

Offering Memorandum

April 30, 2022

ALITIS
ASSET MANAGEMENT

The Issuer

Name

Alitis Private REIT (the "REIT")

Head Office

c/o Alitis Asset Management, a division of Alitis Investment Counsel Inc.
101 - 909 Island Hwy, Campbell River BC, V9W 2C2
Phone #: 250-287-4933 (local), 1-800-667-2554 (toll-free)
E-mail address: info@alitis.ca; Fax #: 250-287-7736

Currently Listed or Quoted?

No – These securities do not trade on any exchange or market

Reporting Issuer?

No

SEDAR Filer?

The REIT is not a SEDAR filer as at the date of this Offering Memorandum but will file exempt distribution report(s) and this Offering Memorandum on SEDAR if securities are sold to accredited investors in a jurisdiction where such filings are required to be made through SEDAR.

The Offering

Securities Offered

Class A and Class F trust units of the Fund ("Class A Units" and "Class F Units" respectively or collectively "Offered Units")

Price Per Security

Class Unit Value (as defined herein) of the Class A Units or Class F Units, as applicable

Minimum 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.

Maximum Offering

There is no maximum. The Offered Units may be sold on a continuous basis.

Minimum Subscription Amount

\$5,000 (or such lesser amount as the Manager may accept in its discretion)

Payment Terms

Subscription Amount is due on closing by way of electronic fund transfer or other payment method acceptable to the REIT.

Proposed Closing Dates

The REIT intends to offer the Offered Units for sale commencing on the date of this Offering Memorandum and ending at the discretion of the manager of the REIT. Closings are anticipated to occur on the last Friday of each month, unless such date is a holiday, in which case the closing will occur on the prior day. The REIT may vary the closing date(s) in its discretion.

Income Tax Consequences

There are important tax consequences to these securities. See "Item 6: Income Tax Consequences".

Selling Agent?

Yes – See "Item 7: Compensation Paid to Sellers and Finders".

Resale Restrictions

You will be restricted from selling your securities for an indefinite period. See "Item 10: Resale Restrictions".

Purchasers Rights

If you are a resident of British Columbia and purchasing Units pursuant to the offering memorandum exemption contained in Section 2.9 of National Instrument 45-106 - Prospectus Exemptions, you have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation contained in this Offering Memorandum, you have the right to sue for damages or to cancel the agreement regardless of your jurisdiction of residence or the prospectus exemption under which you are purchasing. See "Item 11: Purchaser's Rights".

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



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Alitis Private REIT

Opinion

We have audited the accompanying financial statements of Alitis Private REIT (the "Entity"), which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the 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.

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


ALITIS PRIVATE REIT

Statement of Financial Position

As at December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Investments	\$ 73,750,471	\$ 49,973,530
Future contracts	9,351	—
Cash	7,314,323	4,380,406
Interest and dividends receivable	6,908	6,263
Subscriptions receivable	2,238,699	747,952
Prepaid expenses	9,128	12,258
	\$ 83,328,880	\$ 55,120,409
Liabilities		
Future contracts	\$ —	\$ 8,147
Accounts payable and accrued liabilities	52,204	48,226
Management fees payable (note 5)	56,035	32,380
Redemptions payable	921,443	186,747
Distributions payable	58,337	7,587
Performance fees payable (note 5)	278,117	448,685
Loans payable to investee, non-interest bearing	8,445,471	—
	9,811,607	731,772
Net assets attributable to holders of redeemable units	\$ 73,517,273	\$ 54,388,637
Net assets attributable to holders of redeemable units per class:		
Class A	\$ 860,662	\$ 15,314
Class D	28,715,968	21,445,648
Class E	34,380,637	28,173,634
Class F	9,560,006	4,754,041
	\$ 73,517,273	\$ 54,388,637
Number of redeemable units outstanding (note 6):		
Class A	75,753	1,500
Class D	1,744,828	1,447,063
Class E	2,018,244	1,861,169
Class F	779,416	433,902
Net assets attributable to holders of redeemable units per unit:		
Class A	\$ 11.36	\$ 10.21
Class D	16.46	14.82
Class E	17.03	15.14
Class F	12.27	10.96

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Trust,  Manager
Alitis Investment Counsel Inc.

ALITIS PRIVATE REIT

Notes to Financial Statements

Year ended December 31, 2021

1. REIT organization and nature of operations:

Alitis Private REIT (the “REIT”) is an open-ended limited purpose trust which was created under the laws of the Province of British Columbia pursuant to a Trust Indenture dated March 10, 2016. BNY Trust Company of Canada, a company constituted under laws of Canada, is the trustee of the REIT (the “Trustee”) pursuant to a master trust agreement dated March 10, 2016 and amended on March 10, 2017, April 19, 2018, July 18, 2018 and April 30, 2021 (the “Trust Agreement”). Alitis Investment Counsel Inc., a corporation incorporated under laws of British Columbia, is the manager of the REIT (the “Manager”) pursuant to the Trust Agreement. The REIT commenced active operations on April 1, 2016.

The address of the REIT’s registered office is c/o Alitis Investment Counsel Inc. 909 Island Hwy., Suite 101, Campbell River, British Columbia, V9W 2C2.

The investment objective of the REIT is to generate a moderate level of income and a moderate level of capital appreciation over the long-term. The REIT invests in underlying Limited Partnerships (LPs), funds and pooled products and individual securities. This structure enables the REIT to gain exposure to a wide range of real estate types, geographic regions, and manager expertise.

The success of the REIT depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in LPs, investment funds and other pooled products and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

2. Basis of presentation:

(a) Basis of accounting:

These annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The REIT reports under this basis of accounting as required by Canadian Securities Legislation and the Canadian Accounting Standards Board.

The policies applied in these annual financial statements are based on IFRS issued and outstanding as of April 15, 2022, which is the date on which the annual financial statements were authorized for issue by the Manager.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

The policy states that investments are held at cost from their date of acquisition or initial investment until: (1) an updated valuation is received from the manager, (2) a preferred return or accrual rate is applied to the investment and is expected to be collected and (3) an internal valuation will be conducted using industry-standard approaches.

The REIT's accounting policies for measuring the fair value of investments are consistent with those used for measuring its net asset value (Trading NAV) for transactions with unitholders.

(iii) Amortized cost:

Financial instruments classified as amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The REIT classifies cash, interest and dividends receivable, subscriptions receivable, accounts payable and accrued liabilities, management fees payable, redemptions payable, distributions payable, performance fees payable and loans payable, as amortized cost. Cash includes cash on deposit with the custodian.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Impairment:

For financial assets measured at amortized cost, the REIT uses an expected credit loss (ECL) impairment model. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The REIT measures the loss allowance at an amount equal to lifetime ECL for trade and other receivables. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade and other receivables.

ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that being the difference between the cash flows due to the REIT in accordance with the contract and the cash flows that the REIT expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

The interest for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the REIT accounted for on an accrual basis.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds which are amortized on a straight line basis.

(d) Income tax:

The REIT qualifies as a mutual fund trust or unit trust under the *Income Tax Act (Canada)* (the "Tax Act"), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. The REIT is required to make distributions each year of its net income and net realized capital gains, and therefore will not generally be liable for income tax. It is the intention of the REIT to distribute all net income and net realized capital gains on an annual basis. Accordingly, no tax provision has been recorded. The REIT may be subject to alternative minimum tax, which is potentially recoverable.

Non-capital losses are available to be carried forward for twenty years and applied against future taxable income. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

(e) Translation of foreign currency:

Transactions in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the transaction date. Assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting date. Foreign exchange gains are presented as net realized gain (loss) on foreign exchange in the statement of comprehensive income, if applicable, except those arising from financial instruments at fair value through profit or loss which are recognized as a component within net realized gain on sale of investments, including foreign exchange adjustments and net change in unrealized appreciation in value of investments in the statement of comprehensive income.

(f) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the year.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(g) Increase in net assets attributable to holders of redeemable units per unit:

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the year. Refer to note 11 for the calculation.

(h) Investment entity:

The REIT has determined that it is an investment entity as defined by IFRS 10, *Consolidated Financial Statements and the Amendments to IFRS 10*, as the following conditions exist:

- (i) The REIT has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- (ii) The REIT has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and
- (iii) The REIT measures and evaluates the performance of substantially all of its investments on a fair value basis. As an investment entity, the REIT is exempt from consolidating particular subsidiaries and instead is required to measure its investments in these particular subsidiaries at fair value through profit and loss.

4. Critical accounting estimates and judgments:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the REIT's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

The COVID-19 pandemic has created uncertainty in the general economy and the duration and full scope of the economic impact is unknown. This has led to increased uncertainties in the estimates and assumptions used by the REIT in preparing the financial statements.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

4. Critical accounting estimates and judgments (continued):

The following discusses the most significant accounting judgments and estimates that the REIT has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the REIT, the Investment Manager is required to make significant judgments about whether or not the business of the REIT is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the REIT's investments are classified as FVTPL under IFRS 9.

Fair value measurement of investments not quoted in an active market:

The REIT may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. The valuation methods for these financial instruments are described in note 3(a)(ii). The values of these securities are independently assessed by the Manager to ensure they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair value for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity. Valuation models use observable data, to the extent practicable. However, areas such as credits risk (both own and counterparty); volatilities and correlations require the Manager to make estimates. Changes in assumption about these factors could affect the reporting of fair values of financial instruments.

5. Related party transactions:

Related party transactions are incurred for management and incentive allocations. Balances are unsecured, interest free and to be settled in cash.

Management fees:

The REIT pays the Manager a monthly management fee equal to 1/12th of 2.00 percent of the Net Asset Value of class A units, 1/12th of 1.10 percent of the Net Asset Value of class E units and 1/12th of 1.00 percent of the Net Asset Value of class F units.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Related party transactions (continued):

The management fee is calculated and accrued monthly, in arrears, on the last Friday of each month (or preceding business day if the last Friday is a holiday) based on the REIT's Net Asset Value on such day and is paid on the last valuation date of each month, plus applicable taxes. Management fees in respect of the class D units of the REIT are charged to each individual account by the Manager.

For the year ended December 31, 2021, management fees of \$454,930 (2020 - \$316,024) were incurred by the REIT and \$56,035 (2020 - \$32,380) was payable to the Manager at December 31, 2021.

Performance fees:

The Manager also receives a performance fee from each Class of Units of the REIT. Performance fees accrue monthly and are earned quarterly, as well as on redemption of a Unit. Upon the redemption of units of a particular class, the accrued portion of the performance fee allocated to the redeemed units will be payable by the REIT. Performance fees are calculated as 20 percent of any gain on units over a specific hurdle rate being, 7 percent of the class A units, 9 percent of the class D units, 8 percent of the class E units and 8 percent of the class F units, plus applicable taxes.

The gain is calculated as the difference between the Net Asset Value before performance fees on each class and the unitholders' equity in the class. Unitholders' equity is calculated by taking the net asset value of the class on the last day a performance fee was paid on that class, plus the value of all contributions made in that class since a performance fee was paid and subtracting a pro-rata share of equity on every redemption of units in the class. The hurdle amount is calculated on the unitholders' equity, on an annualized basis, and subtracted from the gain. A percentage of the positive difference in gain is accrued to the Manager, plus applicable taxes.

For the year ended December 31, 2021, performance fees of \$1,038,613 (2020 - \$453,680) were incurred by the REIT and \$278,117 (2020 - \$448,685) was payable to the Manager at December 31, 2021.

6. Net assets attributable to holders of redeemable units:

The REIT is authorized to issue an unlimited number of redeemable units, issuable in an unlimited number of classes, each of which represents an equal, undivided, beneficial interest in the net assets attributable to holders of redeemable units of the REIT. The REIT currently offers class A, class D, class E and class F units.

Each unit of each class entitles the holder to vote, with one vote for each unit and to participate equally with respect to any and all distributions made by the REIT. Units of a class may be consolidated and/or redesignated by the Manager.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Net assets attributable to holders of redeemable units (continued):

Units of the REIT surrendered for redemption may be redeemed by giving the manager written notice. The redemption proceeds will be equal to the net asset value per unit of such Units being redeemed on the redemption date. An early redemption charge of 5 percent will be charged on Units redeemed within 12 months of purchase of if the redemption notice provides for less than six months between the date of the redemption notice and the redemption date.

The unit activity during the year ended December 31 is as follows:

	2021	2020
Redeemable units, beginning of year:		
Class A	1,500	—
Class D	1,447,063	1,375,328
Class E	1,861,169	1,792,855
Class F	433,902	42,501
Redeemable units issued:		
Class A	72,664	1,500
Class D	266,969	100,119
Class E	377,759	242,043
Class F	346,163	385,575
Redeemable units redeemed:		
Class A	—	—
Class D	(45,831)	(79,621)
Class E	(265,622)	(194,145)
Class F	(16,073)	—
Reinvestment of units:		
Class A	1,589	—
Class D	76,627	51,237
Class E	44,938	20,416
Class F	15,424	5,826
Redeemable units, end of year:		
Class A	75,753	1,500
Class D	1,744,828	1,447,063
Class E	2,018,244	1,861,169
Class F	779,416	433,902

Capital disclosure:

The capital of the REIT is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the REIT's Net Asset Value per unit upon redemption.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. Net assets attributable to holders of redeemable units (continued):

The REIT has no restrictions or specific capital requirements on the subscriptions while the total amount payable by the REIT by cash payment in respect of the redemption of Units in any month in which the Redemption Date occurs will not exceed 1 percent of total Units outstanding unless approved by the Manager in its sole discretion. The relevant movements are shown on the statement of changes in financial position. In accordance with its investment objectives and strategies, and the risk management practices outlined in note 7, the REIT endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

7. Financial instruments risk:

Management of financial instrument risks:

The REIT's activities expose it to a variety of financial risks: interest rate risk, foreign currency risk, price risk, credit risk, liquidity risk and capital risk. An investment in the REIT is speculative and involves a high degree of risk due to the nature of the portfolio of investments and the strategies employed.

There can be no assurance that the investment objectives of the REIT will be achieved. Use of short sales may create special risks and substantially increase the impact of adverse price movements on the portfolio of investments.

Asset allocation is determined by the Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Manager.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the REIT are discussed below.

Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the REIT invests in interest-bearing financial instruments. The REIT is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Financial instruments risk (continued):

The table below summarizes the Fund's exposure to interest rate risk, categorized by earlier of contractual re-pricing or maturity dates as at December 31, 2021.

Debt instruments** by maturity date	
1 - 5 years	\$ 300,000

As at December 31, 2020, the underlying investments had no exposure to debt instruments.

Foreign currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the REIT. The REIT may enter into foreign exchange forward contracts or future contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The REIT may invest in financial instruments denominated in currencies other than its measurement currency. Consequently, the REIT is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the REIT's assets or liabilities denominated in currencies other than Canadian dollars.

Although investments owned by the REIT are denominated in Canadian or United States dollars, the currency risk of the investment owned may be different than the currency in which it trades. For example, an investment denominated in United States dollars may hold assets that trade in Euros or Pounds. The currency risk for the REIT in this example is to the underlying currency of the investment owned, referred to as the indirect currency, being Euros or Pounds. When calculating the currency risk for the REIT, when an investment's indirect currency is different than its direct currency, the indirect currency is used as this reflects the true currency risk of the REIT.

At December 31, 2021, the REIT had direct investments denominated in United States dollars of \$2,178,603 or 2.96 percent of net assets attributable to holders of redeemable units (2020 - \$1,755,512 or 3.3 percent).

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Financial instruments risk (continued):

The currency to which the REIT had exposure as at December 31, 2021, is approximately as follows:

	% Net assets attributable to holders of redeemable units
United States dollars	0.2

The currency to which the REIT had exposure as at December 31, 2020, is approximately as follows:

	% Net assets attributable to holders of redeemable units
United States dollars	0.5

The amounts in the above table are based on a fair estimate of the REIT's underlying investments and financial instruments (including cash and cash equivalents) as well as the underlying principal amounts of future and/or forward currency contracts, as applicable. Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities (including payable for investments purchased) that are denominated in foreign currencies do not expose the REIT to significant currency risk.

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$1,000 (2020 - \$2,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Price risk:

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Financial instruments risk (continued):

As at December 31, 2021, 1.9 percent (2020 - 3.5 percent) of the REIT's net assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10 percent as at the year end, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$141,000 (2020 - \$186,000) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

There is also exposure to price risk indirectly through the underlying funds to the extent that they have direct investments in securities traded on North American and other stock exchanges. As at December 31, 2021, 0.5 percent (2020 - 0.6 percent) of the underlying investments net assets attributable to holders of redeemable units were invested in securities traded on North American and other stock exchanges. If security prices on North American and other stock exchanges had increased or decreased by 10 percent as at the year end, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$40,000 (2020 - \$31,000). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the REIT.

Where the REIT invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the REIT.

All transactions executed by the REIT in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Financial instruments risk (continued):

As at December 31, 2021, the Fund invested in debt instruments with the following credit rating:

Debt instruments* by credit rating	Percentage of net assets attributable to holders of redeemable units (%)
AAA	–
Not rated	0.4
Mortgages	–

As at December 31, 2020, the REIT has no investments in debt instruments and/or derivatives. The REIT is not exposed to the risk from the investments held by the Underlying Funds in debt instruments and/or derivatives where there is a concentration of credit risk that may arise.

The REIT may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the REIT's investment objective and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The REIT's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the REITs are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Capital risk management:

The Manager manages the capital of the REIT in accordance with the REIT's investment objectives, policies and restrictions, as outlined in the REIT's offering memorandum, while maintaining sufficient liquidity to meet Unitholders' withdrawals.

The REIT does not have externally imposed capital requirements.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Fair value measurements:

The following table summarizes the levels in the fair value hierarchy in which the REIT's investments are categorized as of December 31, 2021:

Assets	Level 1	Level 2	Level 3	Total
Private debt	\$ —	\$ —	\$ 300,000	\$ 300,000
Real estate	1,410,675	6,423,646	65,616,150	73,450,471
	\$ 1,410,675	\$ 6,423,646	\$ 65,916,150	\$ 73,750,471

During the year ended December 31, 2021, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance, beginning of year	\$ 46,361,063
Purchases	23,772,463
Sales	(12,295,466)
Realized gains included in net income	300,300
Change in unrealized appreciation included in net income	7,777,790
Balance, end of year	\$ 65,916,150

The following table summarizes the levels in the fair value hierarchy in which the REIT's investments are categorized as of December 31, 2020:

Assets	Level 1	Level 2	Level 3	Total
Real estate	\$ 1,856,955	\$ 1,755,512	\$ 46,361,063	\$ 49,973,530

During the year ended December 31, 2020 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance, beginning of year	\$ 47,606,711
Purchases	14,033,785
Sales	(18,402,155)
Realized gains included in net income	4,426,734
Change in unrealized depreciation included in net income	(1,304,012)
Balance, end of year	\$ 46,361,063

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Fair value measurements (continued):

Significant unobservable inputs in measuring fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Description	Held as of December 31, 2021	Held as of December 31, 2020	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Real Estate Limited Partnership	\$ 37,009	\$ 619,506	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	125,828	1,239,720	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	14,033	34,074	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,783,863	1,589,000	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,367,309	2,127,216	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	4,534,467	6,774,000	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	8,514,437	7,610,500	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,150,789	1,047,800	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,101,603	1,060,840	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	4,926,409	5,744,641	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,625,854	3,309,600	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,500,636	1,802,847	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,048,001	1,972,924	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,037,805	2,050,000	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,923,525	1,000,000	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	5,376,609	1,346,579	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,274,089	1,411,589	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,069,903	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	4,660,573	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	3,161,991	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,890,125	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	117,715	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,600,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,011,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	1,500,000	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	2,008,935	–	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	667,259	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	1,650	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	1,136,203	Net asset value	N/A	N/A	N/A

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Fair value measurements (continued):

Description	Held as of December 31, 2021	Held as of December 31, 2020	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Real Estate Limited Partnership	\$ –	\$ 1,701,285	Net asset value	N/A	N/A	N/A
Real Estate Limited Partnership	–	300,000	Net asset value	N/A	N/A	N/A
Private debt	300,000	–	Net asset value	N/A	N/A	N/A
Investment Trust	1,253,642	1,813,830	Net asset value	N/A	N/A	N/A

9. Investment in Underlying Funds:

The table below describes the types of structured entities that the REIT does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the REIT
Investment funds, mortgage investments, corporations and limited partnerships	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units or shares to investors.	Investment in units issued by funds or limited partnership or shares issued by corporations.

The table below sets out interests held by the REIT in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

December 31, 2021	Number of investments	Average cost	Carrying amount included in investments at FVTPL
Investments in structured entities:			
Canadian real estate	33	\$ 52,517,725	\$ 71,271,868
Canadian private debt	1	300,000	300,000
U.S real estate	2	1,141,149	2,178,603
Total		\$ 53,958,874	\$ 73,750,471

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Investment in Underlying Funds (continued):

December 31, 2020	Number of investments	Average cost	Carrying amount included in investments at FVTPL
Investments in structured entities:			
Canadian real estate	26	\$ 37,826,419	\$ 48,218,018
U.S real estate	2	1,127,848	1,755,512
Total		\$ 38,954,267	\$ 49,973,530

During the year, the REIT did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

It is estimated that the REIT could redeem between \$3,300,000 and \$4,500,000 in the above structured entities per month. The REIT has determined that all of the other funds (“Investee Funds”) in which it invests are unconsolidated structured entities. This represents a significant judgment by the REIT and generally because decision making about the Investee Funds’ investing activities is not governed by voting rights held by the REIT and other investors.

The Investee Funds are managed by asset managers who are unrelated to the REIT and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each Investee Fund is included in the statement of comprehensive income in net changes in unrealized appreciation in value of investments.

10. Expenses:

The Manager has the power to incur and make payment out of the REIT’s property for any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the REIT. The REIT is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

11. Increase in net assets attributable to holders of redeemable units per unit:

The increase in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2021 and 2020 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per class	Weighted average of redeemable units outstanding during the year	Increase in net assets attributable to holders of redeemable units per unit
2021:			
Class A	\$ 69,721	51,093	\$ 1.36
Class D	3,783,017	1,571,132	2.41
Class E	4,338,472	1,907,541	2.27
Class F	942,567	585,082	1.61
2020:			
Class A	\$ 491	1,500	\$ 0.33
Class D	2,343,642	1,369,295	1.71
Class E	2,860,880	1,814,861	1.58
Class F	272,484	151,229	1.80

12. Indemnification of the Manager:

The REIT under the terms of their Trust Agreement, shall indemnify the Manager, their principals and their respective affiliates from all claims that may arise for mistakes of judgment or for action or inaction or for losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the REIT.

13. Filing exemption:

The REIT is relying on the exemption pursuant to Section 2.11 of National Instrument 81-106 not to file its financial statements with the applicable Provincial Securities Commission.

ALITIS PRIVATE REIT

Notes to Financial Statements (continued)

Year ended December 31, 2021

14. Income taxes:

The REIT qualifies as a Mutual Fund Trust under the provisions of the Tax Act and accordingly, is not subject to tax on its net taxable income for the tax which ends in December, including net realized capital gains, which is paid or payable to its Unitholders as at the end of the tax year. However, such part of the REIT's net income and net realized capital gains that is not paid or payable, is subject to income tax in the REIT. It is the intention of the REIT to distribute all of its income and sufficient net realized capital gains so that the REIT will not be subject to income tax. The REIT may be subject to alternative minimum tax, potentially recoverable.

Non-capital losses are available to be carried forward for twenty years and applied against future taxable income. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

As at the tax year ended December 31, 2021, REIT has \$35,200 (2020 - nil) capital losses carried forward available for income tax purposes. As at the tax year ended December 31, 2021 and 2020, REIT does not have any non-capital losses available for carry-forward.

Appendix A Rights of Action for Damages or Rescission

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to and offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. A "**material fact**" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price of value of the Units. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

British Columbia

Purchasers who are resident in British Columbia and who purchase Units under the "accredited investor" exemption in section 2.3 of National Instrument 45-106 – Prospectus Exemptions have no statutory rights of action against the Fund or any other person if there is a Misrepresentation in this Offering Memorandum. Notwithstanding that, where this Offering Memorandum or an amendment hereto contains a Misrepresentation, the REIT hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

Purchasers who are resident in British Columbia and who purchase Units under the "offering memorandum exemption" in section 2.9 of National Instrument 45-106 – Prospectus Exemptions are conferred the following rights of action for damages or rescission described below pursuant to section 132.1 of the *Securities Act* (British Columbia). Section 132.1 of the *Securities Act* (British Columbia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and the purchaser has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, provided that, among other limitations:

- (a) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum was delivered to the purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the issuer that it was delivered without the person's knowledge or consent;
- (b) on becoming aware of the Misrepresentation, the person withdrew the person's consent to the offering memorandum and gave written notice to the issuer of the withdrawal and the reason for it; or

- (c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, an expert's report, opinion or statement.
- (d) not with respect to any part of the offering memorandum purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

A person is not liable for Misrepresentation in forward-looking information if the person proves that the document containing the forward-looking information contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and the person had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 140 of the *Securities Act* (British Columbia) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

Alberta

Section 204 of the *Securities Act* (Alberta) provides that if an offering memorandum contains a Misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation, if it was a Misrepresentation at the time of the purchase, and has a right of action (a) for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum, and (b) for rescission against the issuer, provided that:

- (a) if the purchaser elects to exercise its right of rescission, it shall cease to have a right of action for damages against the person or company referred to above;
- (b) no person or company referred to above will be liable if it proves that the purchaser had knowledge of the Misrepresentation;
- (c) no person or company (other than the issuer) referred to above will be liable if it proves that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Executive Director (as defined in the *Securities Act* (Alberta)) and issuer that it was sent without the knowledge and consent of the person or company;
- (d) no person or company (other than the issuer) referred to above will be liable if it proves that the person or company, on becoming aware of the Misrepresentation in the offering memorandum, withdrew the

person's or company's consent to the offering memorandum and gave reasonable notice to the Executive Director (as defined in the Securities Act (Alberta)) and issuer of the withdrawal and the reason for it;

- (e) no person or company (other than the issuer) referred to above will be liable if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:
 - (i) there had been a Misrepresentation; or
 - (ii) the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.
- (f) the person or company (other than the issuer) will not be liable if with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, after conducting a reasonable investigation the person or company had no reasonable grounds to believe, and did not believe, that there was a misrepresentation.
- (g) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum;
- (h) the defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation;

Section 211 of the *Securities Act* (Alberta) provides that no action may be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of any action, other than an action for rescission, the earlier of
 - (i) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (ii) 3 years from the day of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express provisions of the securities legislation referred to above and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the REIT may rely.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

Saskatchewan

Section 138 of The *Securities Act*, 1988 (Saskatchewan), as amended (the "**Saskatchewan Act**") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a Misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it is deemed to have relied upon that Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for rescission against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;

- (c) 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;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the Misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation or believed that there had been a Misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the Misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) after the filing of the offering memorandum or the amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or the amendment to the offering memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum is not liable for damages or rescission as provided in 138(1) or 138(2) of the Saskatchewan Act if that person can establish that he, she or it cannot reasonably be expected to have had knowledge of any Misrepresentation in the offering memorandum or the amendment or the offering memorandum.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

Manitoba

The right of action for damages or rescission described herein is conferred by section 141.1 of *The Securities Act* (Manitoba). Section 141.1 of *The Securities Act* (Manitoba) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;

- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge or consent;
- (b) after becoming aware of the Misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 141.4(2) of *The Securities Act* (Manitoba) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) two years after the date of the transaction that gave rise to the cause of action.

Ontario

Section 130.1 of the *Securities Act* (Ontario) provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) shall have a statutory right of action for damages or rescission against the issuer and any selling security holder on whose behalf the distribution is made in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, for rescission against the issuer and any selling security holder on whose behalf the distribution is made provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;

- (b) the issuer and the selling security holders on whose behalf the distribution is made, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) the issuer and the selling security holder on whose behalf the distribution is made will not be liable for a Misrepresentation in forward-looking information if the issuer proves:
 - (i) that the offering memorandum contained, proximate to that information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
 - (ii) the issuer and the selling security holder on whose behalf the distribution had a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum may be delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 of National Instrument 45-106 – *Prospectus Exemptions* (the “**accredited investor exemption**”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in National Instrument 45-106 – *Prospectus Exemptions*);
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Québec

Notwithstanding that the *Securities Act* (Québec) does not provide, or require the REIT to provide, to purchasers resident in Québec any statutory rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a Misrepresentation, the REIT hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

New Brunswick

Section 150 of the *Securities Act* (New Brunswick) provides that where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against (i) the issuer, (ii) any selling security holder(s) on whose behalf the distribution is made, (iii) every person who was a director of the issuer at the date of the offering memorandum; or (iv) every person who signed the offering memorandum; or
- (b) where the purchaser purchased the securities from a person referred to in paragraph (a)(i) or (ii), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the Misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a Misrepresentation:

- (i) if such person proves that the purchaser purchased the securities with knowledge of the Misrepresentation when the purchaser purchased the securities;
- (ii) the offering memorandum was delivered to purchasers without the person's knowledge or consent and that, on becoming aware of its delivery, the person gave written notice to the issuer that it was delivered without the person's knowledge or consent;
- (iii) that, on becoming aware of any Misrepresentation in the offering memorandum, the person withdrew the person's consent to the offering memorandum and gave written notice to the issuer of the withdrawal and the reason for the withdrawal; or
- (iv) that, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation; or (B) that the part of the offering memorandum did not fairly represent the report, opinion or statement of the expert or was not a fair copy of, or extract from, the report, opinion or statement of the expert.

Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the Misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence on its action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

Nova Scotia

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia). Section 138 of the *Securities Act* (Nova Scotia) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation, the purchaser will be deemed to have relied upon such Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the

issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date on which the initial payment was made for the securities;
- (b) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any Misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or
- (d) with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (i) to be made on the authority of an expert or (ii) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (A) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or (B) believed that there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

Newfoundland and Labrador

The right of action for damages or rescission described herein is conferred by section 130.1 of the *Securities Act* (Newfoundland and Labrador). Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), contains a Misrepresentation, without regard to whether the purchaser relied upon the Misrepresentation, the purchaser has,

subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (b) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company promptly gave reasonable notice to the issuer that it was delivered without the person's or company's knowledge or consent;
- (b) on becoming aware of the Misrepresentation in the offering memorandum, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company had no reasonable grounds to believe and did not believe that (A) there had been a Misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, an expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation.

If a Misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum.

Section 138 of the *Securities Act* (Newfoundland and Labrador) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years after the date of the transaction that gave rise to the cause of action.

Prince Edward Island, Yukon, Nunavut and the Northwest Territories

In Prince Edward Island the *Securities Act* (PEI), in Yukon, the *Securities Act* (Yukon), in Nunavut, the *Securities Act* (Nunavut) and in the Northwest Territories, the *Securities Act* (Northwest Territories) provide a statutory right

of action for damages or rescission to purchasers resident in PEI, Yukon, Nunavut and the Northwest Territories respectively, in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, which rights are substantially similar, but not identical, to the rights available to Ontario purchasers.

Appendix B Alitis Conflict Disclosure

Although Alitis, as Manager, has various legal obligations to the REIT, situations may arise where the interests of Alitis, and its directors, officers, employees and shareholders could conflict with the interests of the REIT.

The REIT is a connected issuer of Alitis under applicable securities laws. A person is connected to another person if, due to its relationships with such person, a prospective purchaser of securities of the person might question the other person's independence from the first person or company. The REIT is sponsored and managed by Alitis and Alitis, as consideration for such sponsorship and management services, receives management and performance fees as disclosed in this Offering Memorandum. Potential investors in the REIT should be aware of this relationship between Alitis and the REIT.

Performance fees received by Alitis from the REIT may create an incentive for Alitis to engage in investment strategies and select investments on behalf of the REIT that are more speculative and riskier than would be the case in the absence of such performance based fees. To control this conflict, Alitis has adopted constraints on the types and amounts of asset classes and investments that can be used in the REIT in order to minimize the potential for adopting riskier investment approaches.

Because Alitis handles many accounts for many clients and a number of investment products managed by Alitis ("Alitis Pools"), there is the possibility that a particular client or Alitis Pool could receive preferential treatment and get access to investment opportunities ahead of other clients or Alitis Pools. The REIT does not have an independent review committee or any other form of independent oversight and will rely exclusively upon Alitis to manage their business and to provide managerial skill. To mitigate this concern, Alitis allocates investment opportunities based on policies that are designed to achieve fair and equitable results for all clients and Alitis Pools based on each client's and Alitis Pool's investment objectives and policies. No individual or Alitis Pool shall be given preferential treatment in trade executions that represent the interests of more than one client or pool. However, an investment in the REIT does not carry with it the right of the REIT or of any Unitholder to invest in any other venture of Alitis or its affiliates or associates or to any profit therefrom or to any interest therein. In determining which accounts or Alitis Pools should participate in a given investment opportunity, and in what amounts, Alitis acts at all times in good faith in accordance with the governing documents of each Alitis Pool and client relationship and each of their applicable investment objectives, strategies, current portfolio allocation and other relevant investment factors.

There is the possibility that an employee, director or officer at Alitis may trade in securities in such a way as to gain an advantage over the REIT or may invest in the same investments that the REIT invests in. All employees, directors and officers are subject to our personal trading policies which require trades in certain securities or other investments where potential conflicts of interest could arise to be reviewed and approved by Alitis' compliance department prior to execution. If any proposed trades or investments could potentially be a conflict with the REIT, the REIT's interest will take priority.

Alitis' employees, directors and officers may have involvement in other activities which could take time and attention away Alitis' operations. To mitigate this concern, Alitis' employees, directors and officers shall devote as much time as is required for the effective management of Alitis' business, including management of the REIT. If an employee, director or officer wishes to undertake other activities, these must be approved by Alitis and disclosed to appropriate regulatory authorities before such activities are undertaken to ensure that there are no conflicts of interest.

Some firms with which an employee, director or officer of Alitis has an ownership interest may also create their own investment products directly or through a related entity. These products may be appropriate for use in the REIT, but it could appear that their inclusion is a result of the ownership interest rather than because of the investment merits of the product. To mitigate this risk, all investments in this situation will go through the same due diligence process as all other investments prior to approval or rejection by Alitis' Investment Committee. As

well, Alitis' Chief Compliance Officer will review and approve or reject the investment based on an assessment of the whole relationship between Alitis, the firm in which the employee has an ownership interest, and the investment product. In addition, there are strict regulatory requirements that Alitis must comply with for these types of investments, which may include prior disclosure and consent of the investors in the REIT.

By subscribing for Units, the subscriber acknowledges the foregoing conflict of interest disclosure appended to this Offering Memorandum and consents to an investment in Units sold by Alitis and to investments by the REIT in accordance with its investment objectives, trajectories and process described herein and the most recent conflict of interest disclosure document available at www.alitis.ca/conflict_disclosure.

Item 13 Offering Memorandum Certificate

Date: April 30, 2022

This Certificate is provided solely to those purchasers purchasing Units of the REIT pursuant to the exemption contained in section 2.9 of National Instrument 45-106 - *Prospectus Exemptions*.

This Offering Memorandum does not contain a misrepresentation.

On behalf of ALITIS PRIVATE REIT

(Signed) Cecil Baldry-White

Cecil Baldry-White
Chief Executive Officer

(Signed) Kevin Kirkwood

Kevin Kirkwood
President and Chief Investment Officer

ALITIS INVESTMENT COUNSEL

As Manager and on behalf of
ALITIS PRIVATE REIT

(Signed) Cecil Baldry-White

Cecil Baldry-White
Chief Executive Officer

(Signed) Cecil Baldry-White

Director