete floors. The general building condition is sound with new HVAC units installed on the reconditioned roof within the last 4 years, and over 70% of the net leasable space having been renovated within the past 5 years. There are no environmental issues on the site and no large building improvements are foreseen in the next 5 to 7 years.

The Morrison Centre has a rentable area of 50,700 square feet and has a tenant mix consisting of primarily medical tenants. The upper floor mix is forty-five percent medical, with the balance a variety of offices ranging from union to accounting companies. The main floor is made up of fourteen percent medical-related tenants, thirty-one

percent office retail including a mix of insurance and a well-established hair salon and spa (who in the last 12 months invested over fifty thousand dollars in tenant improvements). The balance on the main floor is made up of two restaurant tenants, one of which invested millions of dollars into their establishment and has entered into a 10 year lease with two 10 year options. The lower floor is comprised of a mix of retail, medical, office and restaurant kitchen. The retail is made up of a dancewear store of 30 year presence in Fort McMurray, and the office space is leased by a law firm, a union and a multi-national security company. The balance is the restaurant and a medical based professional health consulting firm. The vacancy rate at the Morrison Centre is 14.32%.

AP Capital REIT acquires properties based on many different factors including but not limited by, upside potential through leases or expansion, building condition, tenant mix, and location. This particular property is located in a B-market and has a B-rated tenant mix that has a long term presence in the building. The property was acquired because the acquisition price was below market value with an attractive cap rate. The property has also undergone extensive capital improvements over the last four years so future upgrades and improvements will not need to be made for some time, which is a benefit during a difficult economy. The general goal will be to bring up the renewing leases to current market rates, but this will depend on the general economic conditions in Fort McMurray and Alberta generally, particularly in light of the May, 2016 wildfire discussed below. The rates may not be able to be increased in the short term while Alberta continues to deal with the downturn in economic conditions and while Fort McMurray recovers from the effects of the wildfire. The long term strategy is to maximize the lease income and explore expansion/redevelopment ideas with the City in order to meet the needs that will come up if the economy rebounds and if the City renews its plans to construct the event arena.

May, 2016 Wildfire

In early May, 2016, the City of Fort McMurray suffered the largest wildfire the province of Alberta has experienced in recent history. On May 4, 2016, the Alberta government declared a provincial state of emergency in response to a wildfire that initially began southwest of Fort McMurray but which spread quickly into Fort McMurray and forced the largest wildfire evacuation in Alberta's history. The entire town of Fort McMurray, in excess of 80,000 people, was evacuated, and the fire is estimated to have consumed in excess of 590,000 hectares (1,500,000 acres) before it was declared to be under control on July 5, 2016. Continued wildfire threat, explosions and poor air quality prevented residents and rebuilding crews from returning to the town until June 1, 2016 when the Alberta government permitted residents to return to Fort McMurray in phases once it was satisfied that the wildfire no longer posed a threat, hazardous areas were secured, local government was re-established and essential services and their related infrastructure were re-established.

During the height of the wildfire and until June 1, 2016 when the phased re-entry commenced, all tenants of Morrison Centre had been evacuated.

Like most people and businesses in Fort McMurray, the REIT cannot accurately predict what the coming months will hold. The REIT's standard lease agreement requires business interruption coverage for all tenants and the REIT does not foresee any issues with being able to meet its debt payment obligations to Servus under the Replacement Loan; and having communicated with its tenants, does not anticipate any of its existing tenants going out of business as a result of the fire. Morrison Centre sustained no structural damage and marginal smoke damage that has been remediated. By middle of July 2016, tenants had resumed business and reoccupied their space.

The REIT believes that the balance of the vacancy in the building is likely to be filled within the next 6 months as construction crews and supporting services move in and commence with the multi-billion dollar rebuild. Long term, the REIT believes that the demand for commercial rental space in Fort McMurray will increase and Morrison Centre will be in a position to meet that need.

Greenway Plaza

On October 28, 2015, the US LP acquired Greenway Park Plaza, a 205,804-square foot multi-tenanted retail property located at 3202-3342 East Greenway Road in Phoenix, Arizona (the "**Greenway Property**"). The purchase price for Greenway Plaza was USD\$23,100,000, or USD\$112.24 per square foot. The purchase price was paid with

cash and by way of a loan obtained from Midcap Financial Trust in the original principal amount of \$18,000,000 and secured by a first mortgage registered against title to the Greenway Lands (the “Midcap Loan”).

The Midcap Loan bears interest at a rate of 5.5% per annum, matures on October 29, 2018 and the US LP is required to make interest-only payments.

An amount of USD\$500,000 was held back from the loan amount by Midcap to fund future tenant improvement costs and capital improvement expenditures. The termination date of the Midcap Loan is October 28, 2018 but the US LP has two options to extend the term for 12 months each.

Greenway Plaza is anchored by Food City, Goodwill, and Ross Dress For Less. The buildings were constructed in 1988 and are situated on an 18.41-acre site. There is one appraisal in place with respect to Greenway Plaza, prepared by CBRE on October 12, 2015. CBRE assesses that Greenway Plaza has a value of USD\$23,100,000, and that if rents were stabilized, that value could increase to USD \$25,700,000.

The current occupancy of the retail centre is 78.7%, and the net operating income of Greenway Plaza is USD\$1,959,567 per year, which indicates a capitalization rate of 7.50% at acquisition. The concept of “capitalization rate”, which is often simply referred to as “the cap rate” is the ratio of net operating income to property asset value. The concept of “net operating income” or “NOI” is a financial measure that is not specifically defined by International Financial Reporting Standards (“IFRS”), and it represents total investment property revenue less investment property operating expenses for a given income-producing real estate asset. See discussion above under “Morrison Centre” for further information regarding NOI and cap rate.



Currently, Greenway Plaza has 43,815 square feet of vacant shop space. Leasing agents report strong interest in the center subsequent to the opening of the Ross Store that took over a previously vacated gym space. New shop space leasing in Greenway Plaza includes 6,000 square feet of shop space to a single tenant in March 2015. Until very recently, Greenway Plaza had been managed by a widower of the former owner/manager for a few years. This temporary manager lacked the expertise and contacts necessary to successfully manage and lease the property. With new ownership and marketing by the US LP, combined with the new professional management company operating at the property, stronger leasing activity is projected and lease-up of the center to stabilized occupancy is projected over the next 36 months.

Greenway Plaza reported an operating loss of CAD\$136,281 for the two months’ ended December 31, 2015. The factors contributing to this loss were expenses associated with current vacancies at the property, combined with

the prior lack of professional management – items that were identified in the appraisal obtained by the REIT in respect of the Greenway Plaza property and which the REIT expects to be able to improve on in the first year of its ownership.

The REIT expects the financial performance of Greenway Plaza to improve for the 2016 fiscal year because those initial costs have now been incurred and as a result, the US LP has been able to focus in 2016 on efficiently operating the Greenway Plaza business, leasing up vacant space and creating a plan to implement strategic improvements to the buildings as and where necessary on a going forward basis in order to enhance value.

Greenway Plaza is located in the city of Phoenix, which is the state capital of Arizona, and is considered a suburban location. The city of Phoenix is situated in Maricopa County, with Greenway Plaza being located 15 miles northeast of the Phoenix Central Business District.



Following the global financial crisis of 2007-08, Arizona was deeply affected by what the commentators have called the “Great Recession”. The economic downturn dramatically curtailed population growth and tourism, devastated the housing market, reduced state revenues, drove up unemployment, and sent shock waves through all economic sectors. The United States as a whole has suffered from the prolonged recession, but Arizona’s economy took a disproportionately negative hit. However, local and state leaders focused on finding ways to diversify Arizona’s economy and as a result, most cities and towns in Arizona, as well as some counties and the state as a whole, have pursued economic development efforts to explore new economic sectors, better utilize existing resources, attract new businesses, retain current industries and promote a more-skilled workforce.

Some of Phoenix’s key industries, many of which have gained traction and prominence due to the efforts of government leader to focus on economic recovery and development, are manufacturing, tourism, healthcare, technology, service-based businesses, financial services and construction. The Arizona economy expanded at a steady pace throughout the first half of 2015, with job growth moving above the 2% range and exceeding the national average. The unemployment rate is steady at just above 5%, on par with that of the U.S. and a full percentage point below the Arizona rate. The forecast calls for Arizona’s growth to pick up speed during the 2015-2017 time period, with gains across most indicators estimated to exceed national results. Importantly, the mix of job creation taking place in metropolitan Phoenix continues to shift away from lower-wage positions and towards office-using industries, most notably financial services, professional and business services and technology, which will likely have a positive impact on state per capita personal income growth going forward.

2.4 Long Term Objectives

The long term objectives of the REIT are:

- (a) to issue sufficient Units to be able to acquire sufficient Class A CDN LP Units and Class A CDN/US LP Units to permit the CDN LP and CDN/US LP (through the US LP) to carry out the acquisitions of Properties on a commercially reasonable basis;
- (b) to provide Unitholders with profits derived from the REIT's investment in Class A CDN LP Units and Class A CDN/US LP Units and the General Partner's and US GP's operation of the Properties and investment in Mortgages; and
- (c) to distribute such profits to Unitholders as and when received from the CDN LP and the CDN/US LP.

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

2.5 Short Term Objectives and How the REIT Intends to Achieve Them

The business objectives of the REIT 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 acquire sufficient Class A CDN LP Units and Class A CDN/US LP Units for the CDN LP and CDN/US LP to carry out the acquisition of additional Properties, their operation on a commercially reasonable and profitable basis and

What the issuer must do and how it must do it	Target completion date or if not known, number of months to complete	Cost to complete
To raise sufficient funds to complete the acquisition of additional Properties and to operate such additional Properties on a commercially reasonable and profitable basis in order to meet the REIT's investment objectives	Ongoing, as properties become available, for the 12 months following the date of this Offering Memorandum	\$475,000 ⁽¹⁾

⁽¹⁾ Estimated Offering Costs and Sales Fees. The REIT may pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. Accordingly, using the illustrative example of \$10,000,000 as noted in Note 2 in Item 1.2 – "Use of Available Funds" above, the REIT could pay as much as \$700,000 in up front selling commissions and fees. The amount included in the table above is based on the REIT's expectation that the average sales fee paid will be approximately 4% of the subscription proceeds. In addition, the Trustee may pay agents selling Class C1/C2, Class D1/D2 and Class F Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. To the extent that the REIT is responsible for the payment of compensation to securities dealers, the funds available to the REIT will be reduced.

2.6 Insufficient Funds

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

2.7 Material Agreements

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

- (a) The Declaration of Trust dated June 26, 2015 between the Trustee and the Settlor, and an Amendment Agreement dated September 4, 2015, creating the REIT under the laws of the Province of British Columbia. The Declaration of Trust is described below in Item 5.1 – “Terms of Units”;
- (b) An Amendment to the Declaration of Trust dated May 1, 2016 reducing the “Redemption Penalty Amount”;
- (c) Subscription Agreements – the Agreements by which investors will subscribe for and acquire Units on the terms and conditions described in this Offering Memorandum;
- (d) CDN LP Agreement dated June 25, 2015 between the CDN LP Founding Limited Partner and the General Partner;
- (e) CDN/US LP Agreement dated June 25, 2015 between the CDN/US LP Founding Limited Partner and the General Partner;
- (f) Cost Sharing and Recovery Agreements dated June 26, 2015 between CDN LP and the REIT and the CDN/US LP and the REIT relating to the reimbursement by the CDN LP or the CDN/US LP, as applicable, to the REIT of costs incurred in the offering of the Units and obtaining subscriptions for Units;
- (g) An Administration Agreement dated June 26, 2015 between the Manager and the CDN LP;
- (h) An Amended and Restated Administration Agreement dated made with effect June 26, 2015 between the Manager and the US LP;
- (i) An Amendment to each of the Administration Agreements dated May 1, 2016 reducing the Acquisition Fee and the Asset Management Fee payable to the Manager;
- (j) A Declaration of Bare Trust and Agency Agreement dated effective September 9, 2015, whereby Steve Froese confirms, acknowledges and agrees that as of and from September 9, 2015, he holds 100 shares in the capital of the US GP as nominee, bare trustee and agent for 1018999 B.C. Ltd., 1019374 B.C. Ltd., 1019001 B.C. Ltd., 1901174 Alberta Ltd., 0824016 B.C. Ltd., and 541461 Alberta Ltd.
- (k) A Declaration of Bare Trust and Agency Agreement dated November 1, 2015, whereby Steve Froese confirms, acknowledges and agrees that as of and from October 29, 2015, he holds the October 2015 US LP Units (as defined above in Item 2.2 “Our Business – the CDN/US LP”) solely as bare trustee, nominee and agent for the sole benefit and account of the CDN/US LP.

Administration Agreements

Under the Administration Agreements, the Manager has agreed to provide the following services to each of the CDN LP and the US LP, for which it will be paid the fees set out below by each of the partnerships:

- (a) structure the CDN LP and the US LP and this Offering, identify Properties for acquisition, negotiate the purchase thereof, structure the ownership of each of the Properties, conduct due diligence, apply for and obtain mortgage loans and liaise with legal counsel, brokers and others in connection with completing the purchase of Properties;

- (b) when necessary or advisable, negotiate and complete the sale of a Property on such terms and conditions and at such time as the Manager may determine, including identifying and engaging a real estate broker, readying the Property for sale and overseeing the conduct and completing the sale process, or providing advice to the General Partner and US GP in respect of same;
- (c) oversee and supervise property management of the Properties, establish appropriate legal and accounting systems for the CDN LP and the US LP, report to the CDN LP Limited Partners and the US LP Limited Partners on an ongoing basis, liaise with the lenders any mortgage loans in connection with the Properties, use best efforts to arrange a refinancing of the mortgage loans at the expiration of their terms and any subsequent refinancings, conduct ongoing analysis of market conditions to monitor the CDN LP's and the US LP's investment in the Properties; prepare annual financial reports on the Properties, provide overall management, financial and business planning, perform 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 CDN LP and the US LP may reasonably request from time to time and/or providing advice to the General Partner and US GP in respect of same; and
- (d) oversee the preparation of this Offering Memorandum, the offering and sale of Units, and the completion of all matters related to the closing of subscriptions on behalf of the REIT. In addition, the Manager will be entitled to be reimbursed for any deposits paid and for all out-of-pocket expenses incurred by the Manager in completing any of the above duties, both in respect of the purchase of a Property or the ongoing ownership, operation and management of a Property.

In consideration of such services, the CDN LP and the US LP will each pay the Manager the following fees:

- (a) the Acquisition Fee, in an amount equal to 0.75% of the gross purchase price of each Property, plus GST if applicable, upon the completion of the purchase of each Property;
- (b) the Asset Management fee, in an amount equal to 1.0% of the Annual Portfolio Value, payable monthly on the last day of each month during the term of the Administration Agreements; and
- (c) the Disposition Fee in an amount equal to 0.45% of the gross selling price of the Property, plus GST if applicable, upon the completion of the sale of the Property.

In addition, the Manager will be entitled to be reimbursed for any deposits paid and for all out-of-pocket expenses incurred by the Manager in completing any of the above duties.

The Manager may require the CDN LP and/or the US LP to pay all or any portion of the Acquisition Fee, the Disposition Fee and the Asset Management Fee to the Manager by issuing to the Manager that number of Class A CDN LP Units and/or that number of Class A US LP Units at a price equal to 80% of the then current Subscription Price having an aggregate price equal to pay the Acquisition Fee, the Disposition Fee and the Asset Management Fee then payable.

Pursuant to the Amendment Agreements noted in Item 2.7(i) above, the Asset Management Fee and the Acquisition Fee payable to the Manager have been reduced from what was paid in 2015 and the first quarter of 2016. As a result, from and after May 1, 2016, the Asset Management Fee shall be paid to the Manager monthly on an estimated basis on the first day of each month. The estimated monthly payments to be paid in each such year shall be determined by dividing the greater of \$100,000 and the 1.0% of the Annual Portfolio Value for the year immediately preceding the year in which the payments are to be made by 12. Once the Annual Portfolio Value for each calendar year is determined in accordance with the foregoing, the CDN LP and/or the US LP, as applicable, may make a balloon payment in favour of the Manager if the aggregate of the estimated Asset Management Fee paid during a year based on such formula was less than the actual Asset Management Fee amount due.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the General Partner, located at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

AP Capital REIT Operations Ltd. is the Trustee of the REIT for the purposes and with the powers set out in the Declaration of Trust. The head office of the Trustee is located at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8. The Trustee is a corporation formed under the laws of British Columbia. It has no material assets or liabilities. It carries on no business activities other than acting as trustee of the REIT.

AP Capital REIT (GP) Ltd. is the General Partner of the CDN LP pursuant to the terms and conditions of the CDN LP Agreement. The head office of the General Partner is located at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8. The General Partner is a corporation incorporated under the laws of British Columbia. The assets and liabilities of the General Partner are nominal.

AP Capital REIT (GP) Ltd. is also the General Partner of the CDN/US LP pursuant to the terms and conditions of the CDN/US LP Agreement. The head office of the General Partner is located at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8. The General Partner is a corporation incorporated under the laws of British Columbia. The assets and liabilities of the General Partner are nominal.

AP Capital REIT US (GP) Ltd. is the general partner of the US LP pursuant to the terms and conditions of the limited partnership agreement for the US LP. The head office of the US GP is located at Suite 2222, 19777 N St., Scottsdale, AZ 85255. The US GP is a corporation incorporated under the laws of Arizona. The assets and liabilities of the US GP are nominal.

3.1 Compensation and Securities Held

The Trustee

The following table sets out information about each director, officer and promoter of the Trustee and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Trustee (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 REIT in the most recently completed financial year (or if the REIT has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trustee held after completion of minimum offering ⁽⁷⁾	Number, percentage and type of securities of the Trustee held after completion of maximum offering ⁽⁸⁾
Steven Alexander Froese Leduc, Alberta	Director and officer	Nil	None	None
Roy Phil Wiebe Edmonton, Alberta	Director and officer	Nil	None	None
Sander van der Vorm Vancouver, British Columbia	Director and officer	Nil	None	None

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 REIT in the most recently completed financial year (or if the REIT has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trustee held after completion of minimum offering ⁽⁷⁾	Number, percentage and type of securities of the Trustee held after completion of maximum offering ⁽⁸⁾
Bradley Daniel Unrau Abbotsford, British Columbia	Director and officer	Nil	None	None
Daniel Harold Weiss Edmonton, Alberta	Director and officer	Nil	None	None
Ches Orlando Hagen Vancouver, British Columbia	Director and officer	Nil	None	None
1018999 B.C. Ltd. ⁽¹⁾	Principal holder	Nil	25 Common shares	25 Common shares
1019374 B.C. Ltd. ⁽²⁾	Principal holder	Nil	25 Common shares	25 Common shares
1019001 B.C. Ltd. ⁽³⁾	Principal holder	Nil	25 Common shares	25 Common shares
1901174 Alberta Ltd. ⁽⁴⁾	Principal holder	Nil	25 Common shares	25 Common shares
0824016 B.C. Ltd. ⁽⁵⁾	Principal holder	Nil	25 Common shares	25 Common shares
541461 Alberta Ltd. ⁽⁶⁾	Principal holder	Nil	25 Common shares	25 Common shares

Note: Other than as is 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.

- ⁽¹⁾ All of the issued and outstanding shares of this company are held by 0824004 BC Ltd., which is in turn beneficially owned as to more than 50% of the voting rights by Bradley Unrau and Tara Unrau.
- ⁽²⁾ All of the issued and outstanding shares of this company are held by 1345776 Alberta Ltd., which is in turn beneficially owned as to more than 50% of the voting rights by Steven Froese and Tanis Froese.
- ⁽³⁾ All of the issued and outstanding shares of this company are held by Sander van der Vorm.
- ⁽⁴⁾ All of the issued and outstanding shares of this company are held by Roy Wiebe.
- ⁽⁵⁾ All of the issued and outstanding voting shares of this company are held by Ches Hagen.
- ⁽⁶⁾ All of the issued and outstanding shares of this company are held by Daniel Weiss.
- ⁽⁷⁾ There is no minimum offering.
- ⁽⁸⁾ There is no maximum offering.

The General Partner

The following table sets out information about each director, officer and promoter of the General Partner and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the General Partner (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 General Partner in the most recently completed financial year (or if the General Partner has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the General Partner held after completion of minimum offering ⁽⁷⁾	Number, percentage and type of securities of the General Partner held after completion of maximum offering ⁽⁸⁾
Steven Alexander Froese Leduc, Alberta	Director and officer	Nil	None	None
Roy Phil Wiebe Edmonton, Alberta	Director and officer	Nil	None	None
Sander van der Vorm Vancouver, British Columbia	Director and officer	Nil	None	None
Bradley Daniel Unrau Abbotsford, British Columbia	Director and officer	Nil	None	None
Daniel Harold Weiss Edmonton, Alberta	Director and officer	Nil	None	None
Ches Orlando Hagen Vancouver, British Columbia	Director and officer	Nil	None	None
1018999 B.C. Ltd. ⁽¹⁾	Principal holder	Nil	25 Common shares	25 Common shares
1019374 B.C. Ltd. ⁽²⁾	Principal holder	Nil	25 Common shares	25 Common shares
1019001 B.C. Ltd. ⁽³⁾	Principal holder	Nil	25 Common shares	25 Common shares
1901174 Alberta Ltd. ⁽⁴⁾	Principal holder	Nil	25 Common shares	25 Common shares
0824016 B.C. Ltd. ⁽⁵⁾	Principal holder	Nil	25 Common shares	25 Common shares
541461 Alberta Ltd. ⁽⁶⁾	Principal holder	Nil	25 Common shares	25 Common shares

Note: Other than as is otherwise disclosed in this Offering Memorandum, the directors and officers of the General Partner do not presently receive compensation in their capacity as directors and officers.

- (1) All of the issued and outstanding shares of this company are held by 0824004 BC Ltd., which is in turn beneficially owned as to more than 50% of the voting rights by Bradley Unrau and Tara Unrau.
- (2) All of the issued and outstanding shares of this company are held by 1345776 Alberta Ltd., which is in turn beneficially owned as to more than 50% of the voting rights by Steven Froese and Tanis Froese.
- (3) All of the issued and outstanding shares of this company are held by Sander van der Vorm.
- (4) All of the issued and outstanding shares of this company are held by Roy Wiebe.
- (5) All of the issued and outstanding voting shares of this company are held by Ches Hagen.
- (6) All of the issued and outstanding shares of this company are held by Daniel Weiss.
- (7) There is no minimum offering.
- (8) There is no maximum offering.

The US GP

The following table sets out information about each director, officer and promoter of the US GP and each person who will directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the US GP (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 US GP in the most recently completed financial year (or if the US GP has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the US GP held after completion of minimum offering	Number, percentage and type of securities of the US GP held after completion of maximum offering
Steven Alexander Froese	Director and officer	Nil	100 Common shares ⁽¹⁾	100 Common shares ⁽¹⁾

Note: Other than as is otherwise disclosed in this Offering Memorandum, the directors and officers of the US GP do not presently receive compensation in their capacity as directors and officers.

- (1) Pursuant to a Declaration of Bare Trust and Agency Agreement dated effective September 9, 2015, Steve Froese holds these shares as nominee, bare trustee and agent for 1018999 B.C. Ltd., 1019374 B.C. Ltd., 1019001 B.C. Ltd., 1901174 Alberta Ltd., 0824016 B.C. Ltd., and 541461 Alberta Ltd. Each of these companies is a shareholder of the General Partner, the Trustee and the Manager. See notes above regarding beneficial ownership of each of these companies.

3.2 Management Experience

The following table discloses the principal occupations of the directors and senior officers of the Trustee, the Manager, the General Partner and the US GP over the past five years.

Name and position	Principal Occupation and Related Experience
Steven Alexander Froese Director & President [sole director of US GP]	Mr. Froese has over 23 years’ of experience in commercial real estate. In the late nineties Mr. Froese build out over seventeen commercial construction projects throughout the United States. He is the founder of Dominion Properties Corp., a company that owned and managed over 500,000 square feet of mixed retail and office space. Mr. Froese is also the co-

Name and position	Principal Occupation and Related Experience
	<p>founder of Tandem Assets, which administers a portfolio of properties including shopping centres and medical offices which is valued at over \$25,000,000 in Western Canada and Phoenix, Arizona.</p> <p>Mr. Froese is also a founding partner of AP Capital Mortgage Investment Corporation.</p>
<p>Roy Phil Wiebe Director & Vice- President</p>	<p>Mr. Wiebe has over 20 years' of business ownership and management experience which includes building and exiting several multimillion dollar ventures ranging from agriculture, real estate and the oil service industry.</p> <p>Mr. Wiebe has 15 years' experience in the operations and ongoing management of commercial and residential real estate. Mr. Wiebe focusses on streamlining operations in the business in which he has been involved, reducing expenses and driving more revenue to the bottom line. He continues to manage and grow his personal portfolio of owned and co-owned properties in various segments of the real estate market in both the United States and Western Canada.</p>
<p>Sander van der Vorm Director & Vice- President</p>	<p>Mr. van der Vorm has over fifteen years of business ownership and management experience, including corporate restructuring at multinational firms, and corporate finance for real estate projects and local businesses in Western Canada.</p> <p>With over a decade of involvement in the commercial real estate development market, Mr. van der Vorm has experience in property redevelopment, management and project revenues.</p>
<p>Bradley Daniel Unrau Director & Vice- President</p>	<p>Mr Unrau is a founding partner of AP Capital Mortgage Investment Corporation, a company that manages a mortgage portfolio of over \$40,000,000 in British Columbia and Alberta. In 2009, Mr. Unrau started Dominion Lending Centres Alta Pacific, a local commercial and residential mortgage brokerage firm that arranges in excess of \$60,000,000 in real estate financing per annum.</p> <p>Mr Unrau has over 20 years' of experience in the acquisition, ownership and management of commercial and residential real estate in Western Canada. Mr. Unrau's personal portfolio consists of owned and co-owned properties in all segments of the real estate market from city-core commercial complexes, to single family -and high-density residential properties.</p>
<p>Daniel Harold Weiss Director & Vice- President</p>	<p>For almost 30 years Mr. Weiss has been involved in the real estate industry as an agent, investor, builder, developer, lender and property manager and focuses on the area of risk management. Mr. Weiss is a founding partner in AP Capital Mortgage Investment Corporation and in Dominion Properties Corp. Mr. Weiss's various personal holdings include land, apartments, residential and commercial buildings, warehouses and shopping malls and he has been involved in developing numerous projects such as medical clinics, adult bungalows, townhouse projects and commercial properties.</p>
<p>Ches Orlando Hagen Director & Vice- President</p>	<p>Mr. Hagen is a founding partner of AP Capital Mortgage Investment Corporation. In addition to acting as a director of AP Capital Mortgage Investment Corporation, Mr. Hagen is the co-founder of VendAsta Technologies Inc. VendAsta has operations in Vancouver, British Columbia and Saskatoon, Saskatchewan.</p> <p>Mr. Hagen has over 10 years' experience raising capital for private companies in Canada through various channels including conventional banks, venture capital firms and exempt market dealers.</p> <p>Educated at British Columbia Institute of Technology, Mr. Hagen holds a Diploma of Technology in Marketing Management.</p>

3.3 Penalties, Sanctions and Bankruptcy

No penalty or sanction has been in effect during the last 10 years, no cease trade order has been in effect for a period of more than 30 consecutive days during the past 10 years against or with regard to any:

1. director, executive officer or control person of the REIT or the General Partner , or
2. any issuer of which any person referred to in Item 1 above was a director, senior officer, or control person of at that time.

On September 6, 2013, Mr. van der Vorm made a voluntary assignment into bankruptcy for the benefit of his personal creditors pursuant to the *Bankruptcy and Insolvency Act* (Canada). This was and is Mr. van der Vorm's first and only insolvency or bankruptcy related proceeding and it was related to his personal debts and financial obligations. Pursuant to the applicable legislation, Mr. van der Vorm was automatically discharged from bankruptcy within 9 months, on June 17, 2014.

Aside from Mr. van der Vorm's release from bankruptcy in 2014 described above, no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years against or with regard to any other:

1. director, executive officer or control person of the REIT or the General Partner , or
2. any issuer of which any person referred to in Item 1 above was a director, senior officer, or control person of at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, promoters or principal holders of the Trustee, the Manager, the General Partner or the US GP as at July 31, 2016.

ITEM 4 - CAPITAL STRUCTURE

4.1 Capital Structure

A. The following are the details of the outstanding securities of the REIT at July 31, 2016:

Description of Security	Number Authorized to be Issued ⁽⁴⁾	Number Outstanding as at July 31, 2016	Number outstanding after min. offering ⁽¹⁾	Number outstanding after max. offering ⁽¹⁾
Class A Units	Unlimited	6	N/A	6
Class B Units	Unlimited	10,420.7372	N/A	10,420.7372 ⁽³⁾
Class C1/C2 Units	Unlimited	104.7548	N/A	5,000
Class D1/D2 Units	Unlimited	Nil	N/A	5,000
Class E/F Units	Unlimited	Nil	N/A	Nil
Class G Units	Unlimited	6,564.1052	N/A	6,564.1052

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering. This is a continuous offering. Subscription prices for Units vary, and so the figured in this table are based on an offering limit of "\$10,000,000", which is used for illustrative purposes only.

⁽³⁾ This number does not account for any redemptions that may occur or Units that may be issued in respect of the DRIP.

⁽⁴⁾ The Trust Declaration authorized the REIT to issue an unlimited number of Units. However, for the purposes of this Offering, the REIT has set limits on the number of Units of each class that it will issue, as more particularly described in Item 5.1 – "Terms of Units", below.

B. The following are the details of the outstanding securities of the CDN LP at July 31, 2016:

Description of Security	Number Authorized to be Issued	Number Outstanding as at July 31, 2016	Number outstanding after min. offering ⁽¹⁾	Number outstanding after max. offering ⁽¹⁾
Class A CDN LP Units	Unlimited	8,611.911	N/A ⁽¹⁾	12,045.281 ⁽²⁾
Class B CDN LP Units	Unlimited	Nil	Nil	Nil

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering. Subscription prices for Units vary, and so the figured in this table are based on an offering limit of “\$10,000,000”, which is used for illustrative purposes only. This table adds the figure of 3,433.37 CDN Units under the “maximum offering” heading, which is the number of CDN LP Units that would theoretically be purchased by the REIT using half of the “Available Funds” shown in Item J of the table found above at Item 1.1 – “Available Funds of the REIT” for illustrative purposes. The figure of 3,433.37 CDN LP Units is used here assuming that the REIT invests half of such illustrative amount in the CDN LP and the other half in the CDN/US LP. However, depending on a number of variables including the economic conditions at the time, the REIT may invest more or less (and is not obligated to invest in equal amounts) in each of the CDN LP and the CDN/US LP.

C. The following are the details of the outstanding securities of the CDN/US LP at July 31, 2016:

Description of Security	Number Authorized to be Issued	Number Outstanding as at July 31, 2016	Number outstanding after min. offering ⁽¹⁾	Number outstanding after max. offering ⁽¹⁾
Class A CDN/US LP Units	Unlimited	5,763.922	N/A	9,197.292 ⁽²⁾
Class B CDN/US LP Units	Unlimited	Nil	Nil	Nil

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering. Subscription prices for Units vary, and so the figured in this table are based on an offering limit of “\$10,000,000”, which is used for illustrative purposes only. This table adds the figure of 3,433.37 CDN/US Units under the “maximum offering” heading, which is the number of CDN/US LP Units that would theoretically be purchased by the REIT using half of the “Available Funds” shown in Item J of the table found above at Item 1.1 – “Available Funds of the REIT” for illustrative purposes. The figure of 3,433.37 CDN/US LP Units is used here assuming that the REIT invests half of such illustrative amount in the CDN LP and the other half in the CDN/US LP. However, depending on a number of variables including the economic conditions at the time, the REIT may invest more or less (and is not obligated to invest in equal amounts) in each of the CDN LP and the CDN/US LP.

4.2 Long Term Debt

The REIT has no long term debt.

4.3 Prior Sales

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

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
June 30, 2015	Class G Units	6,280.958	\$1,000	\$6,280,958 ⁽¹⁾
July 2, 2015	Class G Units	30.328	\$1,000	\$30,328
July 31, 2015	Class B Units	3,815	\$1,000	\$3,815,000
September 4, 2015	Class A Units	6	\$1,000	\$6,000
September 15, 2015	Class B Units	2,250	\$1,000	\$2,250,000
October 6, 2015	Class B Units	1,191.301	\$1,000	\$1,191,301
October 15, 2015	Class B Units	1,295.554	\$1,000	\$1,295,554

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
November 2, 2015	Class B Units	1,150	\$1,000	\$1,150,000
November 2, 2015	Class C2 Units	100	\$1,000	\$100,000
November 16, 2015	Class B Units	298.3441	\$1,000	\$298,344

(1) The consideration received by the REIT for the Class G Units was an equal number of Class A Units of the CDN LP. The REIT entered into exchange agreements effective as of June 30, 2015 whereby the REIT issued 697.122 Class G Units to 1453694 Alberta Ltd., 289.150 Class G Units to 1589380 Alberta Ltd., 747.385 Class G Units to 1345776 Alberta Ltd., 694.545 Class G Units to 927385 Alberta Ltd., 3,165.256 Class G Units to AP Capital Mortgage Investment Corporation and 687.5 Class G Units to AP Capital REIT Services Ltd., being an aggregate of 6,280,958 Class G Units in exchange for an equal number of Class A Units of the Canadian LP held by such entities.

4.4 Redemption History

During the last two financial years and subsequent period to the date of this offering memorandum, the REIT has redeemed the following Units:

Part I – Class A, Class B, Class C1 and Class C2 Redemption History

	Class A Units		Class B		Class C1		Class C2	
	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)
2015								
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	0	\$0
Redemption requests	0	\$0	0	\$0	0	\$0	0	\$0
Redemptions paid out	0	\$0	0	\$0	0	\$0	0	\$0
Unpaid redemption requests, end of year	0	\$0	0	\$0	0	\$0	0	\$0
2016 (As of July 31, 2016)								
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	0	\$0
Redemption requests	0	\$0	0	\$0	0	\$0	0	\$0
Redemptions paid out	0	\$0	0	\$0	0	\$0	0	\$0
Unpaid redemption requests, end of period	0	\$0	0	\$0	0	\$0	0	\$0

Part II – Class D1, Class D2, Class E, Class F and Class G Redemption History

	Class D1		Class D2		Class E		Class F		Class G	
	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)
2015										
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Redemption requests	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Redemptions paid out	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Unpaid redemption requests, end of year	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0

	Class D1		Class D2		Class E		Class F		Class G	
	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)	Number of Units	Value (\$)
2016 (As of July 31, 2016)										
Unpaid redemption requests, beginning of year	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Redemption requests	0	\$0	0	\$0	0	\$0	0	\$0	5 requests (21.336 Units)	\$21,336.00
Redemptions paid out	0	\$0	0	\$0	0	\$0	0	\$0	5	\$19,540.57 ⁽¹⁾
Unpaid redemption requests, end of period	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0

⁽¹⁾ The cash paid out on account of the redemption of these G Units is less than the face value of the Units because the applicable Redemption Penalty was applied.

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Units

A. Units

Classes of Units

The REIT is authorized to issue an unlimited number of redeemable units of beneficial interest. Each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder holding the same Class of Units and no Unitholder of any Class is entitled to any privilege, priority or preference in relation to any other Unitholders of that same Class.

The Trustee will have the power and authority, from time to time, for and on behalf of the REIT, to create one or more additional classes or series 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 REIT.

Nature of Units – voting, distributions, termination, etc.

Each class or series will have special rights and restrictions, which may differ from the rights and restrictions of other class or series of units. All of 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 and no unit in a class or series will have any preference or priority over any other unit of such class or series. Each unit will entitle the holder to the same rights and obligations as a holder of any other unit of the same class or series and no unitholder will be entitled to any privilege, priority or preference in relation to any other unitholders holding units of the same class or series. Unless otherwise specified in the Trust Declaration or any amendment thereto, each unitholder including holders of the 9 classes described in the paragraph immediately following this paragraph below, is entitled to one vote for each unit held and, subject to an adjustment in a unit's proportionate share as a result of the date of first issue of a unit, is entitled to participate equally with respect to any and all distributions made by the REIT to the unitholders holding units of the same class or series, including distributions of net income and net realized capital gains, if any. On termination, the unitholders of record holding outstanding units are entitled to receive all of the assets of the REIT designated for such class or series of Units remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

The REIT has currently created nine Classes of Units, being the Class A, Class B, Class C1, Class C2, Class D1, Class D2, Class E, Class F and Class G Units. All Units of each such Class, other than Class B Units, are entitled to participate equally with respect to any and all distributions made by the REIT to the unitholders holding units of such other Classes, including distributions of net income and net realized capital gains, if any. On termination, the Unitholders of record holding Units of all such Classes are entitled to receive, proportionately to the number of Units held by them, all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

See also "Voting", "Distributions" and "Distribution in Termination of the REIT" below.

Class A Units

The REIT has issued six Class A Units at a subscription price of \$1,000 per Class A Unit to each of 1019374 B.C. Ltd. and 1018999 B.C. Ltd., 1019001 BC Ltd., 1901174 Alberta Ltd., 0824016 BC Ltd. and 541461 Alberta Ltd., which are companies related to the principals of the Trustee.

The REIT intends to issue the further classes of Units as follows:

Class B Units

The REIT has completed its offering of Class B Units to qualified investors and Class B Units are no longer available for subscription

Class B Units earn a fixed annual return equal to \$70 per Class B Unit, payable monthly in arrears. The REIT has the option to redeem the Class B Units on or before the first anniversary of the issue thereof, upon payment to the unitholders holding Class B Units of the sum of \$1,000 per Class B Unit plus a redemption bonus equal to \$60 per Class B Unit per annum, pro-rated based on the number of days during which the Class B Units were outstanding. The REIT has the option to extend the date for redemption of the Class B Units by one term of six months, during which the fixed annual return will continue to be payable.

The REIT does not intend to pay any sales commission or fee or trailer fee in respect of the Class B Units.

Class C1 and Class C2 Units

Class C1 and Class C2 Units will be offered at a price of \$1,000 per Class C1 or Class C2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class C1 and Class C2 Units together. At such time, the REIT will cease offering Class C1 and Class C2 Units. Any person wishing to subscribe for Class C2 Units must purchase a minimum amount of \$150,000.

Class C1 and Class C2 Units will participate equally with respect to any and all distributions made by the REIT to the unitholders holding Class A, Class D1, Class D2, Class E, Class F and Class G Units, including distributions of net income and net realized capital gains, if any. On termination, the Unitholders of record holding Units of all such Classes are entitled to receive, proportionately to the number of Units held by them, all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

The REIT intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1 Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 Units. In addition, the Trustee will pay agents selling Class C1/C2 Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2 Units held by persons acquiring such Units through such agent. See Item 7 "Compensation Paid to Sellers and Finders".

Class D1 and Class D2 Units

The REIT will offer Class D1 and Class D2 Units commencing on the REIT ceasing to offer Class C1 and Class C2 Units. Class D1 and Class D2 Units will be offered at a price of \$1,050 per Class D1 and Class D2 Unit to qualified investors until the date that the REIT has raised \$5,000,000 in subscription proceeds from Class D1 and Class D2 Units together. At such time, the REIT will cease offering Class D1 and Class D2 Units. Any person wishing to subscribe for Class D2 Units must purchase a minimum amount of \$150,000.

Class D1 and Class D2 Units will participate equally with respect to any and all distributions made by the REIT to the unitholders holding Class A, Class C1, Class C2, Class E, Class F and Class G Units, including distributions of net income and net realized capital gains, if any. On termination, the Unitholders of record holding Units of all such Classes are entitled to receive, proportionately to the number of Units held by them, all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

The REIT intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class D1 Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class D2 Units. In addition, the Trustee will pay agents selling Class D1/D2 Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class D1/D2 Units held by persons acquiring such Units through such agent. See Item 7 "Compensation Paid to Sellers and Finders".

Class E and Class F Units

The REIT will offer Class E and Class F Units commencing on the REIT ceasing to offer Class D1 and Class D2 Units. Class E and Class F Units will be offered to qualified investors at a subscription price to be determined by the REIT and set forth in the subscription agreement(s) to be entered into between the subscribers and the REIT.

Class E and Class F Units will participate equally with respect to any and all distributions made by the REIT to the unitholders holding Class A, Class C1, Class C2, Class D1, Class D2 and Class G Units, including distributions of net income and net realized capital gains, if any. On termination, the unitholders of record holding Units of all such Classes are entitled to receive, proportionately to the number of Units held by them, all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

The REIT intends to pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class F Units. In addition, the Trustee will pay agents selling Class F Units an annual Trailer Fee up to 1% of the subscription price of Class F Units held by persons acquiring such Units through such agent. See Item 7 "Compensation Paid to Sellers and Finders".

Class G Units

The REIT has completed its offering of Class G Units to qualified investors and Class G Units are no longer available for subscription.

Class G Units will participate equally with respect to any and all distributions made by the REIT to the unitholders holding Class A, Class C1, Class C2, Class D1, Class D2, Class E and Class F Units, including distributions of net income and net realized capital gains, if any. On termination, the unitholders of record holding Units of all such Classes are entitled to receive, proportionately to the number of Units held by them, all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT.

The REIT does not intend to pay any sales commission or fee or trailer fee in respect of the Class G Units.

The REIT reserves the right to commence or cease offering any of the Classes of Units at times and in amounts which are different than as set out above.

Distribution Reinvestment Plan

The REIT provides all Unitholders with the opportunity to participate in a distribution reinvestment plan. See Item 2.2 “Our Business – Distribution Reinvestment Plan”.

Voting

Each Unitholder is entitled to one vote for each Unit held and, subject to an adjustment in a Unit’s proportionate share as a result of the date of first issue of a Unit in the first Fiscal Year, is entitled to participate equally with respect to any and all distributions made by the REIT to the Unitholders holding Units, including distributions of net income and net realized capital gains, if any, from the REIT’s property. On termination, the Unitholders of record holding outstanding Units are entitled to receive all of the assets of the REIT remaining after payment of all debts, liabilities and liquidation expenses of the REIT. See “Termination of the REIT” below

Distributions

The REIT intends to distribute to each Unitholder cash flow realized from the REIT’s investment in Class A CDN LP Units and Class A CDN/US LP Units (being the distributable cash flow received generated by the Properties owned and operated through the CDN LP and indirectly through the CDN/US LP by virtue of its investment in the US LP) for each month in which such amounts are realized. Such distributions will be made to Unitholders of record on or before the 15th day of the next calendar month immediately following the end of the each month for which a distribution is declared, except that the month ending December 31 will have a distribution payment date that is the business day immediately preceding December 31.

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

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the REIT, 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. The Trustee will have the right but not the obligation to make distributions and allocations 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.

The REIT intends to distribute all of the net income and net realized capital gains, if any, of the REIT from its investment in Class A CDN LP Units Class A CDN/US LP Units to Unitholders, so that the REIT will not be liable to pay income tax pursuant to the Tax Act during any year. If distributions to Unitholders are in excess of the net income and net realized capital gains, if any, of the REIT from its investment in Class A CDN LP Units and Class A CDN/US LP Units, it will generally result in a reduction in the adjusted cost base of the Units to the Unitholder. See Item 6 “Income Taxes and Qualified Investment Status”.

Where the Trustee determines the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution that has been declared payable, or otherwise made payable, on the due date for such payment or for any other reason cannot pay the distribution in cash, or the Trustee otherwise elects in respect of any such distribution in its sole and absolute discretion, the payment will be distributed to Unitholders in the form of additional Units, or fractions of Units, having a value equal to the cash shortfall. Such additional Units will be issued pro rata in proportion to the number of Units held by Unitholders of record on such date. 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.

Distribution on Termination of the REIT

On the termination of the REIT, the assets of the REIT shall be liquidated and the proceeds distributed in the following order:

- (a) to pay the liabilities of the REIT and to establish reserves for the contingent liabilities of the REIT relating to the REIT property;
- (b) to pay any fees owing relating to the REIT property;
- (c) to pay unpaid fees and expenses of the Trustee relating to the REIT property; and
- (d) to redeem from the REIT's property the Units on a *pro rata* basis from the Unitholders.

Powers and Responsibilities of the Trustee

Subject only to the express limitations contained in the Declaration of Trust, and in addition to any other powers and authorities conferred by the Declaration of Trust, the Administration Agreement, 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 REIT;
- (e) to hold the REIT property in safekeeping, retaining moneys, securities, property, assets or investments, and investing moneys from time to time forming part of the REIT property;
- (f) to ensure that the Subscription Proceeds are invested in Class A CDN LP Units and Class A CDN/US LP Units;
- (g) to borrow money as necessary to pay distributions to Unitholders, and encumbering Realty Trust property in respect thereof;
- (h) to pay properly incurred expenses out of Trust property;
- (i) 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 REIT property in such accounts;
- (j) to possess and exercise rights, powers and privileges appertaining to ownership of or interests in Trust property;
- (k) to hold legal title to the REIT property;
- (l) to appoint the accountants and/or auditors of the REIT;
- (m) to ensure compliance with applicable securities legislation;
- (n) to prepare and file or cause to be prepared and filed all requisite returns, reports and filings;
- (o) to provide all requisite office accommodation and associated facilities;

- (p) to provide or cause to be provided to the REIT all other administrative and other services and facilities required by the REIT;
- (q) to maintain or cause to be maintained complete records of all transactions in respect of the investment portfolio of the REIT;
- (r) to prescribe any instrument provided for or contemplated by this Declaration of Trust;
- (s) to effect payment of distributions to the Unitholders;
- (t) to collect, sue for and receive all sums of money or other property or items that are believed due to the REIT and obtain security, including encumbrances on assets, to secure the full payment of monies owed to the REIT and the performance of all obligations in favour of the REIT, and to exercise all of the rights of the REIT, and to perform all of the obligations of the REIT, under such security;
- (u) to possess and exercise all the rights, powers and privileges pertaining to the ownership of all or any part of the REIT property, including the Class A CDN LP Units and Class A CDN/US LP Units, to the same extent that any person might, unless otherwise limited herein;
- (v) where reasonably required, to engage, employ, contract with or retain on behalf of the REIT any persons as agents, representatives, employees or independent contractors in one or more capacities;
- (w) except as prohibited by law, to delegate from time to time to the REIT'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 of Trust and subject at all times to the general control and supervision of the Trustee as provided for herein;
- (x) to issue and redeem Units pursuant to the terms and conditions of the Declaration of Trust;
- (y) where desirable to make or cause to be made application for the listing or quotation on any stock exchange or market of Units, and to do all things which in the opinion of the Trustee may be necessary or desirable to effect or maintain such listing or quotation;
- (z) to use best efforts to do all such acts and things as are necessary to ensure that the REIT qualifies as a "mutual fund trust" pursuant to subsection 132(6) of the Tax Act;
- (aa) 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 REIT property, undertaking or income of the REIT, or imposed upon or against the REIT property in connection with the undertaking or income of the REIT, 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;
- (bb) to do all such acts and things, and to execute, deliver and perform the obligations of the REIT under all such agreements and instruments as are necessary to complete the Offering or as are contemplated by this Offering Memorandum; and

- (cc) 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 REIT, to promote or advance any of the purposes or objectives for which the REIT is formed and to carry out the provisions of the Declaration of Trust whether or not herein specifically mentioned.

Further to subsection (l) above, the auditors appointed by the Trustee will be an independent recognized firm of chartered accountants that has an office in Canada. The Trustee has appointed MNP LLP as the initial auditors of the REIT, to hold such office until the first annual meeting of the Unitholders. The auditors will be selected at each succeeding annual meeting of Unitholders. The auditors will be entitled to receive such remuneration as may be approved by the Trustee. The auditors may at any time resign or be removed by the Trustee with the approval of a majority of the votes cast at a meeting of Unitholders duly called for the purpose and, upon the resignation or upon the removal of auditors as aforesaid, new auditors may be appointed by a majority of votes cast at a meeting duly called for the purpose or, in the absence of such meeting, by the Trustee.

The Trustee or any successor trustee may resign upon 60 days' notice to the Unitholders, or may be removed by a Special Resolution of the Unitholders by notice to the Trustee not less than sixty (60) days prior to the date that such removal is to take effect, provided a successor trustee is appointed or the REIT 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 shall forthwith be appointed by the Unitholders by Special Resolution to fill such vacancy. Forthwith 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.

The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly, in good faith and in the best interests of the REIT and Unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances, and shall be indemnified out of the REIT property unless there has been wilful default or fraud by the Trustee. In addition, the Declaration of Trust 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.

The Trustee will not receive fees from the REIT for acting as trustee of the REIT, but will be reimbursed by the REIT for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the REIT.

Meetings of Unitholders and Resolutions

The Trustee may, at any time, convene a meeting of the Unitholders or of a Class of Unitholders and will be required to convene a meeting on receipt of a request in writing of Unitholders holding, in aggregate, 50% or more of the Units outstanding. Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by an Ordinary Resolution. A quorum for any meeting 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 Chair of the meeting and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held.

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 REIT 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 stated herein to be 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.

Each of the following actions requires approval by Special Resolution, the terms of which shall specify the date upon which the proposed action shall be undertaken and the party who shall undertake the action:

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

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

Termination of the REIT

The Trustee may at any time terminate and dissolve the REIT by giving to each then Unitholder written notice of its intention to terminate the REIT at least ninety (90) days before the date on which the REIT is to be terminated. Upon termination, the net assets of the REIT will be distributed to the Unitholders. Prior to the termination date, the Trustee will convert the assets of the REIT to cash.

After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the REIT, providing for indemnity against any other outstanding liabilities and obligations therefor (actual and contingent) and paying any unpaid fees and expenses of the REIT, the Trustee will redeem the Units from the REIT property on a *pro rata* basis.

Amendments to the Declaration of Trust

Subject to the restrictions described in "Meetings of Unitholders and Resolutions", any provision of the Declaration of Trust may be amended, deleted, expanded or varied by the Trustee, if the amendment is, in the opinion of

counsel, not a material change which adversely affects the pecuniary value of the interest of any Unitholder in the REIT 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 REIT; or
- (c) any change in the Declaration of Trust, if such change is material or is otherwise required by the Declaration of Trust.

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 REIT'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 REIT'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 IFRS; 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.

Certificates

The REIT will not issue Certificates for Units to Unitholders.

Liability of Unitholders

In circumstances where a material obligation of the REIT is created, it is provided in the Declaration of Trust that the Trustee shall use its best efforts to have any such obligations modified so as to achieve disavowal of any personal liability of Unitholders. Further, the Trustee will cause the operations of the REIT to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, as far as possible, any material risk of liability on the Unitholders for claims against the REIT.

In case of claims made against the REIT, which do not arise out of contracts, for example, claims for taxes or claims in tort, personal liability may also arise against Unitholders. However, to the extent that a Unitholder is held personally liable in respect of liabilities of the REIT, such Unitholder will be entitled to indemnity and reimbursement out of the REIT 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.

Unitholders' Rights to Redeem

Redemption of Units by Unitholders is restricted under the terms of the Declaration of Trust governing the REIT. The total amount payable by the REIT by cash payment in respect of the redemption of Units in any fiscal year of the REIT will not exceed the redemption price payable in respect of 10% of the issued and outstanding Units.

A Unitholder wishing to redeem the whole or any part of his, her or its Units (a “**Redemption**”) may deliver a notice of such desire (the “**Redemption Notice**”) to the REIT, subject to the time frames and restrictions set out below. Upon receipt by the REIT of the Redemption Notice, the Unitholder shall 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 thereon that are declared payable to the Unitholders of record in respect of the Class of Units the Unitholder has purported to redeem on a date that is subsequent to the day of receipt by the REIT of the Redemption Notice. Units shall be considered to be tendered for redemption on the date that the REIT 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.

Subject to applicable laws and the conditions listed below, the REIT will redeem the Units specified in such Redemption Notice. As noted above, the total amount payable by the REIT by cash payment in respect of the redemption of Units in any fiscal year of the REIT will not exceed the redemption price payable in respect of 10% of the issued and outstanding Units. The Trustee may, in its sole discretion, redeem by cash payment Units in excess of 10% of the issued and outstanding Units in a fiscal year of the REIT, if in the opinion of the Trustee, doing so will not adversely affect the REIT.

The price per Unit to be redeemed by cash payment will be equal to the amount of the unreturned Capital Contribution of each Unit to be redeemed as of the date of receipt by the Trustee of a duly completed Redemption Notice less (i) any costs incurred by the REIT in the sale of the Unit(s), (ii) any costs of the REIT incurred with respect to the redemption as may be determined by the Trustee in its sole discretion and (iii) the applicable Redemption Penalty Amount, if any.

For greater certainty, there is no Redemption Penalty applicable to Class B Units and holders of Class B Units will receive a redemption bonus equal to \$60 per Class B Unit per annum, *pro rated* based on the number of days during which the Class B Units were outstanding. The REIT will have the option to extend the date for redemption of the Class B Units by one term of six months, during which the fixed annual return will continue to be payable. Notwithstanding the foregoing, Class B Unitholders may not deliver Redemption Notices to the Trustee in respect of any of their Class B Units until the date that is 12 months from the date that the subscription for such Class B Units was accepted by the Trustee on behalf of the REIT. Similarly, there is no Redemption Penalty payable in respect of the Class F Units, and Class F Unitholders may deliver Redemption Notices to the Trustee at any time.

The REIT will pay the redemption price payable in respect of any Unit by way of a cash payment within 90 days of the receipt by the Trustee of a Redemption Notice. Payments made by the REIT of such redemption price is conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder unless the cheque is dishonored upon presentment. Upon the payment of such redemption price, the REIT will be discharged from all liability to the former Unitholder in respect of the Units so redeemed.

If the REIT receives Redemption Notices for Units in excess of the number of Units to be redeemed by cash payment, as provided above, the price per Unit payable by the REIT upon the redemption of such excess Units will be equal to the amount of the unreturned Capital Contribution of each Unit to be redeemed as of the date of receipt by the Trustee of a duly completed Redemption Notice less (i) any costs incurred by the REIT in the sale of the Unit(s), (ii) any costs of the REIT incurred with respect to the redemption as may be determined by the Trustee in its sole discretion and (iii) the applicable Redemption Penalty Amount, if any.

For such excess Units, the redemption price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder and satisfied by way of either of the following methods to be selected at the sole discretion of the Trustee:

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

Where the REIT makes a distribution *in specie* of a *pro rata* number of of Class A CDN LP Units and/or Class A CDN/US LP Units on a redemption of Units pursuant to (a), (b) and (c) immediately above, the Trustee may designate as payable to the particular redeeming Unitholders receiving of Class A CDN LP Units and/or Class A CDN/US LP Units portions of the amount of the value of such of Class A CDN LP Units and/or Class A CDN/US LP Units:

- (a) not exceeding the amount of any capital gain of the REIT as a result of the distribution of such property as an amount payable out of the Net Realized Capital Gains of the REIT; and
- (b) not exceeding an allocable share of income in respect of the of Class A CDN LP Units and/or Class A CDN/US LP Units so distributed determined in accordance with the terms of the CDN LP Agreement or CDN/US LP Agreement, as applicable,

together with any other income realized by the REIT as a result of a distribution of Class A CDN LP Units and/or Class A CDN/US LP Units, as an amount payable out of Trust Income.

Units in any given Class will be redeemed according to the order in which Redemption Notices in respect of such Class are received.

Forced Redemption Upon Non-Residency

At no time may Non-residents or Designated Beneficiaries be Unitholders. If a Unitholder becomes a Non-resident or otherwise becomes a Designated Beneficiary, the Trustee may in its discretion, either forthwith redeem all or a part of the Units held by such Unitholder, or by written notice require the Unitholder to, within 30 days, transfer its Units to a transferee who is not a Non-resident or Designated Beneficiary. The redemption proceeds payable for each Unit to be redeemed will be equal to 85% of the lesser of the Subscription Price and the amount per Unit determined by the Trustee in accordance with the terms of the Trust Declaration on the day on which the Trustee issues the redemption notice. The amount so determined will be payable in cash subject to the limitations provided for in the Trust Declaration, in which case the redemption proceeds may be paid *in specie* in accordance with the provisions of the Trust Declaration by delivery of Class A CDN LP Units and/or Class A CDN/US LP Units, to the extent permitted by the CDLP LP Agreement and/or CDN/US LP Agreement as applicable, or by delivery of Debt Securities in any other case. Any capital gains or income realized in a year by the REIT as a result of any disposition of property in accordance with the foregoing will be designated and treated as having been paid to the redeemed Unitholder in accordance with the Trust Declaration.

Issuance of Units

The REIT may issue new Units from time to time. Unitholders holding Units do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders holding Units. New Units may be issued as part of an ongoing continuous offering by way of this Offering Memorandum, as a distribution, for cash through rights offerings to existing Unitholders (i.e. in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of Units), through private placements (i.e. offerings to specific investors which are not made generally available to the public or existing Unitholders) or through the DRIP. The

price or the value of the consideration for which Units may be issued will be the price determined by the Trustee based on the Net Asset Value (as defined in the Trust Declaration) of the REIT.

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

B. Class A CDN LP Units

The rights and obligations of the General Partner and the Limited Partners are governed by the CDN LP Agreement made as of June 25, 2015 between the General Partner and Steve Froese as the founding limited partner. The following is a summary of certain material provisions of the CDN LP Agreement. **This summary does not purport to be complete and reference should be to the CDN LP 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 CDN LP Agreement.**

Capital in the CDN LP – Interests in the CDN LP consist of an unlimited number of Class A CDN LP Units, an unlimited number of Class B units and the interest held by the General Partner. The General Partner has made a capital contribution of \$10 to the CDN LP, and has no further obligation to contribute capital. Steve Froese, as the CDN LP Founding Limited Partner, has also made a capital contribution of \$10.00 to the CDN LP, which capital contribution will be returned to him upon the completion of the initial subscription for CDN LP limited partnership units.

Distributions –The CDN LP will pay and distribute an amount equal to all cash flow from the operation of the CDN LP's business after payment of all obligations relating to the Properties, including all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by the General Partner. As well, the General Partner will distribute the proceeds received from a sale or refinancing of the Properties or any one of them, or other capital transaction such as the receipt of insurance or expropriation proceeds, after the creation of a reasonable reserve as determined by the General Partner. In any such case, such distributions will be as cash flow permits and will be distributed as follows:

- (a) First, as 0.01% thereof, to the General Partner;
- (b) Second, to Limited Partners holding Class A Units of the CDN LP (each, a “**Class A CDN LP Unit**”), an amount equal to \$70 per annum per Class A CDN LP Unit (the “**Class A Preferred Return**”) commencing as of the date a Unit Certificate representing a Class A CDN LP Unit is issued to such Limited Partner;
- (c) third, to Limited Partners holding Class B Units of the CDN LP (each, a “**Class B CDN LP Unit**”), an amount equal to 30/70th of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return; less
 - (ii) the amount which would have been paid to the Limited Partners holding Class A CDN LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN LP Units and 30% to the limited partners holding Class B CDN LP Units of the CDN LP.

Distributions upon wind-up, etc. - Upon the liquidation, dissolution or wind-up of the CDN LP, all funds realized by the CDN LP from the disposition of its assets, after the payment or provision for the payment of the debts and liabilities of the CDN LP and liquidation expenses, will be applied and distributed as follows:

- (a) first, to the Limited Partners holding Class A CDN LP Units, *pro rata* in accordance with their respective proportionate shares, to the extent of their unreturned initial capital contributions;
- (b) second, to the Limited Partners holding Class A CDN LP Units, *pro rata* in accordance with their respective proportionate shares, until each has received an amount which, when aggregated with the distributions previously received by them, is equal to (but not in excess of) the sum of \$70 per annum per Class A CDN LP Unit commencing as of the date a Unit Certificate representing a Class A CDN LP Unit is issued to such Limited Partner;
- (c) third, to the Limited Partners holding Class B CDN LP Units, *pro rata* in accordance with their respective proportionate shares, until each has received an amount which, when aggregated with the distributions previously received by them is equal to 30/70^{ths} of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return; less
 - (ii) the amount which would have been paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CDN/US LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN LP Units and 30% to the limited partners holding Class B CDN LP Units of the CDN LP.

Allocation of Income and Losses for Tax and Accounting Purposes - For income tax and accounting purposes, all net income and losses from operations for each fiscal year of the CDN LP will be allocated in the manner in which cash is distributed, as set out above. The General Partner shall have the discretion, acting in good faith, to allocate revenue and expenses on a daily, incremental basis to ensure a fair distribution amongst Limited Partners after taking into consideration any matters that may be relevant.

Additional Capital Contributions - No Limited Partner is required to make additional capital contributions to the CDN LP over and above the purchase price paid for such Limited Partner's Class A CDN LP Units.

Management and Control of the CDN LP - Under the terms of the CDN LP Agreement, the General Partner is given full power and authority to manage, control, administer and operate the business of the CDN LP, 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 CDN LP. The General Partner has unlimited liability for the debts, liabilities and obligations of the CDN LP to the extent required by the *Partnership Act* (British Columbia) and other applicable legislation. A Limited Partner will not be liable for any debts, liabilities or obligations of the CDN LP 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 Units, provided such Limited Partner does not take part in the control or management of the business of the CDN LP.

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 CDN LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the CDN LP after the appointment of the new General Partner.

In the event of the removal of the General Partner, the CDN LP may terminate any agreements made between the CDN LP and the General Partner or a related party, upon the payment by the CDN LP to the General Partner or such related party of the amount stated in such agreement to be payable upon termination or, in the absence

thereof, a reasonable termination compensation. As well, the CDN LP will purchase from the General Partner its interest in the CDN LP for a price equal to the fair market value thereof.

The removal and replacement of the General Partner will not dissolve the CDN LP, and the business of the CDN LP will be continued by the new general partner.

No Transferability - Limited Partners may not transfer, assign, pledge, encumber or dispose of any Class A CDN LP Units without the written consent of the General Partner. As well, Limited Partners may not sell, transfer or dispose of less than all of their Units.

Certificates - Certificates for Units will be issued to Limited Partners.

C. Class A CDN/US LP Units

The rights and obligations of the General Partner and the Limited Partners are governed by the CDN/US LP Agreement made as of June 25, 2015 between the General Partner and Steve Froese as the founding limited partner. The following is a summary of certain material provisions of the CDN/US LP Agreement. **This summary does not purport to be complete and reference should be to the CDN/US LP 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 CDN/US LP Agreement.**

Capital in the CDN/US LP – Interests in the CDN/US LP consist of an unlimited number of Class A CDN/US LP Units, an unlimited number of Class B units and the interest held by the General Partner. The General Partner has made a capital contribution of \$10 to the CDN/US LP, and have no further obligation to contribute capital. Steve Froese, as the CDN/US LP Founding Limited Partner, has also made a capital contribution of \$10.00 to the CDN/US LP, which capital contribution will be returned to him upon the completion of the initial subscription for CDN LP limited partnership units.

Distributions – The CDN/US LP will pay and distribute an amount equal to all cash flow from the operation of the CDN/US LP's business after payment of all obligations relating to the Properties, including all principal and interest payments under any financing, and after the creation of a reasonable working capital and capital improvement reserve as determined by the General Partner. As well, the General Partner will distribute the proceeds received from a sale or refinancing of the Properties or any one of them, or other capital transaction such as the receipt of insurance or expropriation proceeds, after the creation of a reasonable reserve as determined by the General Partner. In any such case, such distributions will be as cash flow permits and will be distributed as follows:

- (a) first, as 0.01% thereof, to the General Partner;
- (b) second, to Limited Partners holding Class A Units of the CDN/US LP (each, a “**Class A CDN/US LP Unit**”), an amount equal to \$70 per annum per Class A CDN/US LP Unit (the “**Class A Preferred Return**”) commencing as of the date a Unit Certificate representing a Class A CDN/US LP Unit is issued to such Limited Partner;
- (c) third, to Limited Partners holding Class B Units of the CDN/US LP (each, a “**Class B CDN/US LP Unit**”), an amount equal to $30/70^{\text{ths}}$ of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return; less
 - (ii) the amount which would have been paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND LP Unit;

- (d) thereafter, 70% to the limited partners holding Class A CDN/US LP Units and 30% to the limited partners holding Class B CDN/US LP Units of the CDN/US LP.

Distributions upon wind-up, etc. - Upon the liquidation, dissolution or wind-up of the CDN/US LP, all funds realized by the CDN/US LP from the disposition of its assets, after the payment or provision for the payment of the debts and liabilities of the CDN/US LP and liquidation expenses, will be applied and distributed as follows:

- (a) first, to the Limited Partners holding Class A CDN/US LP Units, *pro rata* in accordance with their respective proportionate shares, to the extent of their unreturned initial capital contributions;
- (b) second, to the Limited Partners holding Class A CDN/US LP Units, *pro rata* in accordance with their respective proportionate shares, until each has received an amount which, when aggregated with the distributions previously received by them, is equal to (but not in excess of) the sum of \$70 per annum per Class A CDN/US LP Unit commencing as of the date a Unit Certificate representing a Class A CDN/US LP Unit is issued to such Limited Partner;
- (c) third, to the Limited Partners holding Class B CDN/US LP Units, *pro rata* in accordance with their respective proportionate shares, until each has received an amount which, when aggregated with the distributions previously received by them is equal to 30/70^{ths} of the difference between:
 - (i) the amount paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return; less
 - (ii) the amount which would have been paid to the Limited Partners holding Class A CDN/US LP Units in respect of the Class A Preferred Return if such amount had been calculated on the basis of \$60 per annum per Class A CND/US LP Unit;
- (d) thereafter, 70% to the limited partners holding Class A CDN/US LP Units and 30% to the limited partners holding Class B CDN/US LP Units of the CDN/US LP.

Allocation of Income and Losses for Tax and Accounting Purposes - For income tax and accounting purposes, all net income and losses from operations for each fiscal year of the CDN/US LP will be allocated in the manner in which cash is distributed, as set out above. The General Partner shall have the discretion, acting in good faith, to allocate revenue and expenses on a daily, incremental basis to ensure a fair distribution amongst Limited Partners after taking into consideration any matters that may be relevant.

Additional Capital Contributions - No Limited Partner is required to make additional capital contributions to the CDN/US LP over and above the purchase price paid for such Limited Partner's Class A CDN/US LP Units.

Management and Control of the CDN/US LP - Under the terms of the CDN/US LP Agreement, the General Partner is given full power and authority to manage, control, administer and operate the business of the CDN/US LP, 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 CDN/US LP. The General Partner has unlimited liability for the debts, liabilities and obligations of the CDN/US LP to the extent required by the *Partnership Act* (British Columbia) and other applicable legislation. A Limited Partner will not be liable for any debts, liabilities or obligations of the CDN/US LP 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 Units, provided such Limited Partner does not take part in the control or management of the business of the CDN/US LP.

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 CDN/US LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the CDN/US LP after the appointment of the new General Partner.

In the event of the removal of the General Partner, the CDN/US LP may terminate any agreements made between the CDN/US LP and the General Partner or a related party, upon the payment by the CDN/US LP to the General Partner or such related party of the amount stated in such agreement to be payable upon termination or, in the absence thereof, a reasonable termination compensation. As well, the CDN/US LP will purchase from the General Partner its interest in the CDN LP for a price equal to the fair market value thereof.

The removal and replacement of the General Partner will not dissolve the CDN/US LP, and the business of the CDN/US LP will be continued by the new general partner.

No Transferability - Limited Partners may not transfer, assign, pledge, encumber or dispose of any Class A CDN/US LP Units without the written consent of the General Partner. As well, Limited Partners may not sell, transfer or dispose of less than all of their Units.

Certificates - Certificates for Units will be issued to Limited Partners.

5.2 Subscription Procedure

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

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

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

- (a) if the investor is relying on “offering memorandum” exemption to the prospectus requirement in section 2.9 of *National Instrument 45-106 Prospectus and Registration Exemptions* (“NI 45-106”) (the “**Offering Memorandum Exemption**”) and the investor is resident in or otherwise subject to the securities laws of British Columbia:
 - (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) unless the investor is subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513);
- (b) if the investor is relying on the Offering Memorandum Exemption and the investor 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 investor is investing more than \$10,000 pursuant to the Offering Memorandum Exemption, the investor must meet the definition of “eligible investor” (as defined in NI 45-106) and an “Eligible Investor Questionnaire”;
- (c) if the investor is relying on the Offering Memorandum Exemption and the investor 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 investor is an individual, two copies of Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4). Investors investing more than \$10,000 in a 12 month period must meet the definition of “eligible investor”. Investors 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 persons described in section 2.5 of NI 45-106 (however, such investors must complete Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4));
- (d) if the investor is relying on the “accredited investor” exemption to the prospectus requirement in section 2.3 of NI 45-106 and the investor is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) the investor must be an “accredited investor” as defined in NI 45-106,
 - (ii) if applicable, two copies of a Risk Acknowledgment Form for Individual Accredited Investors (Form 45-106F9), and
 - (iii) if the investor is resident in or otherwise subject to the securities laws of British Columbia and the investor is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513);
- (e) if the investor is relying on the “minimum investment” exemption (\$150,000) to the prospectus requirement in section 2.10 of NI 45-106 and the investor is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) the investor is not an individual (as defined in applicable securities laws),
 - (ii) the conditions of section 2.10 of NI 45-106 are satisfied, and
 - (iii) if the investor is resident in or otherwise subject to the securities laws of British Columbia and the investor is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgement Form (Appendix A to BCI 32-513); and
- (f) if the investor 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 investor is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) such supporting documentation that the REIT or its legal counsel may request to establish the investor’s qualification to rely on such exemption,

- (ii) if applicable, two copies of: A. a Risk Acknowledgment Form (Form 45-106F12) (Ontario residents), or B. a Risk Acknowledgment Form (Form 45-106F5) (Saskatchewan residents), as applicable, and
- (iii) if the investor is resident in British Columbia and the investor is not subscribing through a registered securities dealer, two copies of a Risk Acknowledgment Form (Appendix A to BCI 32-513).

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

Investors may subscribe for Units by returning to the REIT at 1601 – 128 West Pender Street, Vancouver, BC V6B 1R8 the following:

- (a) a completed Subscription Agreement (including all applicable schedules, appendices, acknowledgements, certificates and other documents requested by the REIT) in the form of Schedule A to this Offering Memorandum; and
- (b) either:
 - (i) a certified cheque or bank draft in the amount of the Subscription Price per Unit subscribed for, payable to “AP Capital REIT”; or
 - (ii) an irrevocable direction to a financial institution to pay to the REIT the subscription price per Unit.

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

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

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

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

ITEM 6 - INCOME TAXES AND QUALIFIED INVESTMENT STATUS

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

6.1 Income Tax Consequences

The following summary outlines the Canadian federal income tax consequences to a subscriber who at all relevant times, for the purposes of the Tax Act, is resident in Canada and deals at arm’s length with the REIT. The income tax consequences will not be the same for all Subscribers but will vary depending on a number of factors, including: (i) the province in which the Subscriber resides or carries on business; (ii) whether the Units acquired by the Subscriber will be characterized as capital property; (iii) whether the Subscriber is an individual, trust or

corporation: (iv) the nature and amount of the Subscriber's income from other sources; and (v) whether the Units are purchased by, or contributed or sold by the Subscriber to, the Subscriber's registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered education savings plan ("RESP"), deferred profit sharing plan ("DPSP"), or tax-free savings account ("TFSA"). The following discussion of the income tax consequences of an investment in Units is, therefore, of a general nature only, is not intended to constitute an exhaustive analysis of those income tax consequences and should not be interpreted as legal or tax advice to any particular Subscriber.

Each prospective subscriber should obtain independent tax advice as to both the federal and provincial income tax consequences of an investment in Units.

This summary does not address the tax considerations of and to a Subscriber 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 does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule of subsection 245(2) of the Tax Act to any particular transaction or series of transactions.

This summary is based on the current provisions of the Tax Act, the regulations to the Tax Act (the "Regulations"), all specific amendments to the Tax Act proposed by or on behalf of the Minister of Finance for Canada prior to the date hereof, and the current published administrative practices of the Canada Revenue Agency ("CRA"), and it assumes that those specific amendments will be enacted substantially as proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action nor does it take into account provincial or foreign income tax legislation or considerations.

Introduction

This summary focuses on the Tax Act's requirements for investments in the REIT to be qualified for RRSP, RRIF, RESP, DPSP, and TFSA purposes. The determination of whether or not the Units will qualify depends on whether the REIT meets the definition of a "mutual fund trust" as defined in the Tax Act or would otherwise meet the definition of a "mutual fund trust" if certain prescribed conditions were not met. Hence, the central focus of the summary is whether the basic requirements to become a mutual fund trust have been met and if so, whether the Trust's proposed investments will disqualify it from being held by RRSPs, RRIFs, RESPs, DPSPs and TFSAs (collectively, "Deferred Plans").

Requirements for Becoming a Mutual Fund Trust

Definition of Mutual Fund Trust

In order for the REIT to meet the definition of a mutual fund trust, the following requirements must be met:

- (a) the REIT must be a "unit trust" resident in Canada;
- (b) the REIT's only undertaking must be:
 - (i) the investing of its funds in property (other than real property or an interest in real property);
 - (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the REIT; or
 - (iii) any combination of the activities described in subparagraphs (i) and (ii);

- (c) the REIT must comply with prescribed conditions relating to the number of its unitholders, dispersal of ownership of its units and public trading of its units; and
- (d) the REIT must not be maintained primarily for the benefit of non-residents.

Unit trust resident in Canada

For a trust to qualify as a “unit trust” it must be an *inter vivos* trust, the interest of each unitholder must be described by reference to units of the trust, and the trust must meet certain prescribed conditions regarding redeemability of units, which are discussed below. The REIT is an *inter vivos* trust under which the interest of each beneficiary is described by reference to units. The residence of a trust is a question of fact, as a trust resides where the central management and control of the trust actually takes place. The REIT is controlled and managed by the Trustee which is a taxable Canadian corporation resident in Canada for the purposes of the Tax Act. Each of the directors of the Trustee is a resident of Canada for the purposes of the Tax Act. Provided that the directors of the Trustee in fact exercise central management and control over the REIT and such management and control is normally exercised in Canada, the REIT should meet the requirement of being resident in Canada.

Redeemability of Units

The units of a “unit trust” must meet certain prescribed conditions regarding redeemability. In the view of the Trustee, the provisions of the Declaration of Trust (see Item 5.1 “Terms of Units – Redemption”) relating to the redemption of Units comply with the redemption requirement necessary for a “unit trust”. If the REIT fails to meet the redemption on demand test for a closed ended unit trust and fails to meet the investment restrictions for an open ended unit trust, the REIT would not meet the definition of a “unit trust”.

Restricted Activities of Mutual Fund Trust

In order for the REIT to meet the definition of a “mutual fund trust”, the activities of the REIT must be restricted to (i) the investing of its funds in property, (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) that is capital property of the REIT, or (iii) some combination of the foregoing. Hence, a mutual fund trust is permitted to invest its funds in shares, debt obligations, and limited partnership interests, and in real property as long as the real property is capital property to the REIT. Investment in real property for the purposes of development and resale is not permitted. However, the CRA has commented that, in its view, investment in real property that will be developed and thereafter held as capital property would be acceptable.

The Declaration of Trust includes provisions which restrict the type of the REIT’s investments in such manner that this requirement should be met.

Ownership of Units

The REIT must comply with prescribed conditions relating to the number of its Unitholders, dispersal of ownership of its units and public trading of its units at a particular time in order to qualify as a mutual fund trust. In essence, in order for the REIT to qualify as a mutual fund trust at a particular time, the REIT must have at least 150 beneficiaries each of whom holds a block of Units with an aggregate fair market value of not less than \$500, and the Units must have been qualified for distribution to the public by way of a prospectus or similar disclosure document, such as an offering memorandum.

Upon the REIT achieving at least 150 Unitholders each holding a block of Units with an aggregate fair market value of \$500 or more, the REIT can qualify as a mutual fund trust.

Non-Resident Ownership of Units

The final requirement of a trust maintaining its mutual fund trust status is that the REIT not be primarily for the benefit of non-resident persons. The term “primarily” is generally interpreted to mean greater than 50%. Under the terms of the REIT Agreement, no non-resident persons are permitted to hold units of the REIT. Accordingly, this test should be met.

Taxation of the REIT, CDN LP and CDN/US LP and Unitholders

Taxation of the REIT

The REIT will not pay tax on its net income and net realized capital gains distributed to Unitholders (pursuant to the terms of the Declaration of Trust), provided the REIT has no non-resident or other designated beneficiaries. The Declaration of Trust prohibits the issue of Units to non-resident or other designated beneficiaries. Losses incurred by the REIT cannot be allocated to Unitholders but may, subject to certain limitations and in accordance with the applicable provisions of the Tax Act, be deducted from income or capital gains realized by the REIT in future years.

Taxation of CDN LP and CDN/US LP

Canadian Tax Considerations

The CDN LP and the CDN/US LP are not subject to tax under the Tax Act. Each partner of the CDN LP and the CDN/US LP (including the REIT) 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 CDN LP and the CDN/US LP 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 CDN LP Agreement or the CDN/US LP Agreement, as applicable, subject to certain provisions of the Tax Act in that regard.

If the CDN LP or the CDN/US LP incurs losses for purposes of the Tax Act, a limited partner, including the REIT, 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 a 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 CDN LP or C the DN/US LP, 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.

United States Tax Considerations

For U.S. tax purposes, a partnership is generally treated as a look-through entity and as such it is not subject to U.S. income tax itself. Each partnership is required to file annual information returns with the Internal Revenue Service

("IRS"). The partners in a partnership account for the income, expenses and taxes derived or paid by the partnership on a current basis and the character of these items is determined at the partnership level. The ultimate partners of a partnership will be subject to U.S. income tax on their relevant proportion of income derived from real estate activities in the U.S.

An election may be made by a partnership to be treated as a corporation for U.S. income tax purposes. This election has been made for the CDN/US LP. As such, the ultimate partner of the US LP is the CDN/US LP which will be responsible for U.S. income tax and U.S. tax filings in respect of the US LP.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income of the REIT for the taxation year of the REIT ending on or before the particular taxation year end of the Unitholder, including net taxable capital gains (determined for the purposes of the Tax Act), that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year, whether those amounts are received in cash or otherwise.

Any amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year, will not generally be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its Units by the portion of any amount paid or payable to such Unitholder (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains) that was not included in computing the Unitholder's income and will realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount.

On the disposition or deemed disposition of a Unit by a Unitholder, on redemption or otherwise, the Unitholder will realize a capital gain or loss to the extent that the proceeds of disposition exceed or are exceeded by the adjusted cost base of the Units, respectively. 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. One-half of a capital gain realized by a Unitholder on disposition or deemed disposition of Units must generally be included in a Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs. 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, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

In general terms, capital gains realized on the disposition of Units, and net income of the REIT paid or payable, or deemed to be paid or payable, to a Unitholder who is an individual or trust (other than certain specified trusts) and that is designated as taxable dividends or as net taxable capital gains, may increase the Unitholder's liability for alternative minimum tax.

6.2 Qualified Investment Status

Under the Regulations, an investment in a trust that meets the definition of a "mutual fund trust" is a qualified investment for a Deferred Plan. Accordingly, provided that at a particular time the REIT qualifies as a mutual fund trust within the meaning of the Tax Act, as discussed above, the Units will be a qualified investment for Deferred Plans. If the REIT does not qualify or ceases to qualify as a mutual fund trust, the Units will not be qualified investments for Deferred Plans at that time. Trust Notes, units of the CDN LP or the CDN/US LP or other trust property that may be issued or distributed by the REIT to Unitholders on or in connection with redemption of Units, may not be qualified investments for Deferred Plans.

Where a Deferred Plan acquires or holds a Unit that is not a qualified investment at any time, or acquires or holds a Trust Note, or other trust property that is not a qualified investment, adverse tax consequences may arise to the Deferred Plan and the holder of or annuitant or beneficiary under the Deferred Plan. **Accordingly, Deferred Plans**

that propose to invest in Units should consult their own tax advisors before deciding to purchase Units and again before deciding to exercise the redemption rights attached to such Units.

Notwithstanding that the Units may be qualified investments for Deferred Plans as described above, a holder of a TFSA or an annuitant under an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Units held in the TFSA, RRSP or RRIF are a “prohibited investment” as defined in the Tax Act for the TFSA, RRSP or RRIF. The Units will generally be a “prohibited investment” for trusts governed by a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, does not deal at arm’s length with the REIT for the purposes of the Tax Act, or has a “significant interest”, as defined in the Tax Act, in the REIT. Generally, a holder or annuitant will have a significant interest in the REIT if the TFSA, RRSP or RRIF (as applicable), the annuitant or holder (as applicable), and other persons not at arm’s length with the annuitant or holder together, directly or indirectly, hold interests as a beneficiary under the REIT that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the REIT.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

Where permitted by applicable securities legislation, the REIT may pay sales fees pay a sales fee of up to 7% of the gross proceeds realized on the sale of Class C1, Class D1 and Class E Units and a sales fee of up to 1% of the gross proceeds realized on the sale of Class C2 and Class D2 Units to any one of, or a combination of: investment dealers, Exempt Market Dealers, parties related to the Trustee, employees and/or contractors of such parties, and officers and directors of the Trustee. Accordingly, using the illustrative example of \$10,000,000 as noted in Note 2 to the table shown in Item 1.2 – “Use of Available Funds” above, the REIT could pay as much as \$700,000 in up front selling commissions and fees. The amount included in the table at Item 1.2 above is based on the REIT’s expectation that the average sales fee paid will be approximately 4% of the subscription proceeds. In addition, the Trustee may pay agents selling Class C1/C2, Class D1/D2 and Class F Units an annual Trailer Fee commencing after the first anniversary of any subscriptions for such units up to 1% of the subscription price of Class C1/C2, Class D1/D2 and Class F Units held by persons acquiring such Units through such agent. To the extent that the REIT is responsible for the payment of compensation to securities dealers, the funds available to the REIT will be reduced.

ITEM 8 –OTHER MATERIAL FACTS

There are no material facts about the securities being distributed that are not disclosed under any other items contained in this Offering Memorandum for which failure to disclose would constitute a misrepresentation in this Offering Memorandum.

ITEM 9 - RISK FACTORS

The purchase of Units involves a number of risk factors. This Offering is suitable only for investors who are aware of the risks inherent in the real estate industry and who have the ability and willingness to accept the risk of loss of their invested capital and who have no immediate need for liquidity. An investor should reach a decision to invest in the REIT after careful consideration with his or her advisors as to the suitability of the REIT in light of its investment objective and the information set out in this Offering Memorandum. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

9.1 Investment Risk

Partial Blind Pool Offering

This is a partial Blind Pool Offering. The gross proceeds of the Offering will ultimately be invested in the acquisition of one or more Properties, after the deduction of the costs of the Offering. However, the specific Properties in which the CDN LP and the US LP will invest have not yet been determined. Depending on the return on investment achieved on the Properties that may be acquired by the CDN LP and the US LP, the Unitholders’ return on their respective investments in the Units will vary.

Marketability of Units

The Units are not listed on an exchange. There is currently no secondary market through which the Units may be sold, there can be no assurance that any such market will develop and the REIT has no current plans to develop such a market. The Units are not transferable, except if required as a result of a Unitholder becoming a non-resident. In such situations, securities requirements may prohibit or restrict transferability of Units. Consequently, holders of Units will not be able to resell their Units and the sole method of liquidation of an investment in REIT Units is by way of redemption of REIT Units. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment. See Item 5.1 “Terms of the REIT Units - Forced Redemption Upon Non-Residency”, Item 5.1 “Terms of Units – Redemption” and Item 11 “Resale Restrictions”.

Nature of Units

The Units are not the same as shares of a corporation and the REIT is not governed by the *Business Corporations Act* (British Columbia) which grants certain protections to shareholders of corporations. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring “oppression” or “derivative” actions.

Personal Liability of Unitholders

The Declaration of Trust provides that no Unitholder shall be held to have any personal liability as such, and no resort shall be had to a Unitholder’s private property, for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustee or any obligation in respect of which a Unitholder would otherwise have to indemnify the Trustee for any liability incurred by the Trustee, but rather only the REIT property is intended to be liable and subject to levy or execution for satisfaction of any obligation or claim.

There is a risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations in connection with the REIT (to the extent that claims are not satisfied by the REIT). It is intended that the REIT’s operations be conducted in such a way as to minimize any such risk and, in particular and where practical, to cause every written contract or commitment of the REIT to contain an express statement that liability under such contract or commitment is limited to the value of the assets of the REIT.

In any event, the REIT considers that the risk of any personal liability of Unitholders to be minimal in view of the size of the anticipated equity of the REIT, the nature of its activities and the requirement of the REIT that any written contract or commitment of the REIT (except where such inclusion is not reasonably possible) include an express limitation of liability. In the event that a Unitholder should be required to satisfy any obligation of the REIT, such Unitholder will be entitled to reimbursement from any available assets of the REIT.

Currency Exchange Rate Risk

The offering price for Units is denominated in Canadian dollars, but a portion of the underlying investment in the US Portfolio or, if applicable, the Mortgages, will be in U.S. Properties and therefore will be denominated in U.S. dollars. The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to other currencies. Consequently, income and expense or any ultimate gain on sale of a U.S. Property or interest on U.S.-based loans will be earned or incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Units and the return on the original investment, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors are subject to currency exchange rate risk.

Tax Matters

The return on the Unitholder's 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 acquiring, holding or disposing of Units.

If the REIT ceases to meet the requirements for a mutual fund trust, the Units of the REIT will cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which hold Units becoming liable for a penalty tax.

Reliance on Assumptions

The REIT's business plan and investment strategy have been formulated based on the REIT's analysis and expectations regarding recent economic developments in Canada and United States. Such analysis may be incorrect or the economic conditions upon which such analysis is based may change unexpectedly and such expectations may not be realized.

No Maximum Time for Investment of Net Proceeds

There is no maximum time period for the full investment of the net proceeds of the offering in Properties and the timing of such investment will depend upon the identification by the General Partner and the US GP of Properties meeting the criteria for acquisition.

Restrictions on Redemption

Redemption of Units by Unitholders is restricted under the terms of the Declaration of Trust governing the REIT. The total amount payable by the REIT by cash payment in respect of the redemption of Units in any fiscal year of the REIT will not exceed the redemption price payable in respect of 10% of the issued and outstanding Units. Accordingly, Units may not be an appropriate investment for investors seeking liquidity.

Limitation on Payment of Redemption Price in Cash

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

Payment of Redemption Price in Kind

As a result of the foregoing limitations, the Trustee may pay the redemption of Units by way of a Trust Note, Debt Security or Class A CDN LP Units and/or Class A CDN/US LP Units. Trust Notes, Debt Securities and Class A CDN LP Units and/or Class A CDN/US LP Units received as a result of redemptions of Units may not be liquid. Further, they will generally not be qualified investments or may be prohibited investments for Plans. Where Trust Notes, Debt Securities or Class A CDN LP Units and/or Class A CDN/US LP Units held by a Plan are not qualified investments or are prohibited investments, adverse tax consequences will generally arise to the 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, that the annuitant, beneficiary or holder of the Plan may be deemed to have received income therefrom, and that the Plan may have its tax status revoked. Accordingly, Plans that propose to invest in Units should consult their own tax advisors before doing so and before deciding to exercise the redemption rights attached to such Units.

Risk Factors Relating to the REIT's Canadian Tax Status

The REIT intends to qualify as a "mutual fund trust" under the Tax Act at all relevant times. If the REIT does not meet the requisite conditions or otherwise does not qualify or ceases to qualify as a "mutual fund trust" under the Tax Act, adverse consequences may arise including that: (i) the REIT may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the non-qualifying trust would be reduced and Unitholders may otherwise be adversely affected), and (ii) the Units will not be qualified investments for Plans (with the result that adverse tax consequences will generally arise to the 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, that the annuitant, beneficiary or holder of the Plan may be deemed to have received income therefrom, and that the Plan may have its tax status revoked.

Risk Factors Relating to the Treatment of SIFTs and Controlled Foreign Affiliates

There can be no assurances that Canadian federal income tax laws respecting the criteria relating to, and the treatment of SIFTs or controlled foreign affiliates' exempt surplus will not be changed, or that administrative policies and assessing practices of the CRA will not develop, in a manner which adversely affects the REIT or the Unitholders.

Other Canadian Tax and Foreign Tax Related Risk Factors

The tax treatment of investment and real estate activities of the REIT have a material effect on the advisability of an investment in the Units. The rules governing the Canadian federal income taxation of Unitholders are complex. The summary in "Canadian Federal Income Tax Considerations" does not address or consider all aspects of Canadian federal income tax of an investment in the REIT and does not consider provincial, territorial, U.S., State, or other foreign tax legislation or considerations. Prospective investors should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Units offered herein.

Risk Factors Relating to Non-Residents

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are non-residents of Canada. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this Offering Memorandum does not describe the tax consequences under the Tax Act to non-residents, which may be more adverse than the consequences to other Unitholders. Prospective purchasers who are non-residents should consult their own tax advisors.

U.S. Market Factors

The US Portfolio will be located in the U.S. and the U.S.-based Mortgages will be secured against real property in the U.S. Global market and economic conditions since the beginning of 2008 have been challenging with recession conditions in the North American economy. U.S. markets appear to be improving, albeit slowly, and are currently experiencing declining levels of unemployment, stable or rising home prices, declining foreclosure rates, and improving but curtailed access to credit markets. Fears of a "double-dip" recession have somewhat subsided, although the rate of recovery remains slow when compared to previous recessions. Although the recession technically ended in June, 2009, the U.S. economy has not yet returned to operating at normal capacity and the effects of the coming reduction in fiscal stimulus programs may halt the nascent recovery. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to curtail funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Although economic indicators suggest that the worst of the economic downturn has passed, the demand for housing, support for rents and property values may not continue on their current trajectory and the domestic and international economic shocks could lead to a deterioration of market conditions. The REIT cannot predict when or if the real estate markets will recover to such a level that will allow

for the accomplishment of its stated objectives. The value of Properties acquired may decline if market conditions cease their improvement or worsen.

9.2 Issuer Risk

Limited Recourse

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

Geographic Concentration

The REIT's portfolio currently consists of two properties, one located in Phoenix, Arizona and one located in Fort McMurray, Alberta. Both jurisdictions have experienced significant declines in economic conditions – Fort McMurray more recently than Phoenix. Given the current concentration of the REIT's portfolio in these two cities and the REIT's intention to continue to pursue asset acquisition in Alberta and Arizona, the portfolio and the income derived therefrom could be negatively affected if the economic conditions in these regions do not improve or if the local and regional economic conditions in these areas decline.

2016 Fort McMurray Wildfire

As of the date of this Offering Memorandum, evacuated residents of Fort McMurray and rebuilding crews have permitted back into the city for just over one month. As a result, the REIT cannot accurately determine the extent to which the Fort McMurray wildfire will impact its business. The Morrison Centre in Fort McMurray is currently the only Canadian property in the REIT's portfolio and with all tenants only recently having returned to their businesses, there may be a material adverse effect on the REIT's business, financial condition, and results of operations.

See Item 2.3 – “Development of the Business – Morrison Centre, May, 2016 Wildfire” above for more information regarding the Fort McMurray wildfire.

Reliance on Management

Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the Trustee, the General Partner and the US GP and their principals in determining the composition of the portfolios of Properties, the Mortgages and in negotiating the pricing and other terms of the agreements leading to the acquisition of Properties and the granting of Mortgage loans.

Key Personnel

The operations of the REIT, the Trustee, the General Partner, the US GP and the Manager are highly dependent upon the continued support and participation of their key personnel. The loss of their services may materially affect the timing or the ability of the REIT to implement its business plan. The management teams of the REIT, the Trustee, the General Partner, the US GP and the Manager consist of several key people. In order to manage the REIT, the Trustee, the General Partner, the US GP and the Manager successfully in the future, it may be necessary to further strengthen their management teams. The competition for such key personnel is intense, and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the REIT's business, financial condition, and results of operations.

Litigation

The REIT, the CDN LP and/or the US LP may become subject to disputes with various parties with whom they maintain relationships or with whom they do business. Any such dispute could result in litigation or other legal

proceedings. Whether or not any dispute actually proceeds to litigation, the REIT, the CDN LP and/or the US LP may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on its business. Any such resolution could involve the payment of damages, costs or expenses, which may be significant. In addition, any such resolution could involve the agreement by the REIT, the CDN LP and/or the US LP to certain settlement terms or conditions that may restrict the operation of the REIT's business.

9.3 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 REIT or the CDN LP or the US LP.

There is no assurance that the CDN LP and the US LP 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 CDN LP's and the US LP's cost of borrowing.

General Real Estate Ownership Risks

All real property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. 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. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the ability of the CDN LP and the US LP to vary their portfolios promptly in response to changing economic or investment conditions. If for whatever reason, liquidation of assets is required, there is a risk that sales proceeds realized might be less than the current book value of the investments of the CDN LP and the US LP or that market conditions would prevent prompt disposition of assets.

Potential Liability under Environmental Protection Legislation

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the CDN LP and the US LP 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 CDN LP's and/or the US LP's ability to sell such a property or to borrow using a property as collateral.

Current Economic Conditions

Canadian real estate investment trusts are subject to risks related to real estate in the markets where properties are owned, as well as the Canadian credit, capital and financial markets. Sensitivity to global economic conditions, and their impact in Canada, may negatively affect the REIT, the CDN LP and the US LP, their properties and/or their tenants. The REIT, the CDN LP and the US LP are subject to the risks commonly associated with recessionary economic conditions, including debt financing risk, tenant risk and illiquidity risk.

Economic and market conditions could negatively impact the REIT's business, results of operations and financial condition.

The REIT's business may be affected by market and economic challenges experienced by Canada, the U.S. or global economies or the real estate industry as a whole or by the local economic conditions in the markets in which the REIT's assets are located, including any dislocations in the credit markets. For example, prolonged lower oil prices may negatively impact the economy in Alberta, where Morrison Centre is located and where the REIT may purchase additional Properties. These conditions may materially affect the tenants, the value and performance of the assets and the REIT's ability to sell assets, as well as the REIT's ability to make principal and interest payments on, or refinance, any outstanding debt when due. Challenging economic conditions may also impact the ability of certain of tenants to enter into new leasing transactions or satisfy rental payments under existing leases. Specifically, these conditions may have the following consequences:

- (a) the financial condition of tenants may be adversely affected, which may result in the CDN LP or the US LP, as applicable, having to increase concessions, reduce rental rates or make capital improvements in order to maintain occupancy levels or to negotiate for reduced space needs, which may result in a decrease in occupancy levels;
- (b) significant job loss may occur, which may decrease demand for space and result in lower occupancy levels, which will result in decreased revenues and which could diminish the value of assets, which depend, in part, upon the cash flow generated by the REIT's assets;
- (c) an increase in the number of bankruptcies or insolvency proceedings of tenants and lease guarantors, which could delay efforts to collect rent and any past due balances under the relevant leases and ultimately could preclude collection of these sums;
- (d) the ability of the CDN LP and the US LP to borrow on terms and conditions that they find acceptable may be limited;
- (e) the amount of capital that is available to finance assets could diminish, which, in turn, could lead to a decline in asset values generally, slow asset transaction activity, and reduce the loan to value ratio upon which lenders are willing to lend; and
- (f) the value of certain of the REIT's assets may decrease below the amounts paid for them, which would limit the REIT's ability to dispose of assets at attractive prices or for potential buyers to obtain debt financing secured by these assets and could reduce the REIT's ability to finance its business.

Acquisition Risk

The CDN LP and the US LP intend to acquire Properties selectively. The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the CDN LP and the US LP will incur certain risks, including the expenditure of funds on, and the devotion of management's time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the Properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring

an acquired Property up to standards established for the market position intended for that Property may prove inaccurate.

Financing Risks

There is no assurance that the CDN LP and the US LP will be able to obtain sufficient mortgage loans to finance the acquisition of Properties, or, if available, that the CDN LP and the US LP will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the CDN LP and the US LP are able to purchase will decrease and the possible return from the ownership of Properties will be reduced. Even if the CDN LP and the US LP are successful in obtaining adequate mortgage loans, the CDN LP and the US LP may not be able to generate sufficient funds through the operation of the Properties to service the mortgage loans. If a default occurs under any of the mortgage loans, one or more of the lenders could exercise its rights including, without limitation, foreclosure or sale of the Properties.

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 REIT's business and profitability. The mortgage loans arranged by the CDN LP and the US LP may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the cost of borrowing.

Uninsured Losses

The General Partner and the US GP will, under the terms of the applicable limited partnership agreement, arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the CDN LP and the US LP and will endeavour 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 any of the Properties, the CDN LP and the US LP could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.

Competition for Real Property Investments

The CDN LP and the US LP will compete for suitable real property and mortgage loan investments with individuals, corporations, real estate investment trusts and similar vehicles, and institutions (both U.S., Canadian and foreign) which are presently seeking or which may seek in the future real property investments and mortgage loan similar to those sought by the CDN LP and the US LP. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments.

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.

Nature of the Mortgage Loan Investments

The REIT's indirect investments in mortgage loans will be secured by real estate. All real property investments are subject to elements of risk. Real property value is affected by general economic conditions, local real estate markets, the attractiveness of a property to purchasers or tenants, competition from other available properties and other factors. While independent appraisals are generally required before the CDN LP and the US LP make any mortgage investments, the appraised values provided therein, even where reported on an "as is" basis are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In including the completion, rehabilitation or lease-up improvements on the real property providing security for the investment, there can be no guarantee that these conditions will be satisfied and if, and to the extent, they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income. The CDN LP and the US LP may be required to incur such expenditures to protect its investment, even if the borrower is not making debt service required of it under the mortgage.

Real property mortgage investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and for the perceived desirability of the investment. Such illiquidity may tend to limit the ability of CDN LP and the US LP to vary their portfolio promptly in response to changing economic or investment conditions. If the CDN LP and the US LP were required to liquidate their respective real property mortgage investments, the proceeds to each of them might be significantly less than the total value of their respective investments.

The Company will be subject to the risks associated with debt financing, including the risk that mortgage indebtedness secured by the properties of the CDN LP and the US LP will not be able to be refinanced or that the terms of re-financing will not be as favourable as the terms of existing indebtedness.

Composition of the Mortgage Portfolio

The composition of the mortgage portfolio of CDN LP and the US LP may vary widely from time to time and may be concentrated by type of security, industry or geography, resulting in the mortgage portfolio being less diversified than anticipated. A lack of diversification may result in the CDN LP and the US LP being exposed to economic downturns or other events that have an adverse and disproportionate effect on particular types of security, industry or geography.

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

ITEM 10 - REPORTING OBLIGATIONS

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

ITEM 11 - RESALE RESTRICTIONS

The Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, investors will not be able to trade the Units unless they comply with an exemption from the prospectus and registration requirements under securities legislation. The Units issued by the Trust will bear the following legend:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) THE ISSUANCE DATE, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.”

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

ITEM 12 - PURCHASERS' RIGHTS

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

11.1 Two Day Cancellation Right for a Subscriber

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

11.2 Rights of Action in the Event of a Misrepresentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (b) for damages against the REIT.

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

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

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

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

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

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

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

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

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

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

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

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

- (i) one year after learning of the misrepresentation; or

- (ii) six (6) years after you signed the agreement to purchase the Units.

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

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

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

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

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

ITEM 12- FINANCIAL STATEMENTS

AP CAPITAL REIT
Consolidated Financial Statements
December 31, 2015

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To the Unitholders of AP Capital REIT:

We have audited the accompanying consolidated financial statements of AP Capital REIT and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income and other comprehensive income, changes in unitholders' equity and cash flows for the period from June 26, 2015, date of incorporation, to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AP Capital REIT as at December 31, 2015, and the results of its operations and its cash flows for the period from June 26, 2015, date of incorporation, to December 31, 2015, in accordance with International Financial Reporting Standards.

Vancouver, British Columbia

August 3, 2016

MNP LLP
Chartered Professional Accountants

AP Capital REIT
Consolidated Statement of Financial Position
As at December 31, 2015

2015

ASSETS

Non-current assets

Investment properties (Note 4) \$ 58,300,355

Current assets

Cash and cash equivalents 1,197,697

Trade and other receivables (Note 15) 48,924

Prepaid expenses 73,158

1,319,779

TOTAL ASSETS **\$ 59,620,134**

LIABILITIES

Non-current liabilities

Long-term debt (Note 6) \$ 23,364,843

Tenant deposits 337,716

23,702,559

Current liabilities

Long-term debt – current portion (Note 6) 16,413,888

Loan payable (Note 5) 1,107,200

Accounts payable and accrued liabilities (Note 15) 1,540,867

19,061,995

TOTAL LIABILITIES **42,764,514**

EQUITY

Unitholders' equity (Note 7) 16,855,580

Non-controlling interests (Note 8) 40

TOTAL EQUITY **16,855,620**

TOTAL LIABILITIES AND EQUITY **\$ 59,620,134**

Approved on behalf of the Board:

"Brad Unrau"

"Ches Hagen"

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

AP Capital REIT
Consolidated Statement of Income and Other Comprehensive Income
For the period ended December 31, 2015

Period from June 25, 2015, date of incorporation, to December 31,	2015
Revenue	
Rental income	\$ 1,226,046
Cost recoveries	434,293
	<u>1,660,339</u>
Expenses	
Advertising and promotion	112,558
Bad debts	7,500
Insurance	18,235
Interest and bank charges	3,696
Interest on long-term debt (Note 12)	556,490
Janitorial	18,471
Management fees (Note 15)	287,156
Office	75,413
Professional fees	95,564
Property taxes	122,372
Repairs and maintenance	173,903
Telephone	1,390
Utilities	77,977
	<u>1,550,725</u>
Net income for the period	\$ 109,614
Other comprehensive income	
Item that will be reclassified subsequently to net income	
Unrealized foreign currency translation gain	\$ 493,307
	<u>\$ 493,307</u>
Comprehensive income for the period	\$ 602,921
Net earnings per unit	
Basic and diluted	\$ 8.94
Weighted average number of units	
Basic and diluted	<u>12,260,832</u>

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

AP Capital REIT
Consolidated Statement of Changes in Unitholders' Equity
For the period ended December 31, 2015

	Number of Class A units	Number of Class B units	Number of Class C2 units	Number of Class G units	Total number of units	Unitholders' equity	Accumulated distributions	Retained earnings	Accumulated other comprehensive income	Total
Balance, June 26, 2015	–	–	–	–	–	\$ –	\$ –	\$ –	–	\$ –
Net income for the period	–	–	–	–	–	–	–	109,614	–	109,614
Distributions paid in cash	–	–	–	–	–	–	(79,877)	–	–	(79,877)
Units issued from distribution reinvestment plan (Note 10)	–	152,568	1,173	67,270	221,011	221,011	(221,011)	–	–	–
Units issued for cash	6,000	10,000,000	100,000	30,328	10,136,328	10,136,328	–	–	–	10,136,328
Units issued related to the acquisition of investment property (Note 15)	–	–	–	6,280,958	6,280,958	6,280,958	–	–	–	6,280,958
Issue costs	–	–	–	–	–	(84,750)	–	–	–	(84,750)
Other comprehensive income	–	–	–	–	–	–	–	–	493,307	493,307
Balance, December 31, 2015	6,000	10,152,568	101,173	6,378,556	16,638,297	\$ 16,553,547	\$ (300,888)	\$ 109,614	\$ 493,307	\$ 16,855,580

Supplemental disclosures with respect to changes in unitholders' equity (Notes 8, 10 and 15)

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

AP Capital REIT
Consolidated Statement of Cash Flows
For the period ended December 31, 2015

Period from June 25, 2015, date of incorporation, to December 31,	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	\$ 109,614
Item not affecting cash:	
Amortization of mortgage transaction costs	49,343
Changes in non-cash working capital items:	
(Increase) decrease in trade and other receivables	(48,924)
(Increase) decrease in prepaid expenses	(73,158)
Increase (decrease) in accounts payable and accrued liabilities	1,540,867
Increase (decrease) in tenant deposits	337,716
Net cash provided by operating activities	1,915,458
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of units, net of issue costs	10,051,578
Distributions to unitholders, net of reinvested distributions	(79,877)
General Partners' contributions	30
Settlor's contribution	10
Proceeds from long-term debt	39,706,415
Repayment of long-term debt	(212,678)
Payments of mortgage transaction costs	(942,099)
Loan payable	1,107,200
Net cash provided by financing activities	49,630,579
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in "Morrison" property	(19,133,120)
Investment in "Greenway" property	(30,952,210)
Capital additions	(334,900)
Net cash used in investing activities	(50,420,230)
Net effect of translation of foreign currency	71,890
Net change in cash and cash equivalents	1,197,697
Cash and cash equivalents, beginning of period	—
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,197,697

Supplemental disclosures with respect to cash flows (Note 12)

1. NATURE OF OPERATIONS

AP Capital REIT (the "REIT") is a limited purpose, unincorporated open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated June 26, 2015 as amended on August 11, 2015, and by the general laws of trusts and the laws of British Columbia. The principal office of the REIT is located at 1601 - 128 West Pender Street, Vancouver, BC V6B 1R8.

The REIT commenced operations on June 26, 2015. The principal activities of the REIT are the ownership and management of a diversified portfolio of retail and commercial mixed use properties.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the period ended December 31, 2015.

These consolidated financial statements for the period ended December 31, 2015 were authorized for issue by the Board of Directors of the Trustee (the "Board") on August 3, 2016.

b. Basis of measurement

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

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

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its 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 non-controlling interests are included in the REIT's equity. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

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

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of the REIT and its 99.99% owned subsidiaries; AP Capital REIT Limited Partnership (the "CDN LP"), AP Capital REIT (CDN/US) Limited Partnership and AP Capital REIT (USA) Limited Partnership (collectively, the "Limited Partnerships"). Since the General Partners each made a \$10 cash contribution, for a total of \$30, to the Limited Partnerships, and the Settlor made the initial cash contribution of \$10 to set up the REIT, they represent the non-controlling interests of the REIT (Note 8).

The REIT has entered into three agreements with these parties in the form of limited partnerships. Under IFRS 10, *Consolidated Financial Statements*, and IFRS 11, *Joint Arrangements*, the REIT determined that it has control over the Limited Partnerships. The REIT consolidates these entities and recognizes the non-controlling interests on its consolidated financial statements.

B. Property acquisitions and business combinations

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

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

All of the REIT's acquisitions have been classified as asset acquisitions.

C. Investment properties

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

Subsequent to initial recognition, investment properties are measured at fair value. 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 net income and other comprehensive income 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 statement of net income and other comprehensive income in the year of retirement or disposal.

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

D. Leases

The CDN LP, through its nominee, 1904934 Alberta Ltd., a bare trust corporation (Note 4), and AP Capital REIT (USA) Limited Partnership are the lessors in all leasing arrangements. Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Limited Partnerships to the lessees are accounted for as finance leases. All current leases of the Limited Partnerships are operating leases.

E. Cash and cash equivalents

Cash consists of cash on hand and cash held at banks. Cash equivalents include short-term investments with original maturities of three months or less from the acquisition date.

F. Allocation of net income or net loss

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

- Firstly, 0.01% to each of the General Partners to a maximum of \$100 per annum; and
- The balance, to the holders of Class A and Class B units at a net income or loss allocation formula as outlined in the Limited Partnership Agreements.

The REIT holds all the issued Class A units and there are no Class B units issued as at December 31, 2015.

G. Equity issuances

Issuances of units are recorded as increases in equity equal to the gross proceeds received. Incremental costs directly attributable to the issuance of new units are recorded as reductions in equity.

H. Revenue recognition

Rental revenue is recognized in income on a straight-line basis over the full lease term of each lease subject to ultimate collection being reasonably assured. An accrued straight-line rent receivable, if any, is recorded from tenants for the difference between the straight-line rent and the rent that is contractually due from the tenant. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured. Parking and other incidental income are recognized in the period when the services were performed.

I. Net earnings per unit

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Financial instruments

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

The REIT classifies its financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Loan payable	Other financial liabilities
Long-term debt	Other financial liabilities

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

Non-derivative financial liabilities include accounts payable and accrued liabilities, loan payable and long-term debt. These liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

K. Impairment of financial assets

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

L. Income taxes

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

The REIT is subject to taxation in the United States and Arizona on the taxable income earned by AP Capital REIT (USA) Limited Partnership. A deferred income tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of AP Capital REIT (USA) Limited Partnership. As at December 31, 2015, the temporary difference is insignificant; therefore a deferred income tax liability was not recorded.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fair value

The REIT measures investment properties at fair value at the end of each reporting period. 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.

N. Significant accounting judgments and estimates

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

a. Judgments

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

(i) Asset acquisitions

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

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

(ii) Lease contracts

The REIT has caused the Limited Partnerships and/or their nominees, as applicable, to enter into property leases on its investment property portfolio. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases. The REIT must assess each lease separately against land and building. The REIT has determined that all of its current leases of land and buildings are operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Significant accounting judgments and estimates (continued)

a. Judgments (continued)

(iii) Income taxes

The REIT uses judgment to interpret tax rules and regulations and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such difference will impact the income tax provision in the period in which such determination is made.

The recognition of deferred income tax assets and liabilities also require significant judgment as the recognition is dependent on the REIT's projection of future taxable profits and tax rates that are expected to be in effect in the period the asset will be realized or the liability settled. Any changes to this projection will result in changes in the amount of deferred tax assets and liabilities on the consolidated balance sheet and the deferred tax expense in the consolidated statement of income and other comprehensive income.

b. Estimates

The significant areas of estimation include the following:

Valuation of investment properties

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

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

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

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

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

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

The significant assumptions used by management in estimating the fair value of investment property are set out in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Provisions

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

P. Future accounting policy changes

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2015 reporting period. Those which may be relevant to the REIT are set out below. Management has decided against early adoption of these standards.

a. IFRS 9 Financial instruments: classification and measurement

The final version of IFRS 9 (2014) was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018. The REIT has not yet reviewed the impact of the standard on its consolidated financial statements.

b. IFRS 11 Joint arrangements

In May 2014, the International Accounting Standards Board (IASB) amended IFRS 11 to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The amendments apply to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business, and the acquisition of additional interests in the same joint operation. The amendments are effective for annual periods beginning on or after January 1, 2016. The REIT is currently assessing the impact of these amendments on its consolidated financial statements.

c. IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services. The REIT has not yet reviewed the impact of IFRS 15 on its consolidated financial statements.

d. IFRS 16 Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Future accounting policy changes (continued)

e. IAS 1 Presentation of Financial Statements

During December 2014, the IASB issued an amendment to IAS 1 clarifying certain IAS 1 requirements. The amendments include the following: the materiality requirement in IAS 1; that specific line items in the consolidated statement of earnings and other comprehensive income and the consolidated balance sheet may be disaggregated; that entities have flexibility as to the order in which they present the notes to the financial statements; that the share of other comprehensive income of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheet and the consolidated statement of net income and other comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any significant impact on its consolidated financial statements.

4. INVESTMENT PROPERTIES

On June 30, 2015, the REIT, through the CDN LP, acquired Morrison Centre (“Morrison”), a commercial mixed use property in Fort McMurray, Alberta for \$25,000,000 plus standard closing costs and adjustments. Morrison was acquired from 1576697 Alberta Ltd., a related party (Note 15). The legal title to the Morrison property, the related lease agreements and the related loan with Servus Credit Union Loan (Note 6) are registered under a bare trust corporation, 1904934 Alberta Ltd., on behalf of the CDN LP, covered by a Beneficial Ownership Agreement.

On October 29, 2015, the REIT, through AP Capital REIT (USA) Limited Partnership, acquired Greenway Park Shopping Center (“Greenway”) in Phoenix, Arizona for \$23,100,000 (USD) plus standard closing costs and adjustments.

The balance of the investment properties as at December 31, 2015 is determined as follows:

	2015
Balance, June 26, 2015	\$ —
Acquisition (Morrison)	25,414,078
Capital additions (Morrison)	—
Acquisition (Greenway)	30,952,210
Capital additions (Greenway)	334,900
Unrealized foreign exchange gain since initial purchase (Greenway)	1,599,167
Accrued rental revenue	—
Fair value adjustments to investment properties (Note 17)	—
Balance, December 31, 2015	\$ 58,300,355

As set out in Note 3(C), the fair value of recently acquired investment property would be the purchase price plus capital additions and unrealized foreign exchange gain since acquisition.

In subsequent years, the fair value of the investment properties will be determined on a market value basis. In arriving at their estimates of market values, management and the independent appraisers will use their market knowledge and professional judgment and will not rely solely on historical transactional comparisons.

4. INVESTMENT PROPERTIES (continued)

The appraisals will be performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management will review each appraisal and ensure that the assumptions used are reasonable and the final fair value amount will reflect those assumptions, which are used in the determination of the fair market values of the properties.

5. LOAN PAYABLE

The loan payable to Tandem Assets 1 LP, a related party (Note 15), of \$1,107,200 (USD \$800,000) is non-interest bearing, unsecured and due on demand.

6. LONG-TERM DEBT

Long-term debt is recorded at amortized cost and is secured by first charges on the REIT's investment properties, with a carrying and fair value of \$58,300,355. Included in long-term debt are unamortized mortgage transaction costs, which are amortized over the term of each mortgage using the effective interest rate method.

	2015
Servus Credit Union Demand Term Loan ("Servus"), bearing interest at prime rate plus 0.75% per annum, payable in monthly blended installment payments of \$95,300, due November 1, 2016, with the monthly payment schedule to be reviewed/adjusted annually to ensure that the 240 month amortization period ending in October 2035 is maintained, secured by the Morrison property	\$ 16,451,487
Less: unamortized mortgage transaction costs	(37,599)
	16,413,888
Midcap Financial Trust Term Loan ("Midcap"), bearing interest at 5.5% per annum interest only payments, due October 29, 2018, secured by the Greenway property, payable in USD \$17,500,000	24,220,000
Less: unamortized mortgage transaction costs	(855,157)
	23,364,843
	\$ 39,778,731

The Servus loan is also secured by a joint and several guarantee of \$2,000,000 by certain directors of the REIT. As at December 31, 2015, all financial covenants were met.

Principal repayments, as of December 31, 2015, based on scheduled repayments to be made on the long-term debt are as follows:

2016		\$ 16,413,888
2018		<u>23,364,843</u>
		<u>\$ 39,778,731</u>

7. UNITHOLDERS' EQUITY

Authorized units

Under the Declaration of Trust, the REIT is authorized to issue unlimited number of redeemable REIT units. All of the units are voting and 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 of 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 has currently created nine Classes of units, being Class A, Class B, Class C1, Class C2, Class D1, Class D2, Class E, Class F and Class G units. All units of each class, other than Class B units, are entitled to participate equally with respect to any and all distributions made by the REIT to the unitholders, including distributions of net income and net realized capital gains, if any.

Issued units

During the period ended December 31, 2015, the REIT issued units in the following classes:

a. Class A units

The REIT issued 6 Class A units for gross proceeds of \$6,000: one unit each to 1019374 B.C. Ltd., 1018999 B.C. Ltd., 1019001 B.C. Ltd., 1901174 Alberta Ltd., 0824016 B.C. Ltd. and 541461 Alberta Ltd., which are companies related to the principals of the Trustee. The price per Class A unit is \$1,000.

b. Class B units

The REIT issued 10,000 Class B units for gross proceeds of \$10,000,000. The price per Class B unit is \$1,000.

c. Class C2 units

The REIT issued 100 Class C2 units for gross proceeds of \$100,000. The price per Class C2 unit is \$1,000.

d. Class G units

On June 30, 2015, the REIT issued 6,280,958 units for a total of \$6,280,958, in exchange for an equal number of Class A units of the CDN LP related to the acquisition of the Morrison property (Notes 4 and 15). The REIT also issued an additional 30,328 units to AP Capital Mortgage Investment Corporation for total gross proceeds of \$30,328 (Note 15). The price per Class G unit is \$1,000.

Redemption rights

Redemption of units by unitholders is restricted under the terms of the Declaration of Trust governing the REIT. The total amount payable by the REIT by cash payment in respect of the redemption of units in any fiscal year of the REIT will not exceed the redemption price payable in respect of 10% of the issued and outstanding units. A maximum of 10% of the issued and outstanding REIT units are considered liability instruments under IFRS because these units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

The price per unit to be redeemed by cash payment will be equal to the amount of the unreturned capital contribution of each unit less (i) any costs incurred by the REIT in the sale of the unit(s), (ii) any costs of the REIT incurred with respect to the redemption as may be determined by the Trustee in its sole discretion, and (iii) the applicable redemption penalty amount, if any, as described below:

7. UNITHOLDERS' EQUITY (continued)

a. Class B units

There is no redemption penalty amount applicable to Class B units. The holders of Class B units may not redeem units until twelve months after the subscription date and will receive a redemption bonus equal to \$60 per unit, pro-rated based on the number of days during which the units were outstanding. The REIT will have the option to extend the date for redemption by one term of six months, during which the fixed annual return will continue to be payable.

b. Class C1, D1 and E1 units

A redemption penalty amount of 3% to 7% of the subscription price paid is applicable depending on the hold period of the units from the subscription date: 7% within twelve months, decreasing by 1% for each subsequent additional term of twelve months. There will be no redemption penalty amount if the units have been held for more than sixty months.

c. Class C2 and E2 units

A redemption penalty amount of 1% to 2% of the subscription price paid is applicable depending on the hold period of the units from the subscription date: 2% within twelve months and 1% between thirteen to twenty-four months. There will be no redemption penalty amount if the units have been held for more than twenty-four months.

d. Class F units

There is no redemption penalty amount applicable to Class F units. The holder of Class F units may deliver redemption notices to the Trustee at any time.

e. Class G units

A redemption penalty amount of \$350 per unit is applicable where the request for redemption occurs within twelve months from the subscription date. There will be no redemption penalty amount if the units have been held for more than twelve months.

Given that the REIT was newly established in 2015, the redemption level is expected to be nil. However, the actual level of redemption may differ.

8. NON-CONTROLLING INTERESTS

The non-controlling interests include the initial capital contribution of \$10 made to the REIT by the settlor of the REIT in order to settle and establish the REIT under the Declaration of Trust. They also include the \$10 cash contributions made by each of the three General Partners of the Limited Partnerships, for a total of \$30.

The non-controlling interests' share of the 2015 net earnings from the Limited Partnerships was nominal and was not recorded in these consolidated financial statements.

9. DISTRIBUTIONS

The REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The REIT determines the distribution rate by, among other considerations, its assessment of cash flows as determined using adjusted cash flows from operating activities of its Limited Partnerships. The distribution rate is determined by the Board, at their sole discretion, based on what they consider appropriate given the circumstances of the REIT. Distributions may be adjusted for amounts paid in prior periods if the actual adjusted cash flows from operating activities for those prior periods are greater or less than the estimates used for those prior periods. In addition, the Board may declare distributions out of the income, net realized capital gains, net recapture income and capital of the REIT to the extent such amounts have not already been paid, allocated or distributed.

10. DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan (“DRIP”) allows holders of REIT units to elect to have all cash distributions from the REIT reinvested in additional units of the same classes of units held. No commission, service charges or brokerage fees are payable by participants in connection with the DRIP. 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 and working capital.

For the period ended December 31, 2015, 152.568 of Class B units, 1.173 of Class C2 units and 67.270 of Class G units were issued under the DRIP at \$1,000 per unit, for \$152,568, \$1,173 and \$67,270, respectively, for a total of \$221,011.

11. OPERATING LEASES – REIT as a lessor

The REIT, through the Limited Partnerships and/or their nominees, as applicable, has entered into leases with tenants on their investment property portfolio. The leases typically have initial lease terms ranging between five and twenty years with periodic upward revision of the rental charge according to prevailing market conditions.

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

	2015
Within one year	\$ 3,753,169
One to five years	8,772,941
Over five years	2,608,468
	\$ 15,134,578

12. SUPPLEMENTARY CASH FLOW INFORMATION

a. Interest on long-term debt

	2015
Interest expense	\$ 556,490
Deduct:	
Amortization of mortgage transaction costs	(49,343)
Cash interest paid	\$ 507,147

b. Non-cash transaction

The REIT issued 6,280.958 Class G units in exchange for an equal number of Class A units of the CDN LP related to the acquisition of the Morrison property (Note 15). This non-cash transaction is not reflected in the consolidated statement of cash flows.

13. CAPITAL MANAGEMENT

The REIT defines capital as the aggregate of unitholders' equity, loan payable and long-term debt. REIT's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the initial 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.

14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

	December 31, 2015	
	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,197,697	\$ 1,197,697
Trade and other receivables	48,924	48,924
Accounts payable and accrued liabilities	1,540,867	1,540,867
Loan payable	1,107,200	1,107,200
Long-term debt	39,778,731	39,778,731

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 a number of 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.

14. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

a. Credit risk (continued)

Accounts receivable 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, 2015.

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 obligation.

b. Interest rate risk

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

Sensitivity analysis

The REIT is exposed to interest rate risk on the Servus Credit Union Demand Term Loan. Based on the outstanding balance of \$16,451,488 on the Demand Term Loan as of December 31, 2015, a 0.5% decrease in the interest rate, keeping all other variables constant, would result in an annual increase in net income of \$82,257 as a result of lower interest payable on the Demand Term Loan. A 0.5% increase in the interest rate would have an equal but opposite effect on the net income of the REIT.

The REIT is also exposed to interest rate risk on the Midcap Financial Trust Term Loan upon its maturity in October 2018. Based on the outstanding balance of \$24,220,000 (USD \$17,500,000) on the Term Loan as of December 31, 2015, a 0.5% decrease in the interest rate, keeping all other variables constant, would result in an annual increase in net income of \$121,000 as a result of lower interest payable on the Term Loan. A 0.5% increase in the interest rate would have an equal but opposite effect on the net income of the REIT.

c. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The REIT is exposed to foreign currency risk since AP Capital REIT (USA) Limited Partnership is a United States Partnership which was formed in Arizona. The carrying value of the assets and liabilities, as well as the net income and other comprehensive income, are subject to foreign exchange fluctuation. Management's objective in mitigating this risk is to preserve the REIT's capital invested in the United States and to minimize the impact of adverse changes to future cash flows from the income-producing property from depreciation in the U.S. dollar relative to the Canadian dollar.

The REIT also manages its foreign currency risk by hedging its exposure to fluctuations on the translation into U.S dollars by borrowing debt in U.S. dollars. As at December 31, 2015, the REIT's U.S. dollar denominated net assets are \$5,763,922, therefore a 1% change in the value of the U.S. dollar will result in a gain or loss through other comprehensive income of approximately \$57,639.

14. FINANCIAL INSTRUMENTS (continued)

Financial risk management (continued)

d. Liquidity risk

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

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due.

The following are the contractual maturities of financial liabilities as at December 31, 2015, including expected interest payments:

	Amortized Cost	Due in 1 year	1 to 3 years
Accounts payable and accrued liabilities	\$ 1,540,867	\$ 1,540,867	\$ -
Loan payable	1,107,200	1,107,200	-
Long-term debt	39,778,731	39,778,731	23,364,843
	<u>\$ 2,426,798</u>	<u>\$ 19,061,955</u>	<u>\$ 23,364,843</u>

e. Environmental risk

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

f. Redemption risk

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

15. RELATED PARTY TRANSACTIONS

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

Transactions with AP Capital REIT Services Ltd. (the "Manager")

In connection with the services provided by the Manager under the Management Fee Agreements with AP Capital REIT Limited Partnership and AP Capital REIT (USA) Limited Partnership, the following amounts will be payable to the Manager:

- a.* An acquisition fee equal to 1.5% of the gross purchase price of each property (or interest in a property), plus GST if applicable, payable to the Manager upon completion of the purchase of each such property (or interest in a property).

For the period ended December 31, 2015, the costs of these services amounted to \$831,237. The REIT has capitalized this amount with the initial cost of the investment properties.

- b.* A disposition fee equal to 0.45% of the gross proceeds from the sale of each property (or interest in a property), plus GST if applicable, payable to the Manager upon completion of the sale of each property (or interest in a property) provided that the disposal fee payable on the sale of any proportionate interest in a property will be proportionate to such interest in the property.

For the period ended December 31, 2015, the costs of these services amounted to \$nil.

- c.* An asset management fee equal to 1.5% of the Annual Portfolio Value (as defined under the Management Fee Agreements), payable monthly on the last day of each month during the Term in an amount equal to 0.125% of the Annual Portfolio Value as at the beginning of each month, plus an amount equal to the amount of any portion of the asset management fee for a previous year or years of the Term of the agreement, the payment of which was waived by Manager, payable within 30 days of the presentation by Manager of an invoice therefor.

For the period ended December 31, 2015, the costs of these services amounted to \$287,156.

- d.* As at December 31, 2015, the amount owing to the Manager of \$942,986 was included in accounts payable and accrued liabilities.

Transactions with Tandem Assets 1 LP

Tandem Assets 1 LP is related to the REIT by virtue of having officers and directors in common with the REIT. Tandem Assets 1 LP advanced \$1,107,200 (USD \$800,000) to the REIT to fund the purchase of the Greenway property.

Transactions with AP Capital Mortgage Investment Corporation

AP Capital Mortgage Investment Corporation is related to the REIT by virtue of having directors and officers in common with the REIT. The REIT issued 30,328 units to AP Capital Mortgage Investment Corporation for total gross proceeds of \$30,328 (Note 7) which was included in trade and other receivables.

Transactions with 1576697 Alberta Ltd.

1576697 Alberta Ltd. is related to the REIT by virtue of having directors and officers in common with the REIT. On June 30, 2015, the REIT acquired the Morrison property, through the CDN LP, from 1576697 Alberta Ltd. (Note 4). The purchase price was paid by the CDN LP to 1576697 Alberta Ltd. by way of assumption of the then-existing Servus loan, payment of approximately \$3,815,000 in cash, and by issuance of 6,280,958 Class A units of the CDN LP. These units were immediately transferred to 1576697 Alberta Ltd.'s corporate shareholders, being 1453694 Alberta Ltd., 1589380 Alberta Ltd., 1345776 Alberta Ltd., 927385 Alberta Ltd., AP Capital Mortgage Investment Corporation and AP Capital REIT Services Ltd., and were then exchanged by those entities for an equal number of Class G units of the REIT (Note 7).

15. RELATED PARTY TRANSACTIONS (continued)

Transactions with 1576697 Alberta Ltd. (continued)

1576697 Alberta Ltd. also paid certain of Morrison's operating expenses and received certain rental revenues on behalf of the REIT totaling \$494,784 and \$335,050 respectively. As at December 31, 2015, \$159,734 was included in accounts payable and accrued liabilities.

16. SEGMENTED DISCLOSURE

The REIT's segments include two classifications of investment properties – Commercial Mixed Use and Retail, which are located in two geographical segments, Canada and USA, respectively. The accounting policies followed by each segment are the same as those disclosed in Note 3. Operating performance is evaluated by the REIT's management primarily based on net operating income, which is defined as property revenue less property operating expenses and certain advertising and promotion, bank charges and office expenses.

Period ended December 31, 2015	Commercial mixed use - Canada (6 months)	Retail - USA (2 months)	Total
Property revenue	\$ 1,177,368	\$ 482,971	\$ 1,660,339
Property operating expenses	733,354	619,252	1,352,606
Net operating income (loss)	\$ 444,014	\$ (136,281)	\$ 307,733

As at December 31, 2015	Commercial mixed use - Canada (6 months)	Retail - USA (2 months)	Total
Cash and cash equivalents, trade and other receivables and prepaid expenses	\$ 639,616	\$ 680,163	\$ 1,319,779
Investment properties	25,414,078	32,886,277	58,300,355
Segmented assets	\$ 26,053,694	\$ 33,566,440	\$ 59,620,134

Accounts payable and accrued liabilities, loan payable and tenant deposits	\$ 812,612	\$ 2,173,181	\$ 2,985,783
Long-term debt	16,413,888	23,364,843	39,778,731
Segmented liabilities	\$ 17,226,490	\$ 25,538,024	\$ 42,764,514

17. SUBSEQUENT EVENTS

a. Management fees

Subsequent to the year-end, the REIT negotiated lower acquisition and management fees payable to the Manager from 1.5% and 1.5% (Note 15) to 0.75% and 1.0%, respectively, effective on April 1, 2016.

b. Fort McMurray wildfire

In early May 2016, the city of Fort McMurray suffered the largest wildfire the province of Alberta has experienced in recent history. The fire is estimated to have consumed in excess of 500,000 hectares. The entire town of Fort McMurray, in excess of 80,000 people, had been evacuated. Beginning on June 1, 2016, the Alberta government permitted the residents to return to Fort McMurray in phases.

As of the date of the Audit Report, all tenants of the Morrison property have been evacuated. The Morrison property is still standing, but management has not been able to determine if or the extent to which it has suffered any smoke or water damage. However, most reports indicate that the downtown core of Fort McMurray has not suffered significant damage.

Management is currently actively reviewing and obtaining advice on its insurance coverage and will liaise with its tenants to determine the extent of their respective coverages. At this time, without knowing more about the state of the downtown core of Fort McMurray, the status of the Morrison property and the tenant businesses, management cannot determine whether rent abatement, relief or flexible payment options for tenants will be required.

As of the date of the Audit Report, management cannot accurately determine the extent to which the Fort McMurray wildfire will impact its business. As the Morrison property in Fort McMurray is currently the only Canadian property in the REIT's portfolio, there may be a material adverse effect on the REIT's business, financial condition, and results of operations. Due to uncertainties, management is unable to determine whether a change in fair value of the Morrison property has occurred, and a fair value adjustment to investment properties (Note 4) has not been recorded in these consolidated financial statements.

SCHEDULE A
FORM OF SUBSCRIPTION AGREEMENT