



Executive Summary - REIT

The Business of AP Capital REIT

AP Capital REIT ("AP Capital" or "the Fund") is a Real Estate Investment Trust. The mandate of the Fund is to maximize returns from its commercial real estate portfolio in Western Canada and Western USA. The Fund is private and does not trade on public exchanges. Target acquisitions are retail, office and other commercial properties, and the Fund does not intend to purchase multi-family residential. The AP Capital team's experience, dedicated research and professional management is key to creating an alternative investment option for investors. The Fund Manager aims to acquire commercial properties that have the potential to maximize value in the following ways:

1. By purchasing mismanaged, undervalued and underutilized properties;
2. By performing strategic renovations and other capital improvements to properties;
3. By refinancing properties, where appropriate, in order to grow the real estate portfolio; and
4. By realizing value through long-term capital appreciation and reduction of debt.

AP Capital completed acquisitions in 2015 and 2016 with an aggregate purchase price of more than CDN\$73MM. The properties exceed 350,000 sq. ft. in mixed-use commercial space (retail, office, medical, restaurant) – detailed information is available from AP Capital on the properties under management.

There are a number of material considerations AP Capital examines during the due diligence process prior to acquiring a property. These considerations include Zoning, Financing, Appraisal, Environmental, Engineering, Site Survey, Macroeconomics, Net Migration, Industry, and Transportation. Zoning indicates how a property is used today and what its best use is in the short and long term. Financing uncovers whether an existing mortgage can be assumed or if new financing is required. Appraisals are a tool in determining a property's value by using sales comparisons as well as income and cost approaches. Environmental reports expose any environmental concerns or historical issues. Engineering reports examine the condition of the building(s) on the property and their structural integrity. Site Surveys expose any easements, liens or other restrictions registered against the property. Macroeconomics speaks to the future viability of the neighbourhood, city, or province/state, while Net Migration examines the population trends in the area. Examining the major Industries of an area determines who the major employers are, how the local job market is represented, and how it impacts the property. Lastly, Transportation reviews examine the effects of accessibility and upcoming infrastructure expansion plans.



EXECUTIVE SUMMARY - REIT

Directors and Advisory Board

AP Capital is led by a team of six Managing Directors. All directors have many years of experience in real estate acquisition, management, development, and financing. Steve Froese has over two decades in the real estate market, including acquisition and management of a large portfolio of commercial real estate in Canada and the United States. Sander van der Vorm has ten years of experience in commercial real estate development and possesses extensive knowledge in business management. Roy Wiebe has ten years of business ownership and management experience, including the operations and ongoing management of a commercial real estate portfolio in Canada and the United States. Ches Hagen has over ten years experience in capital raising for private companies from numerous channels including venture capital, investment dealers, exempt market dealers, portfolio managers as well as conventional banks. Dan Weiss has over thirty years experience in the real estate industry as a Realtor, investor, builder, developer, lender and property manager. Brad Unrau has over twenty years real estate experience with extensive lending knowledge, including mortgage origination, underwriting and client management.

AP Capital introduced its Independent Advisory Board (IAB) in June of 2016. The IAB was established to implement a more rigorous corporate governance model for the Fund and operations. All material transactions are vetted by the IAB, and alignment with Managing Directors is ensured before proceeding. The board is comprised of Terry Krepiakovich and Derral Moriyama. Mr. Krepiakovich (CA, CPA, ICD.D) has 30 years experience with multiple public companies and has been Director, Audit, Risk and Governance Committee Chair for TSX and NYSE listed companies. Mr. Moriyama is a member of numerous directorships and is current acting Senior Vice President, Business Development with BMO Financial Group as well as Senior Vice President, Business Development at MNP LLP. Mr. Moriyama has 32 years experience in the banking industry.

Compliance and Partners

AP Capital works closely with approved investment firms who are regulated by Canadian Securities Administrators. The Fund is audited by MNP LLP and its banker is BMO Financial Group. Lead counsel for matters pertaining to securities offerings is Clark Wilson LLP of Vancouver, BC. Approved custodians for registered funds (RRSP, TFSA etc.) include Computershare Trust, Questrade, Olympia Trust Company, and others. Computershare Ltd is the Fund's Transfer Agent and Registrar, managing all aspects of unit transactions and distributions.

AP Capital relies on a number of investment firms, including Portfolio Managers, Investment Fund Managers, Investment Dealers and Exempt Market Dealers. These firms conduct ongoing due diligence on AP Capital.

Capital Structure

The Fund has multiple Unit Classes: Class A through Class G. All Units of each Class, with the exception of Class A Units, are entitled to participate equally with respect to any and all distributions made by the REIT, including distributions of net income and net realized capital gains, if any. Units of the Fund are sold at a Net Asset Value (NAV) as derived from the annual audited consolidated financial statements. The Unit value for all classes is determined after completion of the Fund's December 31st year-end audit and serves as the new Unit price for current holders, future unit issuances, and future unit redemptions. Please see most up to date NAV / Unit price in the Offering Memorandum. As of January 1, 2017, there were more than 900 Unitholders in the Fund.

Distributions to Unitholders, Income Tax Consequences, and RRSP Eligibility

As a REIT, the Fund does not intend to pay income tax to Canada Revenue Agency (CRA) but rather intends to distribute 100% of its net earnings whereby designating all taxable income to unitholders. The Fund's target distribution to Unitholders is CAD \$70 per unit per annum (\$70 per \$1,000 unit is 7% p.a.) with any further upside from net income and net realized capital gains, if any, reflected in the unit price. The Fund's \$70 p.a. monthly distribution to Unitholders is not guaranteed. Unitholders may choose monthly cash distributions or elect to enroll in the monthly dividend reinvestment program (DRIP). Investors choosing monthly DRIP realize a monthly compounding effect. Net income and net realized capital gains in excess of \$60 p.a. is allocated 70% to the Unitholders and 30% to the General Partner. Distributions result in T3 tax slips delivered to Open investors each year. Trust income is deemed as Income, Capital Gains or Reduction in Adjusted Cost base (also known as Return of Capital) and each is taxed at different rates. The Fund expects that a large portion of distributions, especially in the early years, are categorized as Return of Capital, and therefore are considered tax favorable due to the tax deferral of capital gains or income. Investments held through registered funds (RRSP, TFSA, etc.) do not receive T3 tax slips. The Fund intends to maintain its qualification as a Mutual Fund Trust under the terms of the Canadian Tax Act, which means that its units will remain eligible as a "qualified investment" for registered funds (RRSP, TFSA, etc.).

You should consult your own professional adviser or accountant to obtain advice on the tax consequences that apply to you.

Asset Acquisition and Optimization Strategy

AP Capital's acquisition strategy is modeled to support its distribution target to Unitholders. The Fund looks to acquire commercial assets at capitalization rates (cap rates) at or near 7%. Cap rate is the ratio of Net Operating Income ("NOI") of a property to its current market value. For example, if a property is valued at \$10M CDN and generates NOI of \$700,000, then the cap rate would be 7%. The Fund purchases properties using a combination of bank financing and equity at a targeted ratio of 65% mortgage to 35% equity. AP Capital also manages the properties it acquires: maximizing occupancy, collecting rents, and managing expenses and mortgage payments. The Fund's strategy is to buy, manage and hold these assets, building long term value in a portfolio of commercial properties in Western Canada and Western USA. The acquisition team looks to acquire assets with upside potential, and the Fund's objective is to increase NOI year over year with particular focus on NOI growth in the 12-18 months following acquisition.

Unitholders' Redemption Rights

By their nature, private REITs are not liquid investments, and potential investors should be mindful of this when investing. AP Capital should be considered a longer term investment. A Unitholder may redeem the whole or part of their investment with written notice to AP Capital. The Fund will attempt to pay the redemption price in respect of such Units within 90 days of the receipt of Redemption Notice. Restrictions apply and each class of Units carry different Redemption Penalties and Redemption Restrictions. Please refer to the Offering Memorandum Item 5 "Securities Offered" and Glossary for full details including Redemption Penalty Amounts.





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Compensation and Fund Fees

The Fund may pay registered entities selling commissions for introducing investors to [AP Capital REIT](#). Selling commissions of up to 7%, and annual trailing commission of up to 1%, can apply and vary by class of Unit purchased. Selling commissions paid to these parties do not alter the value of the initial purchase by an investor; meaning a \$100,000 investment results in \$100,000 value in units distributed at the time of purchase. Selling commissions consist of cash compensation only; no securities will be issued in lieu of cash.

Management fees are 1.5% of net assets, and asset acquisition fee is 0.75% of the purchase price of new property acquisitions.

Consolidated Financial Statements

The Fund completes an annual audit at the completion of its fiscal year end. The audited consolidated financial statements are made available to Unitholders within 120 days of year end. [AP Capital's website, www.apcapital.ca](#), includes further information, and interest-ed investors are encouraged to download a copy of the Offering Memorandum and other supporting documents. You may also request a mailed copy of [AP Capital's](#) Offering Memorandum by contacting the company directly.

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