



Message from Greg Romundt, Executive Chair and Founder, Centurion Apartment REIT

This communication is designed to provide an update on the current state of redemptions in the REIT and a review of plans to hold a **Unitholder vote on November 6, 2025**, to amend the **REIT's Declaration of Trust ("DOT")** to significantly improve the Unitholder experience moving forward.

As you know, the REIT encountered materially higher redemption requests in August and September compared to historical norms. This resulted in an inability to honour all redemptions, in cash, within the usual 30-day period provided for in the current DOT.

Since we considered partial cash redemptions as significantly preferable to an outright gating of the REIT (which, unfortunately, has occurred in several comparable mutual fund trusts in recent months, is inconsistent with the DOT, and would have required issuing a five-year Centurion Operating Trust ("COT") Note to all investors seeking redemption in order to maintain Mutual Fund Trust ("MFT") tax status), we embarked on a study to understand how we could execute on this plan within the confines of our existing DOT.

Unfortunately, the DOT, which was drafted over 16 years ago in a style standard at the time but much less flexible than those drafted in recent years, was very rigid with matters regarding Unitholder redemptions, giving the Trustees little room to make decisions in Unitholders' best interests that were not directly in line with the language in the DOT. An MFT must be redeemable on demand to maintain its tax status, and a COT Note satisfies the requirements as a redemption if a redemption can't be made in cash.

As a result, we had three options prior to seeking a Unitholder vote to amend the DOT:

- Issue COT Notes to all redeeming investors who elected to receive one, and repay those notes in a manner consistent with our goal of providing partial redemptions (the "Managed Redemption Program") or,
- Issue COT Notes to all redeemers with no set plan to buy back those notes until the DOT was amended, which is effectively a full gate or,
- Pay cash redemptions up to the \$20 million limit set by the Trustees on a first-in, first-out, timestamped basis. Under this approach, the first \$20 million of redemption requests would be fulfilled in order, while remaining investors would have the option to accept a COT Note or retract their redemption request. However, because Unitholders cannot know their position in the redemption queue, and disclosing that information would unfairly disadvantage others, we determined this approach was neither transparent nor equitable. In addition, non-pro rata payments can create a rush to be first in line, which we believe undermines the long-term stability of the REIT and is not in the best interest of all Unitholders.

We could not:

- Make pro-rata payments, because that was not the specified process in the DOT, nor,
- Pay up to the limit set by the Trustees and hold the balance in a payment queue, since this approach was not provided for in the DOT and was not believed to meet the requirements of being redeemable on demand to comply with the MFT rules, nor,
- Implement a temporary gate, because the DOT does not include provisions for temporary gating, which is a more modern feature, although the five-year COT Notes serve a similar function, albeit with worse tax consequences than a gate, nor,
- Disclose details such as the total amount of notes being issued, the percentage or dollar amount held in registered plans, or other Unitholder activity, as doing so could place some Unitholders at a material disadvantage relative to others, which we considered unfair.

We therefore embarked on a “retract or elect a COT Note” path for redemptions received in August and September. While this allowed us to remain within the parameters of the current DOT, it proved cumbersome for both our back office and you. This was exacerbated by two key factors: a) the issuance of the COT Notes triggers an immediate disposition for tax purposes, notwithstanding a potential lack of cash to pay the tax, and b) COT Notes are not eligible to be held in registered accounts, making them wholly unsuitable for most Unitholders holding their investments in those accounts.

With the benefit of hindsight, we recognize that it may have been better to simply issue COT Notes to those who requested them, effectively gating the REIT to all redemptions, and wait for a Unitholder vote (which we will now have to have anyway, as discussed below) to establish more flexible rules regarding redemptions (among other matters) that would be more consistent with how other, younger mutual fund trusts are able to run their affairs.

While we could not have fully anticipated the complications arising from the “retract or elect a COT Note” approach in our effort to provide partial liquidity, we are now in a position where we must deal with noteholders as fairly as possible, while simultaneously establishing a system fair to all Unitholders, so that no one is left behind. After consulting with securities and tax counsel, as well as several senior, experienced industry participants, including many of you, we believe that the proposed modernization of the DOT will achieve these parallel objectives.

PROPOSED AMENDMENTS TO THE DOT

Among other changes to the “plumbing” of the REIT’s operations and Trustees’ ability to be flexible in discharging their duty to Unitholders, the following are material points that will require a Unitholder vote in order to come into effect:

1. Permit the Trustees to Create New Classes of Units

The Current DOT provides (per Section 12.1(vii)) that the Trustees are only permitted to amend it to create additional classes of units to provide voting rights to holders of securities that are exchangeable for units. The market standard has evolved so that Trustees can create new classes or series of Trust Units, with Unitholder approval only being required if such new class or series of Trust Units has any priority ranking or security interest.

Accordingly, we are proposing that the Centurion DOT be amended on this basis, to provide for “the creation and issue of additional classes or series of Trust Units”, with Unitholder approval only being required to the extent such amendment purports to “create any class or series of Trust Units with any priority ranking, security interest or similar such attributes”.

2. Amend the Redemption Provisions to Provide Additional Flexibility

The Current DOT provides (per Sections 6.1 and 6.2(a)) that Centurion is required to redeem Trust Units on the 15th day of every month, subject to 30 days’ notice (which is date and time stamped). This is subject to the monthly limit (of \$50,000, in Section 6.4), which can be waived by the Trustees and the *in-specie* distribution of COT Notes or debt securities if cash redemption is not available. Time stamping is an issue in that it incentivizes a rush to be first, which we believe is not good for the long-term stability of the REIT, which is in the interest of all Unitholders.

The redemption on 30 days’ notice is an outlier in the alternative industry, with most funds being at least 90 days’ notice. As the recent disruption makes clear, such a short notice period places pressure on the REIT that other funds with 90-day notice periods don’t experience. Were we to have had 90 days to deal with the recent heightened redemption period, we would have had significantly more time to either work through plans that would have been more streamlined and efficient in a limited liquidity scenario or, possibly, to avoid having to have a limited liquidity program at all. Furthermore, the ability to do pro-rata redemptions would have enabled the REIT not to have to issue COT Notes as a bridge to provide partial redemptions in the first place.

In summary, the plan is to permit the Trustees to set redemption policies more flexibly and more particularly, the current plan is:

- Expanding the redemption period from 30 days to 90 days (60 days' notice with 30 days to pay). Redemptions would still be made monthly on the 15th but would be subject to the new notice period. The Trustees believe that to protect the long-term stability of the REIT, this is one of the tools that allows liquidity to be more manageable
- Subject to the various legal requirements of the mutual fund trust rules and regulations, establishing a protocol whereby the Trustees can move forward with pro rata "partial cash redemptions" when total redemptions exceed available cash for redemptions and the elimination of time stamping
- In time, but not during the current redemption challenges, to consider new redemption limits per month, quarter and/or year (measured in dollars and/or percentages of aggregate Unitholder equity). These new limits, which are now generally standard in the "open-ended" fund industry worldwide, would allow the trust to plan and manage redemption liquidity requirements, providing Unitholders with more visibility into the redemption process over time.

3. Remove the Provisions on Transfer

The Current DOT provides (per Section 3.9(a)) that Trust Units may only be transferred with the prior written consent of the Trustees. There is no requirement for the transferability of the Trust Units to be so restricted, and for most other REITs, including all publicly traded REITs, there are no such restrictions.

Accordingly, we propose to amend the DOT to permit transfers without the consent of the Trustees, provided such transfers comply with applicable securities laws and the DOT. We note that this change would permit investment dealers to effectively net trade without the additional step of having to seek the Trustees' consent, provided such transfer complies with their internal policies, as well as applicable securities legislation, giving these investment dealers the ability to create liquidity between existing subscribing and redeeming accounts

4. Remove the Strict Investment Guidelines from the DOT

The Current DOT includes very proscriptive Investment Guidelines (in Section 4.1), which can only be amended with Unitholder approval. Over time, the market has evolved, allowing Trustees to have more flexibility. General guidelines are now included in the DOT, with more specific restrictions outlined in the Investment Guidelines that are approved by the Trustees outside of the DOT.

In order to maximize flexibility and rely on the discretion of the Trustees, it has been recommended that the specific Investment Guidelines be taken out of the DOT and be approved by the Trustees separately.

Accordingly, we propose that the Current DOT be amended by adding a “purpose of the trust” section to ensure it complies with general requirements (i.e., remains a mutual fund trust) and Article 4 be amended to provide for the Investment Guidelines being approved and, from time-to-time, amended, by the Trustees in the absence of the requirement of a Unitholder vote.

5. Require Unitholder Approval only for Certain Amendments

The amendment provisions of the Current DOT are set out in Article 12, with Section 12.1 providing for those matters that may be approved by the Trustees and Section 12.2 providing for those matters that require Unitholder approval. To align Article 12 with the amendments discussed above and provide the Trustees with more flexibility to amend the Current DOT (as amended and restated) now and in the future, we propose to amend Article 12 to set out the specific matters that require Unitholder approval (including any modification to the voting rights, any reduction to the percentage required for a “Special Resolution”, any reduction in the interests represented by any Trust Unit, or any change that resulted in Centurion failing to qualify as a “mutual fund trust”), with all other matters being within the Trustees’ discretion to amend.

This amendment, once approved, will give the Trustees the ability to respond to unforeseen circumstances and not require the time, cost, and complexities of a full Unitholder vote.

DEALING WITH THE CURRENT REDEMPTION CHALLENGES: OUR PLANS MOVING FORWARD

1. Working with August and September redemptions to get confirmations

We are still working with Unitholders and advisors regarding redemption requests submitted for August and September. A large number have not responded in writing to indicate whether they elect to retract their redemptions or to receive COT Notes, despite our provision until October 3rd for them to do so.

If we did not receive a notice in writing, the redemption request will be cancelled under 6.2 of the DOT. We consider this approach as the only reasonable course to protect Unitholders and accounts that have not provided a written indication of what they elect to do, and, in the absence of written communication, providing a COT Note on a default basis could potentially create a negative tax event for both registered and non-registered plan Unitholders.



For any cancelled redemptions, Unitholders will have the ability to re-enter the redemption queue, subject to the new rules put in place once a positive Unitholder vote has been held. These rules are designed to assist Unitholders, especially those in registered accounts, by protecting them from deleterious tax and regulatory consequences that could otherwise occur in the absence of the proposed changes.

2. Seeking Unitholder Consent to Amend the DOT as Discussed Above

Shortly, notices will be sent to Unitholders for a Special Vote, similar to the process used for Annual General Meetings voting, with information forms and a proxy to vote on the proposed amendments. Since there are minimum notice requirements of 30 days, we anticipate a vote to occur on November 6th, which, if passed, means that the new amendments will be effective for the November 15th period. This would result in any cash from this redemption period being paid, on a pro rata basis, following the 90-day notice period, on February 16th. This allows a reset, giving everyone on a forward-looking basis an equal opportunity for a redemption request to be processed with no material advantage for one group of Unitholders over another, and without us having to issue COT Notes in the absence of a specific request by a Unitholder, which is very unlikely under the circumstances.

3. Plan for Cash Payments of Notes and Future Redemptions

- The plan is to issue, in the coming days, the first set of Series 2 COT Notes for **August redeemers** that elected to receive a Series 2 COT Note, and then redeem, shortly thereafter, \$20 million of those notes on a pro rata basis.
- The same Series 2 COT Notes will then be issued to **September redeemers** who elected a COT Note, and then, shortly thereafter, the REIT will redeem a further \$20 million on a pro rata basis to the August and September groups combined.
- The next Series 2 COT Note payouts will be February 16th, with the proviso that all Series 2 COT Notes will then be treated, on a cash payout basis, pro rata with all November 15th redeemers as if whatever balance remains on their COT Notes at that point, as if this was submitted along with other November 15th redeemers and subsequent redemptions, with the view to put redeeming Unitholders and COT Note holders on a similar footing in terms of access to cash redemptions. The REIT plans to continue to build liquidity to accommodate a prudentially determined cash redemption amount at that time, which will be available to both Unitholders and COT Note holders.

- **October redeemers** will be given the opportunity to elect, in writing, to either a) receive a Series 2 COT Note or b) retract their redemptions with the ability to resubmit their redemptions (after a positive Unitholder vote) by November 15th. Since October redeemers who select a note will be disadvantaged by having a tax disposition in 2025 but not advantaged by receiving any cash in advance of February 16th, it would be expected that this group would most likely retract their redemption and resubmit them, should they still wish to, before November 15th.

To be clear, the timing and amount of cash received by October redeemers will be the same whether they elect to receive a Series 2 COT Note or to retract and resubmit their redemptions, but should they elect the latter, they will not trigger a disposition event in 2025 and will continue to receive normal course distributions until their redemptions are eventually paid, in full, unlike noteholders who do not receive regular distributions from the REIT once their notes are issued, although they will receive interest payments.

- **August and September redeemers** will have the opportunity to elect, in writing, if they wish to exchange their remaining balance of Series 2 COT Notes back into REIT Units upon successful approval of the amendments to the DOT.
- If Series 2 Notes are still remaining after the February 15th payment, subsequent payments will be treated the same as those of other Unitholders, subject to the 90-day redemption period. This means the next projected Series 2 COT notes payment would occur on May 15th, and payments would continue on this schedule until all Series 2 COT Notes are retired. In other words, the guiding principle here was that although the August and September redeemers had the advantage of being first, to the extent that there wasn't a solution available for everyone, to reset the basis as much as possible to make all unitholders have as equal an opportunity to obtain a cash redemption as any other.
- Once the vote passes and REIT is able to provide pro rata redemptions, it is not anticipated that any further Series 2 COT Notes will be issued. The original purpose, to provide an interim solution allowing cash redemptions above \$50,000 and to avoid a strict first-in, first-out process, will have been fulfilled. Because the REIT must still be redeemable on demand to maintain its MFT status, Unitholders who do not wish to accept only their pro-rata allocation or remain in a redemption queue may request a new series of notes (Series 4 COT Notes). These long-term unsecured notes are designed to be paid at maturity, unless the Trustees determine it is in the REIT's interest to act otherwise, a structure intended to preserve compliance with MFT status rules. We anticipate that Series 4 COT Notes will likely never need to be issued, as they have not been required in the past, and there will be sufficient alternatives to avoid their use in the future.

CONCLUSION

The goal of the above is to place as many Unitholders as possible on equal footing when making a redemption request, eliminating structural advantages or disadvantages between different groups of Unitholders. Additionally, the proposed modernization of the DOT will provide greater flexibility, allowing the asset manager and Trustees to respond quickly to unforeseen circumstances without being constrained by an overly rigid framework. Introducing a market-driven redemption notice period will also provide greater planning certainty for the REIT and Unitholders alike.

It is critical that the proposed changes be passed on a timely basis, and we request that we receive these proxies as soon as possible. This is an evolving process, and we will continue to make improvements wherever reasonably possible. Thank you for your continued support while we work to resolve the situation in a timely manner.