



**PRO REAL ESTATE INVESTMENT TRUST**

**Annual Information Form**

**March 29, 2017**

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## GLOSSARY OF TERMS

The following terms used in this annual information form have the meanings set out below:

“**2014 Public Offering**” has the meaning given to such term under “General Development of the Business - Year Ended December 31, 2014 - 2014 Public Offering of the REIT and Concurrent Private Placement”.

“**2016 Public Offering**” has the meaning given to such term under “General Development of the Business – Year Ended December 31, 2016 - 2016 Public Offering of the REIT and 2016 Property Acquisitions”.

“**2016 MD&A**” means the management’s discussion and analysis of the REIT in respect of its 2016 financial year.

“**Acquisition Fee**” has the meaning given to such term under “Arrangements with the Manager - Fees”.

“**Adjusted Cost Base**” has the meaning given to such term under “Arrangements with the Manager - Fees”.

“**Advisory Fee**” has the meaning given to such term under “Arrangements with the Manager - Fees”.

“**Affiliate**” means any Person that would be deemed to be an affiliated entity of such person within the meaning of National Instrument 45-106 – *Prospectus and Registration Exemptions*, as replaced or amended from time to time (including any successor rule or policy thereto).

“**AFFO**” or Adjusted Funds from Operations, is a non-IFRS financial measure which is defined by the REIT as FFO of the REIT, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing costs, amortization of tenant incentives and leasing costs, straight-line adjustments to rent and compensation expense related to unit-based incentive plans; and (ii) deducting a reserve for normalized maintenance capital expenditures and normalized leasing costs, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion. See “Non-IFRS Financial Measures”.

“**AIF**” means this annual information form.

“**Board**” or “**Board of Trustees**” means the board of Trustees of the REIT.

“**Boulevard**” means Boulevard Industrial Real Estate Investment Trust.

“**Boulevard Arrangement**” has the meaning given to such term under “Year Ended December 31, 2015 - Arrangement with Boulevard Industrial Real Estate Investment Trust”.

“**CANMARC**” means CANMARC Real Estate Investment Trust.

“**CBCA**” means the *Canada Business Corporations Act*.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Class A LP Units**” means the Class A limited partnership units in the capital of PROREIT LP, and “**Class A LP Unit**” means any one of the foregoing.

“**Class B LP Units**” means the Class B limited partnership units in the capital of PROREIT LP, and “**Class B LP Unit**” means any one of the foregoing.

“**Class B Warrant**” has the meaning given to such term under “Description of PROREIT LP - Partnership Units”.

“**Concurrent Private Placement**” has the meaning given to such term under “General Development of the Business - Year Ended December 31, 2014 - 2014 Public Offering of the REIT and Concurrent Private Placement”.

“**CRA**” means the Canada Revenue Agency.

“**Crux**” means Crux Capital Corporation.

“**Declaration of Trust**” means the declaration of trust of the REIT made as of February 7, 2013, as amended and restated on March 11, 2013 and as it may be further amended, supplemented or amended and restated from time to time.

“**Deferred Units**” means the deferred units under the LTIP.

“**DRIP**” means the distribution reinvestment plan of the REIT described under “Distribution Policy - Distribution Reinvestment Plan”.

“**Exchange Agreement**” means the exchange agreement made as of March 11, 2013 between the REIT, PROREIT GP, PROREIT LP and each person who from time to time executes the agreement or is deemed to be a party thereto, as it may be amended, supplemented or amended and restated from time to time.

“**FFO**” or Funds from Operations, is a non-IFRS financial measure which is defined by the REIT as net income of the REIT calculated in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) fair value adjustments and other effects of redeemable units classified as liabilities; (iv) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (v) deferred income tax expense, plus depreciation and amortization and certain other non-cash adjustments, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See “Non-IFRS Financial Measures”.

“**Financially Literate**” has the meaning given to financial literacy under National Instrument 52-110 – *Audit Committees*.

“**GBV**” means, under the Management Agreement, at any time, the book value of the assets of the REIT and its consolidated Subsidiaries, as shown on the REIT’s then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization on buildings shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the REIT and its consolidated Subsidiaries may be used instead of book value.

“**GLA**” means gross leasable area.

“**Gross Book Value**” means, at any time, the book value of the assets of the REIT and its Subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization in respect of the REIT’s properties (and related intangible assets) shown thereon or in the notes thereto, less (a) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT and (b) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties; provided however that, if approved by a majority of the Trustees, the appraised value of the assets of the REIT and its Subsidiaries may be used instead of book value.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants of Canada in Part I of The CPA Canada Handbook — Accounting, as amended from time to time.

“**Independent Trustee**” means a Trustee who, in relation to the REIT or any of its related parties, is “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended or replaced from time to time (including any successor rule or policy thereto).

“**Investment Property**” has the meaning given to such term under “Relationship with Lotus Crux - Strategic Investment Agreement”.

“**Lotus Crux**” means Lotus Crux REIT LP and/or Lotus Crux Acquisition, as applicable.

“**Lotus Crux Acquisition**” means Lotus Crux Acquisition LP.

“**Lotus Crux Related Parties**” means any person (i) directly or indirectly controlled by, affiliated with or related to LPI or Crux, or (ii) who is a vendor of a Prospective Property or a shareholder or limited partner of such vendor, and in each case, who has a voting arrangement with Lotus Crux with respect to rights in the REIT and the securities of whom are subject to a voting arrangement involving the REIT, and “**Lotus Crux Related Party**” means any one of them.

“**LPI**” means Lotus Pacific Investments Inc.

“**LTIP**” means the long term incentive plan of the REIT adopted by the Trustees.

“**Management Agreement**” means the first amended and restated management agreement dated March 11, 2013, as amended, entered into between, *inter alia*, the REIT, through one of its Subsidiary, Taggart, and the Manager pursuant to which the Manager provides property and asset management, administrative and other services to the REIT and its Subsidiaries, including the services of certain management individuals, as such agreement may be amended and restated from time to time, as described under “Arrangements with the Manager”.

“**Manager**” means Labec Realty Advisors Inc., a company incorporated under the laws of Canada, in its capacity as the property and asset manager of the REIT and its Subsidiaries pursuant to the Management Agreement, as well as its successors and permitted assigns.

“**NI 62-104**” means National Instrument 62-104 Take-Over Bids and Issuer Bids, as amended from time to time.

“**Person**” means an individual, firm, trust, trustee, syndicate, corporation, partnership, limited partnership, association, government, governmental agency or other entity.

“**PROREIT GP**” means PRO REIT GP Inc., a wholly-owned Subsidiary of the REIT incorporated under the laws of Canada.

“**PROREIT LP**” means PRO REIT Limited Partnership, a limited partnership formed under the laws of the Province of Québec pursuant to the PRO REIT LP Agreement.

“**PROREIT LP Agreement**” means amended and restated limited partnership agreement of PROREIT LP made as of March 11, 2013 between PROREIT GP, as general partner, the REIT, as limited partner, and each Person who is admitted to the partnership as a limited partner in accordance with the terms of the agreement, as the same may be further amended, supplemented or amended and restated from time to time.

“**Prospective Property**” has the meaning given to such term under “Relationship with Lotus Crux - Strategic Investment Agreement”.

“**REIT**” means PRO Real Estate Investment Trust and references in this AIF to the “REIT” should be interpreted as described under “Legal Structure of the REIT - The REIT”.

“**REIT Exception**” means the exclusion from the definition of “SIFT trust” in the Tax Act, for a trust qualifying as a “real estate investment trust” as defined in subsection 122.1(1) of the Tax Act.

“**Restricted Units**” means the restricted units under the LTIP.

“**Revolving Credit Facility**” has the meaning given to such term under “Indebtedness - Composition of Indebtedness - Revolving Credit Facility”.

“**Rights Plan**” has the meaning give to such term under “Description of the Trust and Description of the Securities - REIT Unitholders’ Rights Plan”.

“**SIFT**” means specified investment flow-through trust or specified investment flow-through partnership, as the case may be, within the meaning of the SIFT Rules.

“**SIFT Rules**” means the rules applicable to “SIFT trusts” and “SIFT partnerships” (each as defined in the Tax Act) in the Tax Act.

“**Special Voting Unit**” means a special voting unit in the capital of the REIT, as described under “Description of the Trust and Description of the Securities - Units, Special Voting Units and Other Securities - Special Voting Units”.

“**Strategic Investment Agreement**” has the meaning given to such term under “Relationship with Lotus Crux - Strategic Investment Agreement”.

“**Sub-Management Agreement**” has the meaning given to such term under “Relationship with Lotus Crux - Sub-Management Agreement”.

“**Subsidiary**” means, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity, and without limiting the generality of the foregoing, includes in respect of the REIT, PROREIT LP and any partnership of which PROREIT LP is, directly or indirectly, a member.

“**Subsidiary Securities**” means notes or other securities of PROREIT LP or such other notes or securities of a Subsidiary of PROREIT LP as the Trustees designate as such from time to time.

“**Support Agreement**” has the meaning given to such term under “Relationship with Lotus Crux - Support Agreement”.

“**Taggart**” means PRO REIT Management Inc., formerly known as Taggart Capital Corp., now a wholly-owned Subsidiary of PROREIT LP incorporated under the *Business Corporations Act* (Ontario).

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**Tax Proposals**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Third Party Property**” has the meaning given to such term under “Relationship with Lotus Crux - Strategic Investment Agreement”.

“**Transfer Agent**” means TMX Equity Transfer Services, in its capacity as registrar and transfer agent of the Units, at its principal office in Toronto, Ontario.

“**Trustees**” means the trustees from time to time of the REIT.

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange.

“**Unitholder**” means a holder of Units, and any reference to a Unitholder in the context of such Unitholder’s right to vote at a meeting of Unitholders also includes a holder of Special Voting Units.

“**Units**” means trust units in the capital of the REIT, and specifically excludes Special Voting Units.

“**Voting Units**” means the Units and/or the Special Voting Units, as the context requires.

“**Warrant**” has the meaning given to such term under “Description of the Trust and Description of the Securities - Units, Special Voting Units and Other Securities - Warrants”.

“**Warrant Agent**” has the meaning given to such term under “Description of the Trust and Description of the Securities - Units, Special Voting Units and Other Securities - Warrants”.

“**Warrant Indenture**” has the meaning given to such term under “Description of the Trust and Description of the Securities - Units, Special Voting Units and Other Securities - Warrants”.

## EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2016, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the beginning of this AIF.

In this AIF, where the context so requires, references to the “REIT” include PROREIT LP and its other Subsidiaries. Similarly, references to the properties, the portfolio of properties or investments in properties or operations of the REIT apply to the REIT, PROREIT LP and its other Subsidiaries taken as a whole.

All dollar amounts set forth in this AIF are expressed in Canadian dollars, except where otherwise indicated. References to Canadian dollars, CDN\$ or \$ are to the currency of Canada.

## FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking information within the meaning of Canadian securities laws that reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities, which we refer to in this AIF as forward-looking statements. Forward-looking statements are only management’s beliefs, expectations and intentions and are not guarantees of performance. Wherever possible, words such as “may”, “would”, “could”, “will”, “believe”, “expect”, “estimate”, “intend” and similar expressions have been used to identify these forward-looking statements. Some of the specific forward-looking statements in this AIF include, but are not limited to, statements with respect to the following:

- the intention of the REIT to distribute a portion of its available cash to securityholders and the amount of such distributions;
- the ability of the REIT to execute its growth strategies;
- the expected tax treatment of the REIT’s distributions to Unitholders;
- the REIT’s capital expenditure requirements for its properties;
- the ability of the REIT to qualify for the REIT Exception;
- the expected occupancy and the performance of the REIT’s properties; and
- the debt maturity profile of the REIT.

These forward-looking statements reflect management’s beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking statements contained in this AIF include the REIT’s future growth potential, expected capital expenditures, competitive conditions, results of operations, future prospects and opportunities, industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged and the current economic conditions remaining unchanged. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, risks and uncertainties relating to the properties of the REIT, our expectations regarding future occupancy rates of our properties, and including those risks and uncertainties discussed under the heading “Risk Factors”.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this AIF. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this AIF are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements and additional risks and uncertainties discussed in the REIT’s materials filed with the Canadian securities regulatory authorities from time to time, available on SEDAR at [www.sedar.com](http://www.sedar.com).



These forward-looking statements are made as of the date of this AIF and the REIT does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law. The REIT cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

## **NON-IFRS FINANCIAL MEASURES**

The REIT's consolidated financial statements are prepared in accordance with IFRS. In this AIF, the REIT discloses and discusses certain non-IFRS financial measures including FFO and AFFO, as well as other measures discussed elsewhere in this AIF. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The REIT has presented such non-IFRS measures as management believes they are relevant measures of the REIT's underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, total comprehensive income, cash flows generated from operating activities or comparable metrics determined in accordance with IFRS as indicators of the REIT's performance, liquidity, cash flow and profitability. See the Glossary of Terms for definitions of FFO and AFFO. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS please refer to the "Non-IFRS and Operational Key Performance Indicators" section in our 2016 MD&A.

## **LEGAL STRUCTURE OF THE REIT**

### **The REIT**

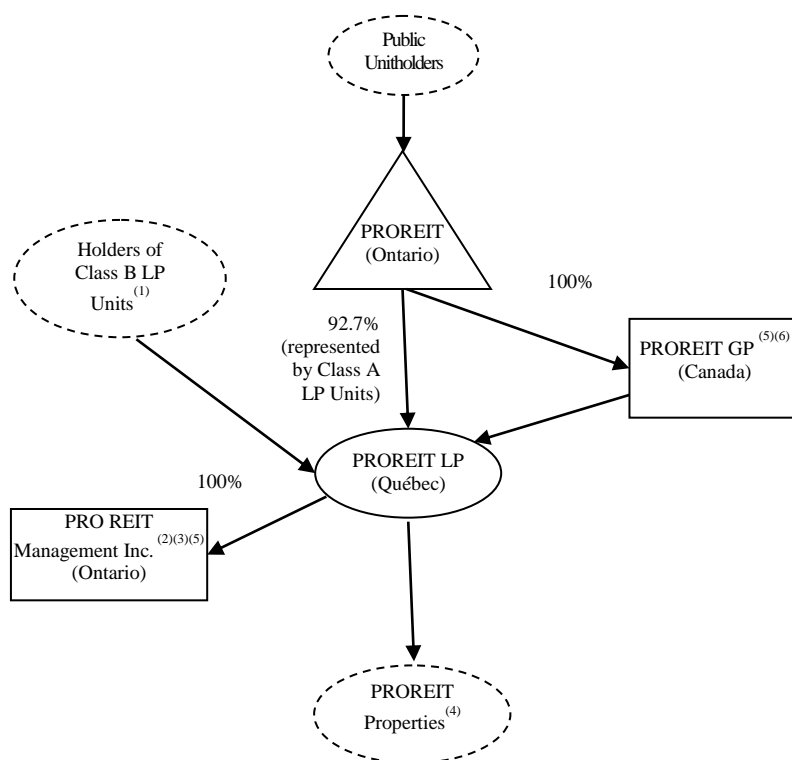
The REIT is an unincorporated, open-ended real estate investment trust established by the Declaration of Trust and governed by the laws of the Province of Ontario. The REIT is a "mutual fund trust" as defined in the Tax Act, but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. The principal, registered and head office of the REIT is located at 2000 Mansfield Street, Suite 920, Montréal, Québec, H3A 2Z6. A copy of the Declaration of Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The original predecessor company to the REIT was Taggart, a capital pool company which became a public company when it was listed on the TSXV in 2011. Taggart's business was initially restricted to the identification and evaluation of potential opportunities with a view to completing a qualifying transaction within the meaning of the rules of the TSXV. On January 29, 2013, Taggart completed its qualifying transaction by acquiring a property. On March 8, 2013, the shareholders of Taggart approved the conversion of Taggart into the REIT, which closed on March 11, 2013. The shareholders of Taggart became Unitholders of the REIT as part of that conversion by receiving Units or Class B LP Units, as applicable. In connection with the conversion, the Units were listed for trading on the TSXV under the symbol "PRV.UN", and the common shares of Taggart were delisted on March 13, 2013.

The Class B LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of Class B LP Units are entitled to receive distributions paid by PROREIT LP, which distributions are equivalent, to the greatest extent practicable, to the amount of distributions paid by the REIT to holders of Units. Each Class B LP Unit is accompanied by one Special Voting Unit which provides the holder of such Special Voting Unit with a right to vote on matters respecting the REIT proportionate with its indirect ownership in the REIT. Pursuant to the Exchange Agreement, holders of Class B LP Units are entitled to require the REIT to exchange any or all of the Class B LP Units held by such holder for an equal number of Units, subject to customary anti-dilution adjustments set out in the Exchange Agreement. See "Description of PROREIT LP".

## Organizational Structure

The following chart is a simplified illustration of the organizational structure of the REIT as at December 31, 2016:



### Notes:

- (1) Each Class B LP Unit is accompanied by one Special Voting Unit which provides the holder of such Special Voting Unit with a right to vote on matters respecting the REIT proportionate with its indirect ownership in the REIT.
- (2) PRO REIT Management Inc. has retained the services of the Manager pursuant to the Management Agreement. See “Arrangements with the Manager”.
- (3) Formerly known as Taggart Capital Corp.
- (4) The properties of the REIT are held through wholly-owned subsidiaries of PROREIT LP.
- (5) James W. Beckerleg and Gordon G. Lawlor, respectively the President and Chief Executive Officer and the Chief Financial Officer of the REIT, are the directors of PROREIT GP and PRO REIT Management Inc.
- (6) PROREIT GP is the general partner of PROREIT LP.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Year Ended December 31, 2014

#### *2014 Public Offering of the REIT and Concurrent Private Placement*

On September 30, 2014, the REIT completed a public offering (the “**2014 Public Offering**”) of 9,285,000 units of the REIT, including 585,000 units of the REIT issued pursuant to the partial exercise of the over-allotment option granted to the syndicate of underwriters, each comprised of one Unit and one-half Warrant. Each unit of the REIT was issued at a price of \$2.30 per unit, for total gross proceeds of approximately \$21.4 million.

Concurrent with the closing of the 2014 Public Offering, Lotus Crux purchased, on a private placement basis (the “**Concurrent Private Placement**”), 2,174,000 units of the REIT, each comprised of one Unit and one-half Warrant, issued at a price of \$2.30 per unit, for total gross proceeds of approximately \$5.0 million.

#### *2014 Property Acquisitions*

A portion of the net proceeds from the 2014 Public Offering and from the Concurrent Private Placement was used by the REIT, along with cash on hand, certain assumed mortgages, new mortgages and the issuance of Class B LP Units, to fund the purchase of 14 commercial properties. A portion of the net proceeds was also used by the REIT for the partial repayment of a revolving credit facility and of an operating facility made available to the REIT.

The REIT announced the closing of the acquisitions on October 20, 2014. The aggregate purchase price for the 14 commercial properties was approximately \$65.6 million, excluding closing and transaction costs. Approximately \$4.3 million of the purchase price for the properties was satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the offering price of the Units of the REIT under the 2014 Public Offering. One half of one Class B Warrant was issued with each Class B LP Unit. The properties were acquired from eight separate and unrelated vendors, as follows:

- the properties located at (i) 879 Main Street, Beresford, New Brunswick, (ii) 1850 Vanier Boulevard, Bathurst, New Brunswick, and (iii) 267 Commerce Street, Beresford, New Brunswick, were acquired for a purchase price of approximately \$8.3 million, excluding closing and transaction costs;
- the properties located at (i) 9002 20th Street, Edmonton, Alberta, and (ii) 7405 127th Avenue, Edmonton, Alberta, were acquired for a purchase price of approximately \$11.5 million, excluding closing and transaction costs, of which approximately \$1.7 million was satisfied through the issuance of Class B LP Units. One half of one Class B Warrant was issued to the vendor, a Lotus Crux Related Party, with each Class B LP Unit;
- the property located at 11047 Henri-Bourassa Boulevard, Québec City, Québec was acquired for a purchase price of approximately \$1.0 million, excluding closing and transaction costs;
- the property located at 26 Hymus Boulevard, Pointe-Claire, Québec was acquired for a purchase price of approximately \$5.2 million, excluding closing and transaction costs;
- the property located at 985 Godin Avenue, Québec City, Québec was acquired for a purchase price of approximately \$2.9 million, excluding closing and transaction costs;
- the property located at 5655 de Marseille Street, Montréal, Québec was acquired for a purchase price of approximately \$6.6 million, excluding closing and transaction costs;
- the property located at 10280 Côte-de-Liesse Road, Lachine, Québec was acquired for a purchase price of approximately \$4.6 million, excluding closing and transaction costs; and
- the properties located at (i) 2466 – 2480 and 2485 King George Highway, Miramichi, New Brunswick, (ii) 8934 – 8944 Commercial Street, New Minas, Nova Scotia, and (iii) 87 Warwick Street, Digby, Nova Scotia, were acquired for a purchase price of approximately \$25.5 million, excluding closing and transaction costs, of which approximately \$2.55 million was satisfied through the issuance of Class B LP Units. One half of one Class B Warrant was issued to the vendor with each Class B LP Unit.

### ***Strategic Relationship with Lotus Crux and Appointment of Trustee***

Immediately prior to the closing of the 2014 Public Offering and the Concurrent Private Placement, the REIT entered into a new strategic relationship with Lotus Crux that is intended to expand the REIT's geographic reach and provide it with a pipeline of future acquisitions and investment opportunities. See "Relationship with Lotus Crux".

Following the closing of the 2014 Public Offering and the Concurrent Private Placement, the REIT announced that Shenoor Jadavji joined its Board of Trustees as an additional Trustee of the REIT. See "Trustees and Executive Officers of the REIT and the Manager - Trustees and Executive Officers".

### ***Investor Relations Adviser***

On December 17, 2014, the REIT announced that it had retained the services of Spinnaker Capital Markets Inc. as its investor relations advisor to develop and expand the network of investors, analysts, and financial intermediaries who follow the REIT's growth and investment story. The agreement had an initial term until June 30, 2015 and was then extended in accordance with its terms and provides for a full range of investor relations services for a monthly fee of \$3,750 as well as a fixed fee of \$27,500.

### **Year Ended December 31, 2015**

#### ***Sale of the Property Located at 985 Godin Avenue, Québec City, Québec***

On February 20, 2015, the REIT entered into an agreement to sell the property located at 985 Godin Avenue, Québec City, Québec for gross proceeds of \$3.15 million, subject to customary closing adjustments. The sale price was satisfied by the purchaser in cash. A portion of the proceeds was used to repay debt. The sale closed on March 23, 2015.

#### ***2015 Public Offering of the REIT and 2015 Property Acquisitions***

On June 3, 2015, the REIT completed a public offering of 7,625,000 Units issued at a price of \$2.30 per unit, for total gross proceeds of approximately \$17.5 million. A portion of the net proceeds from the offering was used by the REIT, along with cash on hand, certain assumed mortgages, new mortgages and issuance of Class B LP Units, to fund the purchase of seven commercial properties.

The REIT announced the closing of the acquisitions on June 30, 2015. The aggregate purchase price for the seven commercial properties was approximately \$40.5 million, excluding closing and transaction costs. Approximately \$1.2 million of the purchase price for the properties was satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the offering price of the Units under the 2015 public offering. The properties were acquired from five separate and unrelated vendors, as follows:

- the properties located at (i) 3500 Principale Street, Tracadie-Sheila, New Brunswick, and (ii) 3528 Principale Street, Tracadie-Sheila, New Brunswick, were acquired for an aggregate purchase price of approximately \$8.5 million, excluding closing and transaction costs;
- the property located at 325 Vanier Boulevard, Bathurst, New Brunswick was acquired for a purchase price of approximately \$1.4 million, excluding closing and transaction costs, of which approximately \$0.5 million was satisfied through the issuance of Class B LP Units;
- the property located at 50 Plaza Boulevard, Moncton, New Brunswick was acquired for a purchase price of approximately \$7.0 million, excluding closing and transaction costs. Net of a \$0.3 million mark to market adjustment on an assumed mortgage on the property, the effective purchase price was approximately \$6.7 million;
- the property located at 139 Douglastown Boulevard, Miramichi, New Brunswick was acquired for a purchase price of approximately \$5.7 million, excluding closing and transaction costs; and
- the properties located at (i) 209 Carrier Drive, Etobicoke, Ontario, and (ii) 1870 Albion Road, Etobicoke, Ontario, were acquired from a vendor in which a Lotus Crux Related Party had an interest, for an aggregate purchase price of approximately \$18.0 million, excluding closing and transaction costs, of which approximately \$0.8 million was satisfied through the issuance of Class B LP Units.

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

At the REIT's annual and special meeting of Unitholders held on June 9, 2015, the Unitholders approved amendments to the Declaration of Trust and to the governing documents of certain of the REIT's subsidiaries to implement a policy requiring advance notice to the REIT of Unitholder proposals relating to the nomination of Trustees and to clarify the interpretation of certain of the REIT's operating policies, as described in the proxy circular of the REIT dated May 15, 2015 prepared in connection with such annual and special meeting.

### ***2015 Normal Course Issuer Bid***

On August 20, 2015, the REIT announced its intention to repurchase up to 1,411,832 Units, representing 5% of the REIT's then outstanding Units, by way of a normal course issuer bid to be carried out by AltaCorp Capital Inc. through the facilities of the TSXV during the 12-month period commencing August 26, 2015 and ending on August 25, 2016, the whole in accordance with applicable Canadian regulatory requirements and TSXV rules. On January 20, 2016, the REIT announced that any future purchases made under its normal course issuer bid would be made through Leede Jones Gable Inc. The normal course issuer bid was renewed on August 26, 2016. See "General Development of the Business - Year Ended December 31, 2016 - 2016 Normal Course Issuer Bid".

### ***Arrangement with Boulevard Industrial Real Estate Investment Trust***

On July 31, 2015, the REIT announced that it had entered into an arrangement agreement with Boulevard, a real estate investment trust then listed on the TSXV, providing for, among other things, the acquisition by the REIT, through a wholly-owned subsidiary, of all of the issued and outstanding trust units of Boulevard (the "**Boulevard Arrangement**"). The holders of Boulevard units and debentures approved the Boulevard Arrangement on September 24, 2015, and the Ontario Superior Court of Justice (Commercial List) issued a final order approving the Boulevard Arrangement on September 25, 2015. On September 30, 2015, the REIT announced that the Boulevard Arrangement had been completed, resulting in the REIT indirectly owning all of the issued and outstanding units of Boulevard and Boulevard becoming a wholly-owned subsidiary of the REIT.

Pursuant to the Boulevard Arrangement, unitholders of Boulevard received 0.04651 of a Unit as consideration for each trust unit of Boulevard they held, thereby allowing Boulevard unitholders to continue to participate in any value increases associated with Boulevard while benefiting from owning units in a value enhancing public trust with increased size, scale and liquidity. Holders of Boulevard debentures received 101% of their debenture principal pursuant to the Boulevard Arrangement plus accrued and unpaid interest and an additional amount equal to 30 days of interest. The completion of the Boulevard Arrangement allowed the REIT to acquire Boulevard's portfolio of commercial properties comprised of three high quality light industrial buildings, all located in Moncton, New Brunswick, namely 205 Commerce Street, 1180 St. George Boulevard and 1070 St. George Boulevard.

### ***Partial Redevelopment of the property located at 370 Connell Street, Woodstock New Brunswick***

In November, 2015, the REIT completed its redevelopment of approximately 22,000 square feet of prior common area and vacant space located at 370 Connell Street, Woodstock, New Brunswick. The redevelopment, which cost approximately \$1.0 million, allowed the REIT to secure a new national tenant for a ten year term with several renewal options for this space. The new tenant occupied the redeveloped space as of November, 2015, providing significant additional cash flow to the property.

### ***Year Ended December 31, 2016***

#### ***2016 Public Offering of the REIT and 2016 Property Acquisitions***

On October 18, 2016, the REIT completed a public offering of 12,880,000 Units issued at a price of \$2.25 per unit, for total gross proceeds of approximately \$29.0 million (the "**2016 Public Offering**"), including the Units issued as a result of the exercise by the syndicate of underwriters of its over-allotment option in full.

A portion of the net proceeds from the 2016 Public Offering was used by the REIT, along with cash on hand, certain assumed mortgages and new mortgages, to fund the purchase of six commercial properties. The REIT announced the closing of one of these acquisitions on November 23, 2016, of the second acquisition on December 7, 2016 and of the remaining four acquisitions on December 13, 2016. The remaining net proceeds of approximately \$10.2 million were used to pay down debt related to the REIT's operating facilities.

The aggregate purchase price for the six commercial properties was approximately \$43.3 million. The properties were acquired from two separate and unrelated vendors, as follows:

- the property located at 5110 St. Margaret's Bay Road in Tantallon, Nova Scotia was acquired for a purchase price of approximately \$14.1 million, excluding closing and transaction costs;
- the property located at 1275 Jules Verne Avenue in L'Ancienne Lorette, Québec was acquired for a purchase price of approximately \$7.4 million, excluding closing and transaction costs; and
- the properties located at (i) 50 Empire Lane, Windsor, Nova Scotia, (ii) 531 Main Street, Montague, Prince Edward Island, (iii) 95 Keltic Drive, Sydney River, Nova Scotia, and (iv) 25 Brookside Street, Glace Bay, Nova Scotia, were acquired for an aggregate purchase price of approximately \$21.8 million, excluding closing and transaction costs.

#### ***2016 Normal Course Issuer Bid***

On August 22, 2016, the REIT announced that it was renewing its normal course issuer bid to repurchase up to 5% of the REIT's then outstanding Units, representing 1,533,981 Units, by way of a normal course issuer bid to be carried out by Leede Jones Gable Inc. through the facilities of the TSXV, the whole in accordance with applicable Canadian regulatory requirements and TSXV rules. The REIT may purchase such Units under the normal course issuer bid during a 12-month period commencing August 26, 2016 and ending on August 25, 2017 or the date on which the REIT has either acquired the maximum number of Units allowable under its normal course issuer bid or otherwise decided not to make any further repurchases under the normal course issuer bid. The actual number of Units purchased, the timing of purchases and the price at which the Units are bought will be determined by the REIT and will be made in accordance with the requirements of the TSXV. Any purchases will be subject to trading restrictions and will be made by the REIT at the prevailing market price of the Units at the time of purchase. The REIT may elect to suspend or discontinue its normal course issuer bid at any time. In 2016, the REIT purchased for cancellation under its normal course issuer bid a total of 49,000 Units at an average price of \$1.84 per unit for a total cost of \$90,346.

#### ***Significant Refinancing***

On August 4, 2016, the REIT completed a total of \$19.6 million refinancing for a total of approximately 15% of its total debt. The REIT received a 3.89% \$17.8 million new mortgage with a ten-year term and a 25-year amortization to refinance the primary loans against four of the REIT's assets. The REIT also received a \$1.8 million second mortgage on an existing asset to repay a \$1.3 million vendor take back mortgage that was due in September 2016 with the additional proceeds used for general working capital purposes.

#### ***Subsequent Events***

On February 28, 2017, the REIT announced the acquisition of a 50% undivided interest in the property located at 1750 Jean-Berchmans-Michaud Street, Drummondville, Québec for a purchase price of \$3.0 million, representing a capitalization rate of 7.5%. The purchase price of \$3 million was satisfied, following standard closing adjustments, by the assumption of 50% of a recently completed 4% ten-year mortgage of approximately \$4.0 million and the issuance of 383,598 Class B LP Units at a price of \$2.25 per Class B LP Unit.

Consistent with its past practice and in the normal course, the REIT may have outstanding non-binding letters of intent or conditional agreements or may otherwise be engaged in discussions with respect to possible acquisitions of new properties which may or may not be material. There can be no assurance that any of these letters, agreements or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be. The REIT expects to continue to actively pursue other acquisition and investment opportunities.

## BUSINESS OF THE REIT

### General

The REIT has been established to own a portfolio of diversified commercial real estate properties in Canada and has a focus on primary and secondary markets in Québec, Atlantic Canada (New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador) and Ontario with selective expansion into Western Canada (Alberta and British Columbia). These markets consist of large and stable economies, which currently exhibit strong real estate fundamentals. As these are collectively amongst the largest commercial real estate markets in Canada with highly fragmented ownership, management believes there is a significant opportunity for consolidation. In addition, management believes that commercial real estate in these markets represents compelling valuations relative to similar properties in other Canadian geographies. As of December 31, 2016, the REIT owned 39 commercial properties located in Québec, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Alberta, comprising approximately 2 million square feet of GLA.

The REIT is led by an experienced senior management team, with knowledge and relationships in the REIT's target markets. The management team has, in aggregate, over 50 years of experience in acquiring, managing and financing Canadian real estate, totaling approximately \$4.2 billion of commercial real estate transactions. The REIT's management team has an extensive network of relationships and contacts in the Canadian real estate industry, with particular experience within the REIT's target markets, which management believes will assist in the REIT's growth.

The REIT is externally managed by the Manager utilizing an efficient management structure. In exchange for providing management services to the REIT, the Manager earns a competitive advisory fee, expressed as a percentage of the Adjusted Cost Base of the REIT's assets, and an acquisition fee, expressed as a percentage of the purchase price of properties acquired. The Manager does not charge any incentive, disposition, financing, leasing, construction or development fees. In addition, the Manager has agreed to internalize the asset management function once the REIT's GBV reaches \$500 million. The REIT seeks to maintain strong and effective governance, with a Board of Trustees comprised of a majority of Independent Trustees who have substantial experience in the Canadian commercial real estate and capital markets. See "Arrangements with the Manager" and "Trustees and Executive Officers of the REIT and the Manager". Management believes that its interests are aligned with that of Unitholders given their low cost and simple management structure relative to industry peers, its pre-determined internalization strategy, and an adherence to strong corporate governance practices, including a Board comprised of a majority of Independent Trustees.

In aggregate, the REIT's executive officers and Trustees have over 100 years of operating, acquisitions, and financing experience in the Canadian real estate industry. They have extensive relationships with a broad network of real estate industry owners and service professionals across Canada, and expect to leverage these relationships to source accretive high-quality acquisitions. From May 2010 until March 2012, the key executives of the Manager held senior management positions with CANMARC, a publicly-traded REIT that owned a nationally diversified portfolio of 115 commercial properties totalling 9.4 million square feet of GLA, including a significant portfolio of office, retail and industrial properties in Eastern Canada. During their tenure with CANMARC and its predecessor, the REIT's senior management team completed in excess of \$3.9 billion of commercial real estate transactions, including \$700 million of accretive acquisitions subsequent to CANMARC's initial public offering. CANMARC was ultimately acquired by Cominar Real Estate Investment Trust in March 2012 at a price of \$16.50 per unit, representing \$1.9 billion of asset value, and generating a compounded annualized total return of approximately 43% for CANMARC's unitholders, as compared to 28% for the S&P/TSX REIT Index over the same period. Given the management team's experience in the Québec, Atlantic Canada, Alberta and Ontario markets, it possesses a unique and valuable set of skills and relationships that can be leveraged to the benefit of the REIT.

## Objectives

The objectives of the REIT are to: (i) provide Unitholders with stable and growing cash distributions from investments in real estate properties in Canada on a tax efficient basis; (ii) expand the asset base of the REIT and enhance the value of the REIT's assets to maximize long-term Unit value; and (iii) increase the REIT's net operating income and AFFO per Unit, through internal growth strategies and accretive acquisitions.

The REIT intends to grow and diversify its portfolio in order to increase its stability and to reduce its exposure to any particular property, location, tenant or industry. The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for increased rents, potential for capital appreciation, potential for operating efficiencies and ability to finance on attractive terms. The REIT's acquisition strategy is dynamic, and is intended to enable the REIT to adapt to changes in the economy, the real estate industry and capital markets conditions. The REIT seeks to identify undervalued opportunities in all market cycles in the commercial real estate industry. The REIT is a party to the Strategic Investment Agreement with Lotus Crux, which the management believes provides the REIT with enhanced coverage of major markets in Western Canada and incremental coverage of major markets in Eastern Canada, as well as access to Lotus Crux's network of relationships with real estate market participants in these markets, resulting in access to a pipeline of potential acquisition and investment opportunities not otherwise available to the REIT. In connection with the Strategic Investment Agreement, the REIT has the option of participating in Investment Properties by advancing mezzanine loans at market terms, and an option to purchase such properties once stabilized. See "Relationship with Lotus Crux".

## Growth Strategies

Management believes there are opportunities to enhance the value of the REIT's portfolio by optimizing its performance through a number of internal and external growth initiatives designed to increase the REIT's cash flow from operations.

### *Internal Growth*

The REIT's internal growth strategy includes the following:

- *Revenue growth opportunities:* Management believes that there is potential to generate additional rental income by leasing space in properties of the REIT that is currently unoccupied. In addition, several of the REIT's properties are located in areas with low vacancy rates and minimal new competitive supply, which should provide the REIT with opportunities to replace expiring leases at market rents that are in excess of in-place rents. Finally, management will seek to include contractual rent escalators in leases to further facilitate stable and predictable growth in rental income.
- *Operating improvements and preventative maintenance programs:* The REIT recognizes the inherent cost efficiencies of maintaining existing tenancies and seeks to engage in ongoing discussions with tenants throughout their lease term, and be proactive with tenants by anticipating and adapting to their changing needs and negotiating early renewals as leases approach their expiries. Management believes this promotes organic growth by minimizing marketing costs, leasing and tenant improvement costs, avoiding interruptions in rental income from periods of vacancy, and providing management with maximum time to re-lease premises as leases expire. Management intends to continue to stagger the REIT's portfolio's lease maturities, in order to limit lease renewal risk and leasing costs in any given year. Typically, where there are several maturities in any one year, they are spread geographically and by sector. Furthermore, management intends to engage property tax appeal specialists to lower property tax costs, which are typically a significant component of a REIT's operating costs. Finally, management will ensure preventive maintenance programs are in place focusing on building control systems, roofing, and parking facilities, in order to minimize long term capital expenditures.
- *Expansion opportunities:* Management will seek to strengthen its asset base through the judicious expansion and improvement of existing properties. Management believes there are several opportunities to develop additional properties on excess land within the REIT's portfolio, including opportunities at 55 Technology Drive, 370 Connel Street, 2466-2485 King George Highway, 87 Warwick Street, 879 Main Street, 50 Plaza Boulevard, 1070 St. George Boulevard, 50 Empire Lane and 5110 St Margaret's Bay Road. In addition, as local market conditions for a specific property



change, the REIT will consider alternative strategies such as changing or adding anchor tenants, repositioning the property, or altering the mix of tenants.

### **External Growth**

The REIT's external growth strategy includes the following:

- *Accretive acquisitions of income-producing commercial properties:* The REIT benefits from the experience and expertise of management and its acquisition and leasing knowledge to identify accretive acquisitions of office, retail and industrial properties across Canada. The REIT seeks to identify property acquisitions using investment criteria that focus on the quality of the tenants, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning. The REIT's acquisition focus will be on buildings with minimal capital requirements, including new buildings or well-maintained older buildings. Consistent with the REIT's strategy and in the normal course, the REIT is engaged in discussions with respect to possible acquisitions of properties. See "Risk Factors - Acquisition and Development".
- *Minimizing risk through portfolio diversification:* As part of its growth strategy, the REIT intends to acquire a broad range of commercial properties in its target markets, and will seek to maximize diversification within its portfolio. The REIT's portfolio is diversified (i) by asset class among office properties, retail properties, industrial properties and commercial mixed use properties; and (ii) by geography among markets in Québec, Atlantic Canada, Ontario and Alberta. Within each of the office, retail and industrial asset classes, the REIT intends to target class A and B, single and multi-tenant properties. A class A property is a property with high quality finishes well located in a prominent area, sought by investors and strong tenants and a class B property is a well-designed and well-maintained property that offers useful space in a functional layout.
- *Selective development and expansion of properties:* To complement the REIT's acquisition strategy, selective development and expansion opportunities will be undertaken based on tenant demand. If development opportunities are pursued, the REIT initially intends to carry out any such projects externally, through third party developers. These projects will be aimed at improving the overall age and quality of the REIT's portfolio, while generating strong returns on investment. Many of the key elements and criteria of the REIT's acquisition strategy will also apply to the REIT's development and expansion strategy.
- *Strategic relationship with Lotus Crux:* The REIT has formed a strategic relationship with Lotus Crux that management believes will provide the REIT with access to a unique pipeline of potential future acquisitions and investments. Pursuant to the Strategic Investment Agreement, upon identifying a potential acquisition or investment property that, once stabilized, will be consistent with the REIT's investment guidelines and acquisition strategy, Lotus Crux shall offer to the REIT and the REIT has the option to participate in such Investment Property, by advancing a mezzanine loan at fair market terms. In addition, the REIT will have an option to purchase any such Investment Property at its fair market value following stabilization. Management believes the Strategic Investment Agreement will provide the REIT with access to a future pipeline of high quality property acquisitions, particularly in the REIT's target markets in Western Canada and Ontario.

### **Competitive Conditions**

The real estate market in Canada is highly competitive and fragmented and the REIT competes for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) and other entities which are seeking or may seek real property investments similar to those desired by the REIT. An increase in the availability of investment funds or an increase in interest in immovable property investments may increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them. Numerous other developers, managers and owners of properties compete with the REIT in seeking tenants.

## REAL ESTATE PORTFOLIO

### Overview of the Properties

As at December 31, 2016, the REIT owned a portfolio of 39 income-producing commercial properties representing an aggregate of approximately 2 million square feet of GLA diversified by property type and geography across Québec, New Brunswick, Nova Scotia, Prince Edward Island, Ontario and Alberta. The following table highlights certain information about the REIT's properties. Unless otherwise indicated, the information in the table is presented as at December 31, 2016.

Property	Location	Year Built/ Renovated	# of Tenants	GLA (square feet)	Occupancy
<b>Office</b>					
55 Technology Drive	Saint John, NB	1999	1	50,732	100.0%
26-32 Prince Arthur/11-15 Princess	Amherst, NS	1957/1974/2008/2015	7	50,681	76.3%
139 Douglastown Boulevard	Miramichi, NB	2012	1	28,950	100.0%
325 Hymus Boulevard	Pointe-Claire, QC	1977/2011/2016	2	23,994	84.8%
			<b>11</b>	<b>154,357</b>	<b>89.8%</b>
<b>Retail</b>					
50 Empire Lane	Windsor, NS	1972/1988/1991/1994/2000/2009	8	125,393	100.0%
370 Connell Street	Woodstock, NB	1972/2001/2015	9	117,569	100.0%
2466 – 2480 King George Highway	Miramichi, NB	1994/2009/2010	13	70,552	97.4%
87 Warwick Street	Digby, NS	1973/2013/2016	7	61,162	84.3%
5110 St. Margaret's Bay Road	Upper Tantallon, NS	2008-2013	18	58,907	96.2%
8934 – 8944 Commercial Street	New Minas, NS	1988/1997/2007/2008	9	51,650	93.6%
95 Keltic Drive	Sydney, NS	1987/2005	1	50,517	100.0%
879 Main Street	Beresford, NB	1984/1986/2009/2010	7	40,020	100.0%
3500 Principale Street	Tracadie-Sheila, NB	1998-1999/2009	5	29,365	79.6%
531 Main Street	Montague, PEI	1997/1999/2002/2015	1	24,515	100.0%
50 Plaza Boulevard	Moncton, NB	2006	1	25,476	100.0%
2 Lawrence Street	Amherst, NS	2009/2016	2	21,212	91.1%
3528 Principale Street	Tracadie-Sheila, NB	1998-1999/2013	3	20,040	100.0%
1670 Notre Dame Street	L' Ancienne-Lorette, QC	1980/2008	1	19,000	100.0%
2485 King George Highway	Miramichi, NB	2000	1	18,600	100.0%
25 Brookside Street	Glace Bay, NS	1991	1	17,200	100.0%
325 Vanier Boulevard	Bathurst, NB	1986/2015	6	14,750	57.3%
11047 Henri Bourassa Boulevard	Québec City, QC	1983/2014	1	11,700	100.0%
135 Main Street	Moncton, NB	2012	1	10,574	100.0%
267 Commerce Street	Beresford, NB	2011	1	7,572	100.0%
125 Main Street	Moncton, NB	2016	2	7,442	73.4%
449 Principale Street	Daveluyville, QC	1987/2011	1	6,762	100.0%
			<b>99</b>	<b>809,978</b>	<b>95.5%</b>
<b>Industrial</b>					
209 Carrier Drive	Etobicoke, ON	1986/2015	1	196,877	100.0%
1180 St. George Boulevard	Moncton, NB	1976/1999/2016	6	116,506	97.0%
1870 Albion Road	Etobicoke, ON	1986	4	101,277	100.0%
26 Hymus Boulevard	Pointe-Claire, QC	1975	3	87,316	73.8%
1070 St. George Boulevard	Moncton, NB	1989/1991/2016	8	62,856	100.0%
9002 20th Street	Edmonton, AB	1978/1989	1	59,390	100.0%
205 Commerce Street	Moncton, NB	2005	1	56,833	78.5%
10100 Côte-de-Liesse Road	Lachine, QC	2004	3	55,471	100.0%
7405 127th Avenue	Edmonton, AB	1970/1994	1	29,450	100.0%
			<b>28</b>	<b>765,976</b>	<b>95.0%</b>

<u>Property</u>	<u>Location</u>	<u>Year Built/ Renovated</u>	<u># of Tenants</u>	<u>GLA (square feet)</u>	<u>Occupancy</u>
<b>Commercial Mixed Use</b>					
3200-3260 Guénette Street	St. Laurent, QC	2007	3	99,536	89.5%
5655 de Marseille Street	Montreal, QC	1968/2013	1	65,000	100.0%
1850 Vanier Boulevard	Bathurst, NB	1989	5	59,997	84.7%
1275 Jules Verne Avenue	L' Ancienne Lorette, QC	2004/2016	4	49,760	100.0%
			<u>13</u>	<u>274,293</u>	<u>92.8%</u>
<b>TOTAL PORTFOLIO</b>			<u>151<sup>(1)</sup></u>	<u>2,004,604</u>	<u>94.7%</u>

Note:

(1) 119 separate and discreet tenants, after accounting for tenants that occupy space in more than one property.

As at December 31, 2016, the 10 largest tenants in the REIT's portfolio of properties had a weighted average remaining lease term of 7.6 years. Seven of the portfolio's top ten tenants have been assigned investment grade credit ratings. An investment grade credit rated company is a company with bonds that carry ratings at or above Baa (Moody's) / BBB- (S&P) / BBB low (DBRS). The information in the following table is presented as at December 31, 2016.

<b>Tenant</b>	<b>% of Base Rent<sup>1</sup></b>	<b>GLA (Square Feet)</b>	<b>% of GLA</b>	<b>Weighted Average Remaining Lease Term (years)</b>	<b>Credit Rating<sup>2</sup></b>
Sobeys and Lawtons Pharmacy	17.3%	263,392	13.1%	10.5	na/BB+/BBB (low)
Shoppers Drug Mart	6.5%	54,184	2.7%	8.2	na/BBB/BBB
Government of Canada	4.9%	34,547	1.7%	5.2	Aaa/AAA/AAA
NFI Industries	4.7%	196,877	9.8%	6.8	na
Versacold	4.5%	88,840	4.4%	11.1	na
Hydro Québec	3.3%	65,000	3.2%	3.0	Aa2/A+/AH
Xerox	3.2%	50,732	2.5%	3.0	Baa3/BBB-/na
Canadian Schedule I Chartered Bank	3.1%	20,809	1.0%	5.7	Aa3/A+/na
Best Buy Canada	2.8%	25,476	1.3%	5.1	Baa1/BBB-/na
Adetel	2.5%	39,151	2.0%	3.2	na
<b>Top 10 tenants sub-total</b>	<b>52.7%</b>	<b>839,008</b>	<b>41.9%</b>	<b>7.6</b>	
Other tenants	47.3%	1,058,668	52.8%	5.0	
Vacant	—	106,928	5.3%	—	
<b>Total</b>	<b>100.0%</b>	<b>2,004,604</b>	<b>100.0%</b>	<b>6.4</b>	

Notes:

(1) Based on annualized base rent.

(2) Source: Moody's, S&P, and DBRS. Credit rating assigned to tenant or indirectly to its parent.

### Lease Maturities

As at December 31, 2016, the portfolio of the REIT had an overall weighted average occupancy rate of 94.7% and a weighted average remaining lease term of approximately 6.4 years. The following chart illustrates the lease maturity profile for the REIT's tenants as at December 31, 2016:

<b>Year</b>	<b>Base Rent (\$)</b>	<b>GLA (Square Feet)</b>	<b>% of Base Rent</b>	<b>% of GLA</b>
2017	1,147,061	197,611	6.5%	9.9%
2018	735,890	101,180	4.1%	5.0%
2019	1,793,309	187,135	10.1%	9.3%
2020	1,247,257	124,971	7.1%	6.2%
2021	1,793,461	230,954	10.1%	11.5%
2022 & Beyond	10,957,150	1,055,825	62.1%	52.8%
Vacant	--	106,928	--	5.3%
<b>Total</b>	<b>17,674,128</b>	<b>2,004,604</b>	<b>100.0%</b>	<b>100.0%</b>

## **Property Descriptions**

### ***Office Properties***

#### *55 Technology Drive, Saint John, New Brunswick*

This property is a modern three-storey office building located at 55 Technology Drive in Saint John, New Brunswick, with approximately 50,732 square feet of GLA on approximately 7.7 acres of land. It was built in 1999 and is 100% leased to a single tenant (Xerox Canada) until December 2019. The property has 285 outdoor parking spaces.

#### *26-32 Prince Arthur Street and 11-15 Princess Street, Amherst, Nova Scotia*

This property is an office complex located at 26-32 Prince Arthur Street and 11-15 Princess Street in Amherst, Nova Scotia, with approximately 50,681 square feet of GLA. It is situated on approximately 1.9 acres of land and has 130 outdoor parking spaces. The building was built in 1957, with renovations over time including 2008 and 2015. The complex is 76.3% occupied by seven tenants, including the Province of Nova Scotia, the Cumberland Health Authority, the Government of Canada, and Hicks Lemoine Law Office.

#### *139 Douglastown Boulevard, Miramichi, New Brunswick*

This property is a two-storey, single tenant office building located at 139 Douglastown Boulevard, Miramichi, New Brunswick, with approximately 28,950 square feet of GLA. The property was built in 2012 and is 100% occupied by the Government of Canada (Public Works and Government Services Canada) under a long-term lease until September 2022. The property is situated on approximately 12.33 acres of land and has 90 outdoor parking spaces.

#### *325 Hymus Boulevard in Pointe-Claire, Québec*

This property is a medical office building located at 325 Hymus Boulevard in Pointe-Claire, Québec, with approximately 23,994 square feet of GLA. The property was built in 1977, renovated in 2011 and 2016, and is 84.8% occupied by Centre de Réadaptation Lisette Dupras under a long-term lease until August 2021 as well as a dental lab under a long-term lease until 2026. The property is situated on approximately 2.0 acres of land and has 23 outdoor parking spaces.

### ***Retail Properties***

#### *50 Empire Lane, Windsor, Nova Scotia*

This property, located at 50 Empire Lane, Windsor, Nova Scotia, is also known as Fort Edward Plaza. It is a Sobeys-anchored multi-tenant retail plaza facing Wentworth Road, which is the main retail artery connecting the city of Windsor with Highway 101. The property was built in 1972 and has been maintained in excellent condition, with renovations in 1988, 1991, 1994, 2000 and 2009. It is comprised of 125,393 square feet of GLA on approximately 28 acres of land. Fort Edward Plaza is 100% occupied by Sobeys, Home Hardware, Rossy and Dollarama, amongst others, and has 601 parking stalls. Sobeys occupies the property under a long-term lease until 2026.

#### *370 Connell Street, Woodstock, New Brunswick*

This property is located at 370 Connell Street in Woodstock, New Brunswick. The property is a grocery store anchored retail plaza with one free-standing building, with an aggregate of approximately 117,569 square feet of GLA. It is situated on a 26.8 acre site and has open-air parking for 681 vehicles. The property was built in 1972 and renovated in 2001 and 2015. There is potential for an additional 12,000 square foot free-standing pad development at this site. The property is 100% occupied by nine tenants, including Sobeys, Hart Department Store, The Brick and Shoppers Drug Mart, and is shadow anchored by a Canadian Tire store.

*2466 – 2480 King George Highway and 2485 King George Highway, Miramichi, New Brunswick*

These two properties are located at 2466 – 2480 King George Highway and 2485 King George Highway in Miramichi, New Brunswick. 2466 – 2480 King George Highway is a grocery store-anchored retail plaza and two freestanding buildings located along the King George Highway. 2485 King George Highway is a free standing building leased to Cineplex Cinemas on a long-term basis. The buildings located at 2466 – 2480 King George Highway were built in 1994 and renovated in 2009/2010 and the building located at 2485 King George Highway was built in 2000. The properties have an aggregate of approximately 89,152 square feet of GLA situated on approximately 29.5 acres of land and have open-air parking for approximately 744 vehicles. The REIT believes there is potential for an additional 7,000 square foot free-standing pad development at these sites. The properties are 97.4% occupied by 14 tenants including Sobeys, Cineplex Cinemas, Penningtons, a Canadian Schedule I Chartered Bank, Burger King, and Tim Hortons, and is shadow anchored by a Canadian Tire store.

*87 Warwick Street, Digby, Nova Scotia*

This property is a government anchored shopping center located at 87 Warwick Street in Digby, Nova Scotia, with approximately 61,162 square feet of GLA. The property was built in 1973 and renovated in 2013 and 2016. The property is situated on approximately 7.29 acres of land and has 335 outdoor parking space. The REIT believes that there is potential for an additional 10,000 square foot free-standing pad development at this site. It is 84.3% occupied by seven tenants, including Nova Scotia Community College, a provincial employment service, Shoppers Drug Mart, Dollarama and a Canadian Schedule I Chartered Bank.

*5110 St. Margaret's Bay Road, Upper Tantallon, Nova Scotia*

This property, located at 5110 St. Margaret's Bay Road, Upper Tantallon, Nova Scotia, is a Lawtons Drugs anchored multi-tenant three-building retail plaza. Lawtons Drugs occupies the property under a long-term lease until 2024. The retail plaza is well located in the growing Halifax suburb of Upper Tantallon. The property has an aggregate of 24,500 square feet of pad development density available and is adjacent to a Canadian Tire store. The property was built between 2008 and 2013, and is comprised of an aggregate of 58,907 square feet of GLA on approximately 12 acres of land with 280 parking stalls. It is 96.2% occupied by a variety of tenants, including Lawtons Drugs, Tim Horton's, and Credit Union Atlantic.

*8934-8944 Commercial Street, New Minas, Nova Scotia*

This property is located at 8934-8944 Commercial Street in New Minas, Nova Scotia. The property is comprised of a neighbourhood plaza and a separate free-standing building located at 8944 Commercial Street with an aggregate of approximately 51,650 square feet of GLA. It is situated on approximately 4.4 acres of land and has open-air parking for approximately 250 vehicles. The centre was built in 1987 and 1988 and was renovated in 1997 and 2007/2008. The property is 93.6% occupied by nine tenants including Cineplex Cinemas, Global Pet Foods, and Abs-O-Lute Health Club.

*95 Keltic Drive, Sydney River, Nova Scotia*

This property, located at 95 Keltic Drive, Sydney River, Nova Scotia, is a single-tenant grocery store leased entirely to Sobeys on a long-term lease until 2027. The property was built in 1987 with renovations completed in 2005. It is comprised of 50,517 square feet of GLA, on approximately 6 acres of land, with 380 parking stalls. The Nova Scotia Liquor Corporation occupies 12,500 square feet of the building and is a subtenant of Sobeys. The property is immediately next door to a Wal-Mart store, and is subject to a ground lease to 2037 with renewal options until 2062.

*879 Main Street, Beresford, New Brunswick*

This property is a grocery store-anchored shopping center located at 879 Main Street in Beresford, New Brunswick, with approximately 40,020 square feet of GLA. The property was built in 1984 and renovated in 1986, 2009, and 2010. The property is situated on approximately 8.7 acres of land and has 160 outdoor parking spaces (together with 267 Commerce Street). There is potential for an additional 10,000 square foot of GLA expansion to accommodate any expansion requirements of Hart or SaveEasy. It is 100% occupied by seven tenants, including SaveEasy (Loblaw), Hart Department Store, Pharmacie Acadienne Drugstore and a Canadian Schedule I Chartered Bank.

*3500 Principale Street, Tracadie-Sheila, New Brunswick*

This property is a pharmacy anchored shopping center located at 3500 Principale Street in Tracadie-Sheila, New Brunswick, with approximately 29,365 square feet of GLA. The property was built in 1998-1999 and renovated in 2009. The property is situated on approximately 1.60 acres of land and has 205 outdoor parking spaces (shared with 3528 Principale Street, Tracadie-Sheila, New Brunswick). It is 79.6% occupied by five tenants, including Jean Coutu, Province of New Brunswick, and the City of Tracadie-Sheila.

*531 Main Street, Montague, Prince Edward Island*

This property is a single-tenant grocery store located at 531 Main Street, Montague, Prince Edward Island and leased entirely to Sobeys on a long-term lease until 2029. The property has good exposure and is well located in the growing community of Montague, PEI. The property was built in 1997, expanded in 1999 and renovated in 2002. It is comprised of 24,515 square feet of GLA, on approximately 2 acres of land with 100 parking stalls.

*50 Plaza Boulevard, Moncton, New Brunswick*

This property is located at 50 Plaza Boulevard, Moncton, New Brunswick. This property is comprised of a free-standing building with approximately 25,476 square feet of GLA. The property was built in 2006. The property is situated on approximately 3.58 acres of land and has 137 outdoor parking spaces. The REIT believes that there is potential for an additional 5,000 square foot free-standing pad development at this site. It is 100% occupied by Best Buy Canada under a long-term lease until January 2022 and is the only Best Buy store in the greater Moncton area, serving a population in excess of 100,000.

*2 Lawrence Street, Amherst, Nova Scotia*

This property is a two-storey free-standing retail property located at 2 Lawrence Street in Amherst, Nova Scotia, with approximately 21,212 square feet of GLA situated on approximately 1.2 acres of land and has open-air parking for 60 vehicles. The property was built in 2009 and renovated in 2016 and is 91.1% occupied by Lawton's Drug Store on a long-term lease until April 2029, with a pharmacy on the main level and subleases to medical/office tenants on the second floor, as well as a new physiotherapy clinic under a long-term lease to 2026.

*3528 Principale Street, Tracadie-Sheila, New Brunswick*

This property is a pharmacy anchored shopping center located at 3528 Principale Street in Tracadie-Sheila, New Brunswick, with approximately 20,040 square feet of GLA. The property was built in 1998-1999 and renovated in 2013. The property is situated on approximately 2.89 acres of land and has 205 outdoor parking spaces (shared with 3500 Principale Street, Tracadie-Sheila, New Brunswick). The property is 100% leased by three tenants, including Shoppers Drug Mart and HMR Medical Clinic.

*1670 Notre Dame Street, L'Ancienne Lorette, Québec*

This property is a one-storey free-standing retail property located at 1670 Notre Dame Street in L'Ancienne-Lorette, Québec, with approximately 19,000 square foot of GLA situated on approximately 2.0 acres of land and has open-air parking for 120 vehicles. The property was built in 1980, renovated in 2008, and is 100.0% occupied by Pharmaprix under a long-term lease until March 2023.

*25 Brookside Street, Glace Bay, Nova Scotia*

This property is a single tenant grocery store located at 25 Brookside Street, Glace Bay, Nova Scotia and leased entirely to Foodland (Sobeys) on a long-term lease until 2025. It is in the area's primary commercial corridor at the intersection of Brookside Street and Commercial Street. The property, which was built in 1991, is comprised of 17,200 square feet of GLA, on approximately 2 acres of land with 125 parking stalls.

*325 Vanier Boulevard, Bathurst, New Brunswick*

This property is a pharmacy anchored retail service center located at 325 Vanier Boulevard, Bathurst, New Brunswick, with approximately 14,750 square feet of GLA. The property was built in 1986 and renovated in 2015. The property is situated on approximately 2.57 acres of land and has 166 outdoor parking spaces. It is 57.3% occupied by 6 tenants, including Pharmasave and various medical doctors.

*11047 Henri-Bourassa Boulevard, Québec City, Québec*

This property is a one-storey retail property located at 11047 Henri-Bourassa Boulevard in Québec City, Québec with approximately 11,700 square feet of GLA. The property was built in 1983 and renovated in 2014. It is situated on approximately 0.7 acres of land and has approximately 44 outdoor parking spaces. This property is leased to a regional clothing retailer until July 2017.

*135 Main Street, Moncton, New Brunswick*

This property is a two-storey free-standing retail property located at 135 Main Street in Moncton, New Brunswick, with approximately 10,574 square feet of GLA. The property was built in 2012 on approximately 2.2 acres of land in Moncton in an expanding retail node and has 30 outdoor parking spaces. It is 100.0% occupied by a Canadian Schedule I Chartered Bank under a long-term lease until April 2022.

*267 Commerce Street, Beresford, New Brunswick*

This property is a one-storey retail property located at 267 Commerce Street in Beresford, New Brunswick, with approximately 7,572 square feet of GLA. It is 100.0% occupied by the New Brunswick Liquor Corporation under a long-term lease until November 2026. The property was built in 2011. It is situated on approximately 1.0 acre of land and has 160 outdoor parking spaces together with 879 Main Street.

*125 Main Street, Moncton, New Brunswick*

This property was built in 2016 and is adjacent to 135 Main Street. It is a 7,442 square foot retail plaza that is currently 73.4% occupied by Pet Valu and Sally Beauty under long-term leases.

*449 Principale Street, Daveluyville, Québec*

This property is a one-storey free-standing retail property located at 449 Principale Street in Daveluyville, Québec, with approximately 6,762 square feet of GLA. The property was built in 1987, substantially renovated in 2011, and is 100.0% occupied by Familiprix under a long-term lease until January 2026. It is situated on approximately 0.8 acres of land and has 53 outdoor parking spaces.

***Industrial Properties***

*209 Carrier Drive, Etobicoke, Ontario*

This property is a single-tenant distribution warehouse building located at 209 Carrier Drive, Etobicoke, Ontario with approximately 196,877 square feet of GLA. The property was built in 1986, with a new roof completed in 2015, and is 100% occupied by NFI Industries under a long-term lease until September 2023. The warehouse has a clear height of 22 feet. This property is situated on approximately 11.69 acres of land and has approximately 205 outdoor parking spaces (shared with 1870 Albion Road, Etobicoke, Ontario).

*1180 St. George Boulevard, Moncton, New Brunswick*

This property is a light industrial property located at 1180 St. George Boulevard, Moncton, New Brunswick that enjoys prominent street frontage and highway access, offering secondary street frontage onto Wheeler Boulevard, a divided highway that encircles the City of Moncton and acts as its major traffic artery. Constructed in 1976 and expanded in 1999, 1180 St. George Boulevard sits on 7.12 acres of land (37.6% site coverage) and is 116,506 square feet. It is 97.0% leased to six tenants, including Iron Mountain Canada and Emco Corporation. This property is located immediately west of the 1070 St. George Boulevard property offering leasing and operating efficiencies.

*1870 Albion Road, Etobicoke, Ontario*

This property is a multi-tenant industrial and warehouse building located at 1870 Albion Road, Etobicoke, Ontario with approximately 101,277 square feet of GLA. The property was built in 1986 and is 100% occupied by four tenants including, Royal Adhesive and Comp Sit. The warehouse has a clear height of 19 feet. This property is situated on approximately 11.69 acres of land and has approximately 205 outdoor parking spaces (shared with 209 Carrier Drive, Etobicoke, Ontario).



*26 Hymus Boulevard, Pointe-Claire, Québec*

This property is a light industrial building located at 26 Hymus Boulevard in Pointe-Claire, Québec with approximately 87,316 square feet of GLA. The property was built in 1975 and is 73.8% occupied by three tenants including Joseph Ribkoff and Vipond Inc. The warehouse has a clear height of 20 to 22 feet. This property is situated on approximately 4.75 acres of land and has approximately 60 outdoor parking spaces.

*1070 St. George Boulevard, Moncton, New Brunswick*

This property is a light industrial property located at 1070 St. George Boulevard, Moncton, New Brunswick. It has prominent street frontage on St. George Boulevard and is situated at the gateway to the Moncton Industrial Park. The property is located 2.5 kilometers from the CN Intermodal Yard and has secondary frontage onto Wheeler Boulevard, a divided highway that encircles the City of Moncton and is its major traffic artery. Constructed in 1989, and expanded in 1991, it has a total rentable area of 62,856 square feet and sits on 5.29 acres of land (27.5% coverage ratio), allowing for a further 11,000 square foot future expansion of the building. It is currently 100% leased to eight tenants, including Stihl Limited and Sonepar Canada. This property is located immediately east of the 1180 St. George Boulevard property offering leasing and operating efficiencies.

*9002 20th Street, Edmonton, Alberta*

This property is a one-storey temperature controlled light industrial building located at 9002 20th Street in Edmonton, Alberta with approximately 59,390 square feet of GLA. It is 100% occupied by Versacold Logistics Services under a long term lease until February 2028. The property was built in 1978 and expanded in 1989. The warehouse has a clear height of 16 to 26 feet and ten loading docks. It is situated on approximately 2.25 acres of land and has five outdoor parking spaces.

*205 Commerce Street, Moncton, New Brunswick*

This property is a light industrial property located at 205 Commerce Street, Moncton, New Brunswick, only 5.5 kilometers from the Greater Moncton International Airport. It is comprised of 56,833 square feet of GLA, was constructed in 2005, and is 78.5% occupied by Cardinal Health Canada.

*10100-10280 Côte-de-Liesse Road, Lachine, Québec*

This property is located at 10100-10280 Côte-de-Liesse Road, Lachine, Québec with approximately 55,471 square feet of GLA. The property is 100% occupied by three tenants including Group CDREM and Wireless LP both with long term leases. The warehouse has a clear height of 25 feet. The property was built in 2004 and is situated on approximately 2.25 acres of land and has approximately 95 outdoor parking spaces.

*7405 127th Avenue, Edmonton, Alberta*

This property is a one-storey temperature controlled light industrial building located at 7405 127th Avenue in Edmonton, Alberta with approximately 29,450 square feet of GLA. It is 100% occupied by Versacold Logistics Services under a long term lease until February 2028. The property was built in 1970 and expanded in 1994. The warehouse has a clear height of 18 to 22 feet and ten loading docks. It is situated on approximately 1.43 acres of land and has eight outdoor parking spaces.

***Commercial Mixed Use Properties***

*3200-3260 Guénette Street, St. Laurent, Québec*

This property is a flex office/industrial property located at 3200-3260 Guénette Street, in St. Laurent, Québec, with approximately 99,536 square feet of GLA. The property was built in 2007 and is 89.5% occupied by Adetel Group, VF Northface and Kia. The property is situated on approximately 4.6 acres of land and has 170 outdoor parking spaces.

*5655 de Marseille Street, Montreal, Québec*

This property is a commercial mixed use building located at 5655 de Marseille Street in Montreal, Québec with approximately 65,000 square feet of GLA. The property was built in 1968 and renovated in 2013 and is situated on approximately 2.0 acres of land. This property has excellent access to major highways and is 100% leased to Hydro-Québec.

*1850 Vanier Boulevard, Bathurst, New Brunswick*

This property is a two-storey multi-tenant flex office/industrial property located at 1850 Vanier Boulevard in Bathurst, New Brunswick, with approximately 59,997 square feet of GLA. The property was built in 1989 and is 84.7% occupied by five tenants, including Guillevin International and IMP Group. The property is situated on approximately 10.03 acres of land and has approximately 200 outdoor parking spaces.

*1275 Jules Verne Avenue in L'Ancienne Lorette, Québec*

This property is a multi-tenant mixed use office and retail building located at 1275 Jules Verne Avenue in L'Ancienne Lorette, a suburb of Québec City, Québec and was acquired from a single vendor. The property was built in 2004 with renovations completed in 2016. It is comprised of 49,760 square feet of GLA on approximately 4 acres of land with 212 parking stalls. The property is 100% occupied by 4 tenants, most notably of which are Nordia Inc. under a long-term lease until 2026 and Entrepot du Hockey (owned by a multi-store franchisee of FGL Sports, a subsidiary of Canadian Tire) under a long-term lease until 2026. The property is well located in the “big box” retail node of L'Ancienne Lorette, where a 350,000 square-foot IKEA is planned for development nearby.

## **ENVIRONMENTAL SITE ASSESSMENTS**

Each of the properties of the REIT has been the subject of a Phase I Environmental Site Assessment (“**Phase I ESA**”) and, as required, Phase II environmental site assessment reports (collectively, the “**Environmental Reports**”) at the request of the REIT.

The Environmental Reports were completed in accordance with Canadian Standards Association requirements, including a review of published geological maps and reports, a review of reasonable accessible historical and regulatory records to the site and adjacent properties, interviews, and visual site reconnaissance. The Environmental Reports were conducted to document site conditions on the day of site reconnaissance and, if possible, to identify former or current practices at the site that may represent issues of potential environmental concern. A Phase I ESA cannot confirm the presence or absence of contaminants at the site; this can only be confirmed through a program of intrusive test and analysis of soil and groundwater. Pursuant to the Environmental Reports, no further action was required.

Management is not aware of any non-compliance with environmental laws at any of the properties of the REIT that they believe would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties that would materially adversely affect the REIT or the values of these properties, taken as a whole, as determined by the independent third party environmental consultant.

## INDEBTEDNESS

### General

The REIT seeks to maintain a combination of short, medium and long-term debt maturities that are appropriate for its portfolio, taking into account the availability of financing, market conditions, and the physical and financial characteristics of each property. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 70% of its Gross Book Value. The Declaration of Trust also limits the incurrence or assumption of indebtedness secured by one or more mortgages on individual properties or pools of properties to no more than 75% of their market value. The REIT currently intends to maintain its overall indebtedness in a range of 55% to 60% of Gross Book Value, depending upon the REIT's future acquisitions, its financing opportunities and market conditions. Interest rates and debt maturities will be reviewed regularly by the Trustees to ensure the appropriate debt management strategies are implemented.

As at December 31, 2016, the REIT's total consolidated indebtedness was \$152.1 million, representing approximately 58.9% of Gross Book Value.

The REIT intends to satisfy principal repayments on its debt in future years through a combination of the re-financing of the REIT's mortgages, the REIT's working capital and the Revolving Credit Facility. As at December 31, 2016, the REIT was compliant with all financial covenants with respect to its indebtedness.

### Composition of Indebtedness

#### *Mortgages and Term Loans*

As at December 31, 2016, the REIT had outstanding mortgages with an aggregate principal amount of \$140.3 million, bearing interest at a weighted average rate of 3.70% per annum, maturing between 2017 and 2026. The mortgages are secured by first charges against specific properties of the REIT.

As at December 31, 2016, the REIT had a term loan, which is used by the REIT to finance acquisitions and fund deposits on future acquisitions, with a maximum available of \$10.0 million. The term loan bears interest at the rate greater of 7.75% or the financial institution prime rate plus 4.25% per annum and matures in February 2018. As at December 31, 2016, advances under the term loan amounted to \$1.0 million. The term loan is secured by second or third charges on certain properties of the REIT.

On August 4, 2016, the REIT received an additional \$1.8 million term loan in relation to a specific asset bearing interest at a rate of 6.25% per annum and maturing in January 2022.

#### *Revolving Credit Facility*

The REIT has a floating rate revolving credit facility of \$11.5 million, with a term of 24 months expiring in December 2017 (the "**Revolving Credit Facility**"). The Revolving Credit Facility bears interest at prime rate plus 157.5 basis points or banker's acceptance rate plus 257.5 basis points and is secured by a pool of first and second mortgages on certain investment properties totaling approximately \$25.2 million (the "**Borrowing Base**"). The REIT is entitled to borrow a maximum of 65% of the lesser of the purchase price and fair market value of properties comprising the Borrowing Base subject to a first security position, and 60% of the lesser of the purchase price and fair market value of properties comprising the Borrowing Base subject to a second security position, subject to the limitations on the ability of the REIT to incur indebtedness contained in the Declaration of Trust. The Revolving Credit Facility provides the REIT with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions.

The Revolving Credit Facility includes conditions precedent, financial and non-financial covenants, and events of default customary for a credit facility of this nature. In addition, the Revolving Credit Facility includes certain restrictions regarding properties to qualify for inclusion in the Borrowing Base under such facility. As at December 31, 2016, \$9.0 million was drawn under the Revolving Credit Facility.

## Debt Maturities

The following table sets out, as at December 31, 2016, the principal instalments, debt maturity and the percentage of total maturing debt of the REIT that are in place as at December 31, 2016 and paid over the periods indicated (dollar amounts in thousands).

<b>Year</b>	<b>Payments of Principal</b>	<b>Debt Maturing During Year</b>	<b>Total Principal Payments</b>	<b>Percentage of Total Debt</b>
Within one year	\$4,132	\$1,336	\$5,468	3.8%
One to two years	\$4,050	\$18,510	\$22,560	15.8%
Two to three years	\$3,553	\$20,949	\$24,502	17.2%
Three to four years	\$2,901	\$10,705	\$13,606	9.5%
Four to five years	\$2,779	\$0	\$2,779	1.9%
After five years (no later than 2026)	\$6,307	\$67,910	\$74,217	51.8%
	<b>\$23,722</b>	<b>\$119,410</b>	<b>\$143,132</b>	<b>100.0%</b>

## Additional Financing

The REIT may seek additional financing with one or more financial institutions from time to time. Such financing will be used for general trust purposes, which may include the funding of the REIT's operations or future property acquisitions.

## ARRANGEMENTS WITH THE MANAGER

Pursuant to the Management Agreement, the Manager provides the REIT with the services necessary to manage its day-to-day operations.

### General

The Manager administers the day-to-day property and administrative operations of the REIT's properties pursuant to the Management Agreement. The Manager provides the services of James W. Beckerleg and Gordon G. Lawlor to the REIT as President and Chief Executive Officer and Chief Financial Officer of the REIT, respectively.

### Duties of the Manager

The Manager provides the REIT and its Affiliates with comprehensive advisory, asset and administrative services, as applicable, including but not limited to the following: (i) advising the Trustees and making recommendations on strategic matters, (ii) identifying, evaluating, recommending and assisting in the structuring of transactions and investment opportunities, (iii) analyzing and assisting in the prospective purchases and sale of properties, (iv) making recommendations concerning the raising of funds, (v) arranging for the financing, refinancing or restructuring of the properties, (vi) monitoring income and investments, (vii) preparing all reports reasonably requested, (viii) preparing business plans, implementing such plans and monitoring financial performance, (ix) advising and assisting with investor relations strategies and activities, and (x) maintaining the books and financial records of the properties and submitting all necessary income tax returns.

The Manager also has full responsibility for the management operations and maintenance of all of the properties of the REIT. The property management services that the Manager provides include the following: (i) managing the REIT's properties, including leasing and marketing, (ii) collecting and depositing of all rents and other charges payable by tenants, (iii) negotiating contracts and arranging for any improvements and repairs as may be required, (iv) providing qualified personnel to perform daily duties with respect to the operation of the properties, (v) reporting on the financial condition of the properties, (vi) obtaining and renewing all licenses and permits which may be required, (vii) obtaining and maintaining adequate property and general liability insurance, and (viii) generally providing all other services as may be necessary.

The Management Agreement provides that at the request of the Trustees, the Manager will prepare an annual asset management plan and an annual asset operating budget and submit same to the Trustees in each year for the

Trustees' prior approval. In addition, the purchase, sale or restructuring of any asset of the REIT or any interest therein and the financing of any such purchase must be approved by the Trustees. Furthermore, the Investment Committee of the REIT is charged with: (i) approving or rejecting proposed acquisitions and dispositions of investments by the REIT; (ii) authorizing proposed transactions; and (iii) approving all financing arrangements and the assumption or granting of any mortgage other than the renewal of any existing mortgage by any of the REIT's Subsidiaries. The Management Agreement also provides that all capital expenditures which are in the aggregate greater than \$1.0 million (cumulative, per fiscal year) must be approved by the REIT, unless such expenditures are included in the then applicable asset operating budget approved by the REIT.

## Fees

In connection with the services provided by the Manager under the Management Agreement, the following amounts are payable to the Manager, in cash:

- an annual advisory fee (the “**Advisory Fee**”) equal to 0.25% of the Adjusted Cost Base of the REIT's assets, payable quarterly and prorated to take into account any acquisitions or dispositions during any monthly period, where “**Adjusted Cost Base**” means the book value of the assets of the REIT, as shown on its most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization shown thereon, less excess cash that is not yet invested in properties or other assets; and
- an acquisition fee (the “**Acquisition Fee**”) equal to (i) 1.00% of the purchase price paid by the REIT for the purchase of a property, on the first \$100,000,000 of properties acquired in each fiscal year; (ii) 0.75% of the purchase price paid by the REIT for the purchase price of a property on the next \$100,000,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT for the purchase of a property, on properties in excess of \$200,000,000 acquired in each fiscal year. For the purposes of calculating the Acquisition Fee, the purchase price of a property will be the initial cost (for greater certainty, whether paid in cash, by the assumption of any mortgage or other indebtedness, the issuance of debt or equity, or in any other manner) including, without limitation, real estate commissions, finder's fees and any other acquisition costs payable by the REIT (excluding the fees payable to the Manager pursuant to this provision and all out-of-pocket costs incurred by the REIT in connection with the acquisition including legal fees and disbursements, registration and filing fees, land transfer and sales taxes) all calculated in accordance with IFRS.

In the event that the Manager provides any property management services to the REIT, the fee payable in respect of such services provided by the Manager shall be equal to the then applicable market rate, to be negotiated and agreed upon between the parties, each acting reasonably. If the Manager is to provide any services in addition to those referred to in the Management Agreement, then before the provision of any such services, the REIT and the Manager shall negotiate and agree upon the scope of any such services and the fees for any such services.

Under the Management Agreement, the REIT shall reimburse to the Manager all out-of-pocket expenses directly incurred by the Manager in performing its services under the Management Agreement and shall reimburse the Manager for all other costs, salaries and certain expenses relating to the Manager's operations as a company providing management services generally, provided that to the extent the Manager provides management services to persons other than the REIT, the aggregate amount of such costs shall be allocated by the Manager between all of its clients so that the REIT is only responsible for its pro rata share of such costs calculated by reference to the floor area of the properties relative to all properties under management by the Manager.

## Delegation and Subcontracting

The Manager may delegate, retain and/or subcontract to third parties (including investment dealers, brokers, consultants, accountants, lawyers, insurers, appraisers and other advisors) any of its asset or property management functions, including those identified above under “Duties of the Manager”.

The Manager may delegate and/or subcontract any of its property management functions to a duly qualified property manager. The Manager is currently managing three properties owned by the REIT that are located in Québec and one located in New Brunswick. Broccolini Property Management Inc., a third party property manager, is managing the six other properties that are located in Québec. Another third party property manager, Compass Commercial Realty, is currently managing the properties that are located in the Maritimes and CBRE Limited is currently managing the two properties located in Alberta as well as the two properties located in Ontario. The

market rates for property management usually range between 2%-4% of gross rent, depending on the property type (retail/office/industrial), number of tenants and the geographical location. All fees of such third party property manager are solely borne by the REIT. The out-of-pocket costs and expenses of such third party property manager, to the extent that they are costs and expenses that would otherwise be paid to the Manager, will be solely borne by the REIT.

### **Non-Competition**

During the term of the Management Agreement, the Manager and Messrs. Beckerleg and Lawlor shall not make any restricted investments in Canada. For the purposes of the Management Agreement, “**restricted investments**” means the acquisition of an ownership interest in or development of, directly or indirectly, income-producing office, retail, and industrial properties.

The Manager and Messrs. Beckerleg and Lawlor may however make restricted investments provided that (i) the REIT has first been offered the opportunity to make the restricted investment, directly or indirectly, or (ii) Messrs. Beckerleg and Lawlor make a restricted investment where the primary purpose of the investment is to use the property for personal purposes or as office space.

### **Term and Termination**

The Management Agreement has an initial term expiring in 2020, subject to early termination in certain circumstances, and will be renewable for five year periods upon mutual agreement.

The Management Agreement may be terminated in the following circumstances:

- (a) The REIT has the right, upon decision of a majority of the Independent Trustees, to terminate the Management Agreement at any time upon the occurrence of any of the following events: (i) a material breach by the Manager of its duties and responsibilities under the Management Agreement that is not cured within 60 days (or such longer period as is reasonably required), (ii) the commission by Manager or any of its agents or employees of any act constituting fraud, misconduct, breach of fiduciary duty, negligence or a wilful breach of applicable laws, or (iii) the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager;
- (b) The REIT has the right to terminate the Management Agreement, effectively an internalization of the Manager, in the event that the GBV of the REIT’s assets reaches \$500 million and provided that (A) the REIT delivers a 120 days prior written notice to the Manager to that effect, and (B) officers of the Manager who provide services to the REIT pursuant to the Management Agreement shall be offered employment with the REIT to hold a similar office with similar responsibilities on terms and conditions mutually acceptable to the REIT and such officers, acting reasonably. In the event the REIT decides to forgo its right to internalize management and terminate the Management Agreement once the GBV of the REIT’s assets reaches \$500 million, the REIT will have the right to re-examine such decision whenever the GBV of the REIT’s assets increases by an additional \$100 million from time to time, at which point the REIT’s right to terminate the Management Agreement shall apply;
- (c) The REIT has the right to terminate the Management Agreement at any time without cause by a decision of a majority of the Independent Trustees and upon at least 60 days’ prior written notice;
- (d) The Manager has the right to terminate the Management Agreement upon the occurrence of a Change of Control of the REIT (being any transaction at any time and by whatever means pursuant to which any Person or any group of two or more Persons acting jointly or in concert acquires the direct or indirect “beneficial ownership” of, or acquires the right to exercise control or direction over, securities of the REIT representing 50% or more of the then issued and outstanding voting securities of the REIT, including, as a result of a take-over bid, an exchange of securities, or an amalgamation of the REIT with any other entity);
- (e) The Manager has the right to terminate the Management Agreement, upon not less than 60 days’ written notice, in the event that the REIT is in material breach of its obligations under the Management Agreement.

In the event the Management Agreement is terminated in accordance with (b) above, the REIT shall pay the Manager a termination fee equal to the management fees and expenses paid to the Manager in the then most recent fiscal year, plus any severance costs related to the employees of the Manager. The REIT shall also reimburse the

Manager for any and all costs and expenses incurred or payable by the Manager as a result of or in connection with its ceasing to provide services pursuant to the Management Agreement, including, without limitation, (i) lease termination penalties, (ii) penalties/costs relating to the buyout or wind-up cost of any other commitment, and (iii) any other costs and expenses payable by the Manager due to having relied on the expected subsistence of the Management Agreement.

In the event the Management Agreement is terminated in accordance with (c), (d) or (e) above, the REIT shall pay the Manager a termination fee equal to: (i) in the event the Management Agreement is terminated during the initial term, the anticipated fees which would have been payable to the Manager in respect of such services during the balance of the initial term, plus any severance costs related to the employees of the Manager and any lease termination penalties payable by the Manager; provided that if there remained less than two years on the initial term of the Management Agreement, the REIT shall pay to the Manager a termination fee equal to the anticipated fees which would have been payable to the Manager in respect of such services during the following two years (assuming that there would have been a renewal term), plus any severance costs related to employees of the Manager and any lease termination penalties payable by the Manager; or (ii) in the event the Management Agreement is terminated during a renewal term, the anticipated fees which would have been payable to the Manager in respect of such services during the following two years (assuming, if so required for the purposes of this calculation, that there would have been an additional renewal term), plus any severance costs related to the employees of the Manager and any lease termination penalties payable by the Manager. In the event that following a termination of the Management Agreement the Manager is entitled to receive anticipated fees as described above, a committee of Independent Trustees will be formed by the REIT to direct the process related to the calculation of the anticipated fees. After considering all facts and circumstances deemed by the members of the independent committee to be relevant, the committee will make a recommendation to the Board of Trustees regarding the amount of the termination fee.

For the purposes of calculating the anticipated Advisory Fee, the independent committee will be asked to consider the Adjusted Cost Base of the REIT's assets on the date that the Manager elects to terminate the Management Agreement, which will be adjusted to include any acquisitions which are under written agreement. For the purposes of calculating the anticipated Acquisition Fee, the independent committee will be asked to consider the average Acquisition Fee paid, or to be paid, to the Manager during the two latest completed financial years of the REIT, plus the value of acquisitions that are under written agreement but not completed.

The Manager has agreed that in the event that the REIT elects to develop its own property management platform, it will be able to do so without paying any termination fee to the Manager for the internalization of the property management function, subject to the reimbursement of all costs incurred by the Manager relating to the development of the property management platform for the REIT.

## RELATIONSHIP WITH LOTUS CRUX

In connection with the 2014 Public Offering and the Concurrent Private Placement, the REIT and Lotus Crux entered into a new strategic relationship with the REIT that is intended to expand the REIT's geographic reach and provide it with a pipeline of future acquisitions and investment opportunities. Lotus Crux is a partnership controlled by LPI and Crux focused on acquiring undervalued commercial real estate investment opportunities and executing on value-add initiatives through active and entrepreneurial management. The principals of Lotus Crux, Shenoor Jadavji and Peter Aghar, have purchased and managed in excess of \$7 billion of commercial real estate assets. Lotus Crux currently owns and manages over \$400 million of commercial real estate across Central, and Western Canada as well as the United States.

The REIT believes that the introduction of an exposure to Western Canada (Alberta and British Columbia), supported by the experience and knowledge of Lotus Crux Acquisition, will facilitate participation and growth in the faster growing economies of this region. The experience, relationships and location of Lotus Crux and Lotus Crux Acquisition will strengthen the Manager's own investment background in Western Canadian real estate markets, where approximately \$390 million in commercial real estate was acquired during the Manager's principals' management tenure at CANMARC.

### Strategic Investment Agreement

Immediately prior to the closing of the 2014 Public Offering and the Concurrent Private Placement, the REIT and Lotus Crux Acquisition entered into a strategic investment agreement (the "**Strategic Investment Agreement**"). Upon identifying an acquisition or investment property ("**Investment Property**") that, once stabilized, will be consistent with the REIT's investment guidelines and acquisition strategy, Lotus Crux Acquisition shall offer to the REIT and the REIT will have the option to elect to participate in such Investment Property, by advancing a mezzanine loan, or other form of financing to Lotus Crux Acquisition, at market terms. The REIT will have an option to purchase such Investment Property at the fair market value following lease-up.

Pursuant to the Strategic Investment Agreement, Lotus Crux Acquisition will receive a fee of 0.875% of the purchase cost from the REIT on acquisitions of certain of the properties owned by Lotus Crux Acquisition or a Lotus Crux Related Party that have been identified by the REIT (each a "**Prospective Property**") or of a property that is not owned by Lotus Crux Acquisition or a Lotus Crux Related Party other than an Investment Property (a "**Third Party Property**"), in each case brought to the REIT by Lotus Crux Acquisition, or a Lotus Crux Related Party, and completed without a vendor broker. Lotus Crux Acquisition will also receive from the REIT a fee based on the purchase cost on acquisitions of Third Party Properties brought to the REIT by Lotus Crux Acquisition, which may include a vendor broker, in situations of a unique nature for properties that are not marketed on a national basis. The fee shall be: (i) 0.50% of the purchase cost if the Third Party Property forms part of the first \$100 million of properties acquired by the REIT in any fiscal year, (ii) 0.375% of the purchase cost if the Third Party Property forms part of the next \$100 million of properties acquired by the REIT in any fiscal year, or (iii) 0.25% of the purchase cost if the Third Party Property is acquired after the REIT has acquired in excess of \$200 million of properties in any fiscal year.

Each of the REIT and Lotus Crux Acquisition may terminate the Strategic Investment Agreement upon the occurrence of an "event of default" (as defined in the Strategic Investment Agreement) in respect of the other party and the REIT may also terminate such agreement if Lotus Crux Acquisition ceases to be controlled by Shenoor Jadavji or Peter Aghar, individually or collectively. In the year ended December 31, 2016, no fee was paid to Lotus Crux under the Strategic Investment Agreement. A copy of the Strategic Investment Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Sub-Management Agreement

In connection with the Strategic Investment Agreement, immediately prior to the closing of the 2014 Public Offering and the Concurrent Private Placement, the Manager entered into a sub-management agreement with LPI (the "**Sub-Management Agreement**"), whereby the Manager will offer LPI the opportunity to be appointed as sub-asset manager for any Investment Property, any Prospective Property and any Third Party Property brought to the REIT by Lotus Crux Acquisition pursuant to the Strategic Investment Agreement and acquired by the REIT, for as long as the Manager is the external manager of the REIT. LPI shall be entitled to a proportion of the related asset management fees provided for in the Management Agreement. Contemporaneous with the termination or expiration of the Management Agreement, the mandate of LPI and the Sub-Management Agreement shall terminate. Upon



such termination or expiration, LPI shall be entitled to receive a proportion of the related termination fee payable to the Manager in respect of each Investment Property, Prospective Property and the Third Party Property for which LPI is the sub-asset manager at such time. For greater certainty, any asset management fees or termination fees payable to LPI pursuant to the Sub-Management Agreement shall be borne by the Manager, out of the fees payable to it under the Management Agreement, and shall not increase the fees payable by the REIT.

### **Support Agreement**

Immediately prior to the closing of the 2014 Public Offering and the Concurrent Private Placement, the REIT and Lotus Crux entered into a support agreement (the “**Support Agreement**”), the terms of which are summarized below:

#### ***Nomination Rights***

At each meeting of Unitholders at which Trustees are to be elected, Lotus Crux will have the right to nominate a total of two individuals of its choosing for election to the Board of Trustees at each meeting of Unitholders where Trustees are to be elected, subject to the consideration and approval of the Board of Trustees, acting reasonably, as long as it and the Lotus Crux Related Parties collectively hold or control at least 7.5% of the outstanding Units, including all Units issuable upon the exchange of Class B LP Units, and one individual of its choosing for election to the Board of Trustees at each meeting of Unitholders where Trustees are to be elected as long as it and the Lotus Crux Related Parties collectively hold or control at least 5.0%, but less than 7.5%, of the outstanding Units, including all Units issuable upon the exchange of Class B LP Units. Shenoor Jadavji and Peter Aghar were the two Lotus Crux nominees elected at the 2016 meeting of Unitholders.

The REIT and the Board of Trustees is prohibited from taking any steps to remove a Lotus Crux nominee from his or her position as a member of the Board of Trustees, unless otherwise agreed to by Lotus Crux. Each such nominee shall be nominated and supported for election by the REIT in the same manner as all other nominees proposed by the REIT.

During a period of 36 months from the closing of the Concurrent Private Placement, Lotus Crux has agreed (and shall use commercially reasonable efforts to cause any Lotus Crux Related Party to) to vote in favour of the nominees proposed by the REIT for election at each meeting of Unitholders at which Trustees are to be elected, and has agreed (and shall use commercially reasonable efforts to cause any Lotus Crux Related Party to) to vote in favor of any matter to be considered at each meeting of Unitholders of the REIT, provided such matters have been approved by a majority of the Board of Trustees. After the expiration of the 36 month period, if Lotus Crux at any time decides not to vote in favour of the nominees proposed by the REIT for election or in favour of any other matter approved by a majority of the Board of Trustees, Lotus Crux shall notify the REIT at least 30 days prior to the date of the meeting, and the nomination rights described above shall terminate, and Lotus Crux shall cause its nominee(s) on the Board of Trustees, if any, to tender their resignation to the Board of Trustees, which the Board of Trustees may accept or reject.

During a period of 36 months from the closing of the Concurrent Private Placement, Lotus Crux, and all Lotus Crux Related Parties, shall not, except in limited circumstances prescribed in the Support Agreement, without the prior consent of the REIT, acquire, directly or indirectly, beneficial ownership or control over any Units.

#### ***Piggy-Back Right***

The Support Agreement grants Lotus Crux and the Lotus Crux Related Parties certain “piggy-back” rights, which will, under certain conditions, require the REIT to include Units held by Lotus Crux and the Lotus Crux Related Parties (or Units issued upon the exchange of Class B LP Units) in an offering of Units undertaken by the REIT by way of prospectus offering. The REIT will be required to use reasonable commercial efforts to cause to be included in such distribution all of such Units held by Lotus Crux and the Lotus Crux Related Parties requested to be sold, unless such distribution involves an underwriting and the lead underwriter determines that including such Units in the distribution would materially adversely affect the distribution, including the price range for Units acceptable to the REIT. In such circumstance, the total number of Units to be included in the distribution will include first, the number of securities the REIT proposes to sell, and second, the number of Units held by Lotus Crux and the Lotus Crux Related Parties, if any, that may be accommodated. The expenses of a piggy-back right will be borne by the REIT, provided that any underwriting commission on the sale of Units held by Lotus Crux and the Lotus Crux

Related Parties and the cost of counsel to Lotus Crux and the Lotus Crux Related Parties will be borne by Lotus Crux.

The piggy-back shall terminate if Lotus Crux and the Lotus Crux Related Parties collectively hold an aggregate of less than 5.0% of the outstanding Units, including all Units issuable upon the exchange of Class B LP Units. Upon exercise by Lotus Crux (or any Lotus Crux Related Party) of its “piggy-back” right, the nomination rights described above will terminate, and Lotus Crux shall cause its nominee(s) on the Board of Trustees, if any, to tender their resignation to the Board of Trustees, which the Board of Trustees may accept or reject.

#### ***Pre-Emptive Right***

Under the Support Agreement, for so long as Lotus Crux and the Lotus Crux Related Parties collectively hold or control at least 5.0% of the outstanding Units, including all Units issuable upon the exchange of Class B LP Units, Lotus Crux will have the pre-emptive right to purchase, or allocate for purchase among the Lotus Crux Related Parties, additional Units issued by the REIT in any future equity financings undertaken by the REIT to maintain its *pro rata* voting interest in the REIT (on a non-diluted basis). A copy of the Support Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **TRUSTEES AND EXECUTIVE OFFICERS OF THE REIT AND THE MANAGER**

### **Trustees and Executive Officers**

The Board of Trustees is comprised of eight Trustees, five of whom are Independent Trustees. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee’s independent judgment. The REIT has determined that John Levitt, Gérard A. Limoges, Ronald E. Smith, Vincent Chiara and Martin Coté are Independent Trustees under these standards. All of the trusteeships and directorships of the Trustees with other public entities are disclosed in the biographical information for each Trustee set out below.

The Trustees are appointed at each annual meeting of the holders of Units and Special Voting Units to hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. The nominees for election of the Trustees will be determined by the Governance and Nominating Committee in accordance with the provisions of the Declaration of Trust and the charter of the Governance and Nominating Committee and will be included in the proxy-related materials to be sent to Unitholders prior to each annual meeting. With the assistance of the Governance and Nominating Committee, the Board of Trustees will assess annually, and at such other times as it deems appropriate, the effectiveness of the Board of Trustees, including consideration of the appropriate size of the Board.

The Trustees may, between meetings of the Unitholders, appoint one or more additional Trustees if, after such appointment, the total number of Trustees does not exceed one and one-third times the number of Trustees in office immediately following the last annual meeting of the Unitholders. The Declaration of Trust provides that any Trustee may resign upon written notice to the REIT. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of the Unitholders called for that purpose or by the written consent of the Unitholders holding in the aggregate not less than a majority of the outstanding Units and Special Voting Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution.

Pursuant to the Declaration of Trust, the Board of Trustees has established four committees: the Audit Committee, the Governance and Compensation Committee, the Nominating Committee and the Investment Committee. The Declaration of Trust requires that the Governance and Compensation Committee and the Audit Committee be composed of at least three Trustees, a majority of whom must be Independent Trustees. The Declaration of Trust also requires that a majority of the Trustees on each of these committees be residents of Canada.

The following table sets forth the position(s) with the REIT, the principal occupation and the number of Units held in respect of each Trustee and executive officer of the REIT.

<b>Name and Municipality of Residence</b>	<b>Position with the REIT</b>	<b>Position Held with the REIT since</b>	<b>Principal Occupation</b>	<b># of Voting Units Beneficially Owned, Directly or Indirectly or over which Control or Direction is Exercised (and %)<sup>(1)</sup></b>
John Levitt <sup>(2)</sup> Toronto, Ontario	Independent Trustee and Chairman of the Board of Trustees	2013	Partner at EDEV Real Estate Advisors	87,499 (0.18%)
Peter Aghar <sup>(3)</sup> Toronto, Ontario	Trustee	2015	President at Crux Capital Corporation	3,851,111 (8.04%) <sup>(4)</sup>
Vincent Chiara <sup>(5)</sup> Montréal, Québec	Independent Trustee	2015	President of Groupe Mach Inc.	10,870 (0.02%)
Martin Coté <sup>(6)</sup> Montréal, Québec	Independent Trustee	2015	Managing member of Bluenose AC Investments Inc.	19,700 (0.04%)
Shenoor Jadavji <sup>(5)</sup> Vancouver, British Columbia	Trustee	2014	President and Chief Executive Officer of Lotus Pacific Investments Inc.	3,851,111 (8.04%) <sup>(4)</sup>
Gérard A. Limoges <sup>(7)</sup> Montréal, Québec	Independent Trustee	2013	Corporate Director	72,001 (0.15%)
Ronald E. Smith <sup>(8)</sup> Yarmouth, Nova Scotia	Independent Trustee	2013	Corporate Director	79,999 (0.17%)
James W. Beckerleg <sup>(9)</sup> Montréal, Québec	Trustee, President and Chief Executive Officer	2013	Trustee, President and Chief Executive Officer of the REIT	378,038 (0.79%)
Gordon G. Lawlor Halifax, Nova Scotia	Chief Financial Officer and Corporate Secretary	2013	Chief Financial Officer of the REIT	376,108 (0.79%)

Notes:

- (1) The information as to the number of Voting Units beneficially owned or over which control or direction is exercised is provided to the best of the knowledge of the REIT, as of March 29, 2017.
- (2) Member of the Governance and Compensation Committee, the Nominating Committee and the Investment Committee.
- (3) Member of the Nominating Committee.
- (4) Includes Voting Units beneficially owned by Lotus Crux REIT LP, CIP Properties (Phase II) Limited Partnership, Can-Industrial Portfolio Venture I Limited Partnership, Lotus Pacific (1750 JBM) Investments Inc. and Crux Capital Corporation, which Voting Units are controlled or directed, directly or indirectly, by Peter Aghar and/or Shenoor Jadavji.
- (5) Member of the Investment Committee.
- (6) Member of the Audit Committee.
- (7) Chair of the Audit Committee and member of the Governance and Compensation Committee and the Nominating Committee.
- (8) Chair of the Governance and Compensation Committee and member of the Nominating Committee, the Investment Committee and the Audit Committee.
- (9) Chair of the Nominating Committee and the Investment Committee.

James W. Beckerleg and Gordon G. Lawlor are employees of the Manager and assume the roles of President and Chief Executive Officer and Chief Financial Officer of the REIT, respectively. In addition, Mark O'Brien (Director of Acquisitions) and Alison Schafer (Director of Finance) are employees of the Manager. Each of James W. Beckerleg, Gordon G. Lawlor, Mark O'Brien and Alison Schafer devote their time exclusively to the REIT.

As a group, as of the date of this AIF, the Trustees and executive officers of the REIT beneficially own, or control or direct, directly or indirectly, 4,875,326 Units or Class B LP Units, representing approximately 10.18% of the issued and outstanding Units or Class B LP Units.

The following biographies set forth the names and experience of each of the Trustees and executive officers of the REIT and the Manager.

### ***John Levitt – Independent Trustee and Chairman of the Board of Trustees***

From May 2010 until March 2012, John Levitt was an Independent Trustee of CANMARC and served on several committees during his time with CANMARC, including the Audit Committee, the Governance and Nominating Committee, and the Investment Committee. Mr. Levitt is currently a partner at EDEV Real Estate Advisors, which he joined as a partner in 2005, and has over 25 years of experience in the real estate sector. EDEV Real Estate Advisors is a multi-faceted real estate consulting company offering development management, strategic planning and transaction services to clients. From 1997 to 2005, he was a member of the senior management of O&Y Properties Corporation (“**O&Y**”) with specific responsibility for O&Y’s acquisition and development programs, which over eight years grew from an asset base of \$250 million to over \$2 billion.

### ***Peter Aghar – Trustee***

Peter Aghar is the founder and President of Crux Capital Corporation, a value-add real estate investor, developer and venture capital investor active across Canada. Since 2013, Crux and its partners have purchased over 3 million square feet of commercial property and are participating in over 1 million square feet of development. Mr. Aghar has a successful 20 year track record as an opportunistic value investor on an institutional scale, having been responsible for more than one hundred real estate transactions totaling over \$10 billion in value. Transactions have consisted of investments in Canada, the United States and internationally, including equity investments, developments, joint ventures, structured and mezzanine debt, open and closed end private equity funds as well as the privatization and launch of several public entities. Mr. Aghar was formerly President and Chief Investment Officer of KingSett Capital and a Managing Director of Institutional Accounts at GE Capital Real Estate. Mr Aghar is a board member in a variety of companies and investment funds as well a member of the Young President Organization. He is a CPA, CMA and is a graduate of the University of Waterloo with an Honors Mathematics Degree.

### ***Vincent Chiara – Independent Trustee***

Vincent Chiara, president and sole owner of the Groupe Mach Inc. (“**Mach**”), began his career in 1984 as a lawyer specializing in real estate transactions and corporate litigation. In 1999 he ceased practicing law and focused on real estate acquisitions and property development through Mach, a private holding company. Mach and its affiliates hold significant investments representing more than 6.5 million square feet of office buildings located in Montreal and throughout Québec, including the Stock Exchange Tower, the CIBC Tower, the Sun Life Building and the University Complex. Mach also renovated over one million square feet of obsolete office space in the Montreal region. Mach has built, developed and owns shopping centers in the Montreal region with a leasable area of over one and a half million square feet. In addition to office and commercial spaces, Mach owns seven million square feet of industrial space, residential and development properties and land for development.

### ***Martin Coté – Independent Trustee***

Martin Coté is a founder and managing member of Bluenose AC Investments Inc. (“Bluenose”), an investment vehicle formed in 2013 to invest in real estate in Canada and the United States. Mr. Coté holds an MBA from the Richard Ivey School of Business and a Bachelor's degree from HEC Montreal. Bluenose is the exclusive investment manager and partner to BXR Group for Canadian real estate investments. BXR is a private equity fund based out of Europe. Prior to founding Bluenose, Mr. Coté spent five years in the Czech Republic working for RPG Real Estate, a division of BXR Group. During that time, he oversaw the management and development of a 12,000 acre land portfolio as well as an investment in Tower Group A.S., a Danish listed company that owned 10,000 apartments in Germany. He also served as CEO of Tower Group A.S. where his responsibilities included compliance and regulatory matters as well as lender relations. He has also lead the acquisition of over 1,000 units of high quality apartments in Texas in partnership with Venterra Realty, a Toronto based real estate investment and asset manager.

### ***Shenoor Jadavji – Trustee***

Shenoor Jadavji founded LPI in 1995, and is responsible for setting its strategic direction and overseeing acquisition, disposition, asset management and capital sourcing activities. Since founding LPI, Ms. Jadavji has acquired, developed, managed and sold over \$1 billion of industrial, office, retail, hotel and multi-family residential real estate properties. Most recently, Ms. Jadavji led LPI’s strategic industrial portfolio initiative, acquiring and repositioning over 3.5 million square feet of industrial properties across Western and Central Canada. LPI’s private equity partners include high net worth and institutional investors such as KingSett Capital, LaSalle Investment

Management, and GE Capital. In aggregate, Ms. Jadavji has over 27 years of commercial real estate experience at LPI and Colliers International. She received her Business Degree in Finance and Urban Land Economics from the Sauder School of Business at the University of British Columbia.

***Gérard A. Limoges, CM, FCPA, FCA, Adm.A – Independent Trustee***

From May 2010 until March 2012, Gérard A. Limoges was an Independent Trustee of CANMARC and served on several committees during his time with CANMARC, including the Audit Committee (as Chair), the Governance and Nominating Committee, and the Compensation Committee. Gérard A. Limoges is currently a corporate director and sits on the board of directors of several public companies. He is also a member of the board of directors of private companies and not-for-profit organizations, including the Orchestre Symphonique de Montréal. He was formerly deputy Chairman of Ernst & Young Canada until retirement in September 1999, after a career of 37 years with this firm. He has vast experience in the areas of accounting, audit, mergers and acquisitions and has worked for clients in a wide range of industries including service companies, retail, communications, transportation, real estate, financial institutions, insurance, manufacturing and pulp and paper. He is a member of the Institute of Corporate Directors, of the Chartered Professional Accountants of Québec, of the Canadian Institute of Chartered Accountants and of the Québec Order of Chartered Administrators. Mr. Limoges received the Order of Canada in 2002.

***Ronald E. Smith, FCPA, FCA, ICD.D – Independent Trustee***

Ronald E. Smith is a corporate director and highly experienced Board Member with an extensive background in finance, human resources and management consulting across a wide spectrum of industries and enterprises. He currently is the Chair of the Nova Scotia Public Service Superannuation Fund and serves on the Board of Alamos Gold Inc. (formerly AuRico Gold Inc.), a TSX listed entity. For 10 years, from 2002 to 2012, he was also a member of the Canada Pension Plan Investment Board, which manages over \$200 billion of assets. Over the last 30 years, he has served on boards and audit committees of six Canadian public companies and was a member of the Advisory Board of Southwest Properties Ltd. He also serves on various not-for-profit boards and committees. From 2000 to 2004, he was Senior Vice President and Chief Financial Officer of Emera Inc., a publicly-traded energy company. From 1987 to 1999, Ron was Chief Financial Officer of Maritime Telegraph and Telephone Company Limited, a predecessor of Aliant Inc. Prior to MTT, he had a 16 year career at Ernst & Young including as a Partner in financial recovery and insolvency consulting in real estate, construction, financial services, and a variety of other industries. He is a member of the Institute of Corporate Directors and is a Fellow of the Institute of Chartered Accountants of Nova Scotia.

***James W. Beckerleg – Trustee, President and Chief Executive Officer***

From May 2010 until March 2012, James W. Beckerleg was the President and Chief Executive Officer of CANMARC. From 1995 to 2010, Mr. Beckerleg was President of Belwest Capital Management Corp., a private consulting firm which provided consulting and management services in the area of strategic advice and planning, corporate finance, mergers and acquisitions to various clients, including but not limited to, Homburg Canada Inc., a private international real estate management company. From 2005 to 2009, Mr. Beckerleg also served as Executive Vice-President, Québec Region for Homburg Canada Inc. Mr. Beckerleg has many years of experience in corporate finance, mergers and acquisitions and has served as an executive and director of several public companies, including CANMARC and several other companies in the real estate sector. He has a B.Sc (Mathematics) from McGill University (Montréal, Québec) and an MBA from Concordia University (Montréal, Québec).

***Gordon G. Lawlor, CPA, CA – Chief Financial Officer and Corporate Secretary***

From May 2010 until March 2012, Gordon G. Lawlor was the Executive Vice President, Chief Financial Officer and Secretary of CANMARC. From 2005 to 2010, Mr. Lawlor held senior management positions, including that of Chief Financial Officer, with Homburg Canada Inc., a private international real estate management company. After graduating from Saint Mary's University (Halifax, Nova Scotia) in 1988 with a Bachelor of Science (Mathematics), he began working with a chartered accounting firm, receiving his Chartered Accountant designation in 1994. Prior to CANMARC and the Homburg group, Mr. Lawlor spent seven years at Emera Inc., a publicly traded utility company where he served in a number of senior management positions, including Director of Finance.

**Governance and Board of Trustees**

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over the properties and assets and the affairs of the REIT, as if the Trustees were the

sole owners of such properties and assets. The governance practices, investment guidelines and operating policies of the REIT are overseen by a Board of Trustees consisting of a minimum of three (3) and a maximum of twelve (12) Trustees, a majority of whom must be Canadian residents. The REIT must also have at all times have a majority of Trustees who are Independent Trustees provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as “independent” to comply with this requirement.

The Trustees may, between meetings of the unitholders, appoint one or more additional Trustees if, after such appointment, the total number of Trustees does not exceed one and one-third times the number of Trustees in office immediately following the last annual meeting of the unitholders. The Declaration of Trust provides that any Trustee may resign upon written notice to the REIT. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of the unitholders called for that purpose or by the written consent of the unitholders holding in the aggregate not less than a majority of the outstanding Units entitled to vote thereon or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees, so long as they constitute a quorum, or by the unitholders at a meeting of the unitholders.

The mandate of the Board of Trustees is one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board of Trustees adopted a written charter setting out its responsibility, among other things, for (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management and determining executive compensation upon the recommendation of the Governance and Compensation Committee; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT’s debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT’s internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board of Trustees, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (xiv) determining the amount and timing of distributions to Unitholders; (xv) acting for, voting on behalf of and representing the REIT as a holder of securities of PROREIT LP; and (xvi) voting in favour of the REIT’s nominees to serve as directors of PROREIT GP.

The Board of Trustees has adopted a written position description for the Chairman of the Board of Trustees which sets out the Chairman’s key responsibilities, including duties relating to setting Board of Trustees meeting agendas, chairing meetings of Unitholders, Trustee development and communicating with Unitholders and regulators. The Board of Trustees also adopted a written position description for each of the committee chairs which sets out each of the committee chair’s key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of each committee. These descriptions are considered by the Board of Trustees for approval annually.

The REIT has adopted a written code of conduct (the “**Code of Conduct**”) that applies to all Trustees, officers and management of the REIT and its Subsidiaries, including the Manager. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT’s assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT’s best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board of Trustees has the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The standard of care and duties of the Trustees provided in the Declaration of Trust is similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and the holders of Units and Special Voting Units and, in connection therewith, to exercise the degree of care, diligence and skill

that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and the holders of Units and Special Voting Units or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

### **Committees of the Board of Trustees**

Pursuant to the Declaration of Trust, the Board has established four committees: the Audit Committee, the Governance and Compensation Committee, the Nominating Committee and the Investment Committee. The Declaration of Trust requires that the Governance and Compensation Committee and the Audit Committee be composed of at least three Trustees, a majority of whom must be Independent Trustees. The Declaration of Trust requires that a majority of the Trustees on each of these committees be residents of Canada. Each member of a committee shall serve on such committee until such member resigns from such committee or otherwise ceases to be a Trustee.

#### ***Audit Committee***

The Declaration of Trust provides that the Chair of the Audit Committee shall be a resident of Canada. The Board of Trustees has adopted a written charter for the Audit Committee, a copy of which is attached as Schedule A to this AIF, which provides that the Audit Committee shall assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including:

- (a) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer;
- (b) reviewing and approving the engagement of the auditors;
- (c) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT's annual information form and management's discussion and analysis;
- (d) assessing the REIT's financial and accounting personnel;
- (e) assessing the REIT's accounting policies;
- (f) reviewing the REIT's risk management procedures; and
- (g) reviewing any significant transactions outside the REIT's ordinary course of business and any pending litigation involving the REIT.

The Audit Committee has direct communication channels with the Chief Financial Officer of the REIT and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The Audit Committee is comprised of Gérard A. Limoges (who serves as Chair), Ronald E. Smith and Martin Coté. Each of these individuals is Financially Literate and is "independent" within the meaning of National Instrument 52-110 – Audit Committees. Each of these individuals is an Independent Trustee. Each member of the Audit Committee possesses considerable education and experience relevant to the performance of his responsibilities as an Audit Committee member. For the education and experience of each member of the Audit Committee, see "Trustees and Executive Officers of the REIT and the Manager - Trustees and Executive Officers".

#### ***Pre-Approval Policies and Procedures***

The charter of the Audit Committee requires that all non-audit services to be provided to the REIT or any of its subsidiaries by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Audit Committee shall be subject to pre-approval by the Audit Committee.

### ***Auditors' Fees***

The aggregate fees billed by MNP S.E.N.C.R.L., s.r.l., the REIT's external auditor, or fees accrued by the REIT in the past two fiscal years for professional services are presented below:

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2016</b>
Audit Fees .....	\$ 80,000	\$ 80,000
Audit-Related Fees <sup>(1)</sup> .....	\$ 73,717	\$ 58,842
Tax Fees <sup>(2)</sup> .....	\$ 20,000	\$ 42,356
All Other Fees <sup>(3)</sup> .....	\$ 12,973	\$ 14,851
<b>Total</b> .....	<b>\$ 186,690</b>	<b>\$ 196,049</b>

Notes:

- (1) Audit-related fees are aggregate fees billed by the REIT's external auditor for assurance and related services that are reasonably related to the performance of the audit or review of the REIT's financial statements and are not reported under "Audit Fees" in the table above.
- (2) Tax fees are aggregate fees billed for professional services rendered with respect to tax compliance, tax advice and tax planning.
- (3) All other fees are aggregate fees billed for products and services provided by the REIT's external auditor, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees" in the table above.

### ***Governance and Compensation Committee***

The Declaration of Trust requires the Board of Trustees to have a Governance and Compensation Committee consisting of at least three Independent Trustees. The Declaration of Trust provides that the Chair of the Governance and Compensation Committee shall be a resident of Canada. The Governance and Compensation Committee is charged with reviewing, overseeing and evaluating the governance policies of the REIT. The Board of Trustees has adopted a written charter for the Governance and Compensation Committee setting out its responsibilities for:

- (a) assessing annually, and at such other times as it deems appropriate, the effectiveness of the Board of Trustees, each of its committees and individual Trustees;
- (b) organizing an orientation and education program for new Trustees;
- (c) considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees; and
- (d) reviewing and making recommendations to the Board of Trustees concerning any change in the number of Trustees composing the Board of Trustees, annually and at such other times as it deems appropriate.

The Governance and Compensation Committee is charged with reviewing, overseeing and evaluating the compensation policies of the REIT. In addition, the Board of Trustees has adopted a written charter for the Governance and Compensation Committee setting out its responsibilities for:

- (a) considering questions of management succession;
- (b) administering any unit option or purchase plan of the REIT and any other compensation incentive programs;
- (c) assessing the performance of management of the REIT;
- (d) reviewing and approving the compensation paid by the REIT, if any, to the officers, advisers and consultants of the REIT; and
- (e) reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable to Trustees and officers of the REIT.

The Governance and Compensation Committee is comprised of Ronald E. Smith, who acts as Chair of the Committee, John Levitt and Gérard A. Limoges, each of whom is an Independent Trustee. For the education and experience of each member of the Governance and Compensation Committee, see "Trustees and Executive Officers of the REIT and the Manager – Trustees and Executive Officers".



### ***Nominating Committee***

The Declaration of Trust requires the Board of Trustees to have a Nominating Committee consisting of at least three Trustees, a majority of whom are independent. The Declaration of Trust provides that the Chair of the Nominating Committee shall be a resident of Canada. The Nominating Committee is charged with reviewing, overseeing and evaluating the nominating policies of the REIT. The Board of Trustees has adopted a written charter for the Nominating Committee setting out its responsibilities for overseeing the recruitment and selection of candidates as Trustees of the REIT.

The Nominating Committee is comprised of James W. Beckerleg, who acts as Chair of the Committee and Peter Aghar and three Independent Trustees, namely John Levitt, Gérard A. Limoges and Ronald E. Smith. For the education and experience of each member of the Nominating Committee, see “Trustees and Executive Officers of the REIT and the Manager – Trustees and Executive Officers”.

### ***Investment Committee***

The Declaration of Trust requires the Board of Trustees to have an Investment Committee consisting of at least three Trustees, each of whom must have substantial experience in the real estate industry, as determined by the Board of Trustees. The Investment Committee shall (i) approve or reject proposed acquisitions and dispositions of investments by the REIT; (ii) authorize proposed transactions; and (iii) approve all financing arrangements and the assumption or granting of any mortgage other than the renewal of any existing mortgage by any of the REIT’s Subsidiaries.

The Investment Committee is comprised of James W. Beckerleg, who acts as Chair of the Investment Committee, Vincent Chiara, Shenoor Jadavji, John Levitt and Ronald E. Smith. For the education and experience of each member of the Investment Committee, see “Trustees and Executive Officers of the REIT and the Manager – Trustees and Executive Officers”.

### **Remuneration of Trustees**

In consideration for serving on the Board of Trustees, each Trustee is entitled to receive a fee of \$1,000 for each meeting of the Trustees attended in person or by conference call. Trustees who are also employees of the Manager are not eligible for remuneration in their role as a Trustee for purposes of attending meetings of the Board of Trustees. The Trustees have agreed to waive any cash fees to which they may be entitled as Trustees during the period from September 30, 2014 until the date of this AIF. The REIT may also grant to Trustees Deferred Units and Restricted Units under the terms of the LTIP.

The aggregate number of Units that may be issued pursuant to the LTIP is 3,422,831. No Restricted Units and Deferred Units may be granted if the result would cause the total number of Units potentially issuable under the LTIP to exceed the aggregate number of Units issuable under the LTIP. Trustees eligible to receive cash remuneration from the REIT may also elect to receive up to 50% of their cash remuneration in the form of Deferred Units. Additional Deferred Units will be credited to the holder’s account on an ongoing basis to reflect distributions paid on Units. The remuneration of the Trustees is subject to periodic review by the Board of Trustees, in consultation with the Governance and Compensation Committee.

The Trustees may also be reimbursed for their out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees are entitled to receive remuneration for services rendered to the REIT in any other capacity, except in respect of their service as directors of any of the REIT’s Subsidiaries.

## **Conflicts of Interest**

The Declaration of Trust contains “conflict of interest” provisions similar to those contained in the CBCA to protect holders of Voting Units without creating undue limitations on the REIT.

Given that the Trustees and officers of the REIT are engaged in a wide range of real estate and other activities, the Declaration of Trust requires each of the Trustees or officers of the REIT to disclose to the REIT if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made by a Trustee (i) at the first meeting of the Board of Trustees, Investment Committee or applicable committee, as the case may be, at which a proposed contract or transaction is considered; (ii) if the Trustee was not then interested in a proposed contract or transaction, at the first such meeting after a Trustee becomes so interested; (iii) if the Trustee becomes interested after a contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested; or (iv) at the first meeting after an interested party becomes a Trustee. Disclosure is required to be made by an officer (i) as soon as the officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the Trustees; (ii) as soon as the officer becomes aware of his or her interest in a contract or transaction; or (iii) if not currently one of the REIT’s officers, as soon as such person becomes one of the REIT’s officers.

In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees or holders of Voting Units, that Trustee or officer is required to disclose in writing to the Trustees or request to have entered into the minutes of the meeting of the Trustees the nature and extent of his or her interest forthwith after the Trustee or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as a Trustee, officer, employee or agent or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance.

The Declaration of Trust contains provisions to address potential conflicts of interest arising between the REIT and any related party. In particular, the Trustees are required to obtain a valuation in respect of any real property that PROREIT LP or its Subsidiaries intend to purchase from or sell to a related party prepared by a valuator engaged by, and prepared under the supervision of, a committee of two or more Independent Trustees who have no interest in such transaction. In addition, the REIT will not permit PROREIT LP to effect a transaction with a related party unless the transaction is determined to be on commercially reasonable terms by, and is approved by, a majority of the Independent Trustees who have no interest in such transaction

## **Independent Trustee Matters**

In addition to requiring the approval of a majority of Trustees, the Declaration of Trust provides that the following matters require the approval of a majority of the Independent Trustees (within the meaning of the Declaration of Trust) who have no interest in the matter to become effective:

- (a) relating to an acquisition or disposition of a property or an investment in a property, whether by co-investment or otherwise, in which any related party has any direct or indirect interest;
- (b) a material change to any of the Material Agreements (as defined in the Declaration of Trust) or any renewal, extension or termination thereof or any increase in any fees payable thereunder (including transaction fees) or permitting PROREIT LP to do any of the foregoing;
- (c) to enter into, or to waive, exercise or enforce any rights or remedies under, any agreement entered into by the REIT or any of its subsidiaries, or to make, directly or indirectly, any co-investment, in each case with (i) any Trustee; (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest; or (iii) any entity for which any Trustee acts as a director or in another similar capacity or permitting PROREIT LP to do any of the foregoing;
- (d) relating to any claims by or against one or more parties to any of the Material Agreements (as defined in the Declaration of Trust), or any related party;

- (e) relating to the refinancing, increase or renewal of any indebtedness owed by or to (i) any Trustee; (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest;
- (f) any entity for which any Trustee acts as a director or in another similar capacity or permitting PROREIT LP to do any of the foregoing;
- (g) to grant Units under any unit incentive or unit compensation plan approved by the Trustees and, if required, by the unitholders or awarding any right to acquire or other right or interest in the Units or securities convertible into or exchangeable for Units under any plan approved by the Trustees and, if required, by the Unitholders;
- (h) recommending to the holders of the Units and Special Voting Units to increase the number of Trustees serving on the board of Trustees or authorizing the Trustees to change the number of Trustees from time to time; and
- (i) a change to the compensation of any officer of the REIT.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as described below, no Trustee, officer, or Unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT: (a) is, or within 10 years before the date of this AIF has been, a director or officer of any other company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (b) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; (c) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or (d) is, or has become within 10 years before the date of this AIF, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gérard A. Limoges, a Trustee of the REIT, was a director of Supratek Pharma Inc. when it made an application under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in January 2009. Supratek Pharma Inc. completed its statutory plan of arrangement under the CCAA in October 2009. He was also a director of Hart Stores Inc., a company which sought protection under the CCAA in August 2011. On February 27, 2012, the Québec Superior Court sanctioned and approved the plan of arrangement filed by Hart Stores Inc. Hart Stores Inc. was subject to a cease trade order issued on August 6, 2012 by the Canadian securities regulatory authorities for failure to file annual and interim financial statements as well as the related management's discussion and analysis and Chief Executive Officer and Chief Financial Officer certifications within the prescribed periods.

## INVESTMENT GUIDELINES AND OPERATING POLICIES

### Investment Guidelines

The Declaration of Trust provides that the property and assets of the REIT may be invested only in accordance with the following investment guidelines:

- (a) the REIT may only invest, directly or indirectly, in interests in income-producing real estate located primarily in Canada and assets ancillary thereto necessary for the ownership or utilization of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything else contained in the Declaration of Trust or these investment guidelines or the operating policies of the REIT, the REIT will not make investments, including direct or indirect investments in operating businesses, or take or omit to take any action that could result in: (i) the Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, tax-free savings accounts or deferred profit-sharing plans; (ii) the REIT or any Subsidiary being liable under the Tax Act to pay a tax imposed under paragraph 122(1)(b) or the REIT being liable to pay tax under Part XII.2 of the Tax Act; or (iii) the REIT ceasing to qualify as a “mutual fund trust”, “real estate investment trust” or a “registered investment” for purposes of the Tax Act or a Subsidiary ceasing to meet the conditions in paragraphs (a) to (d) of the definition of “real estate investment trust”;
- (c) the REIT may invest in units of PROREIT LP and shares of PROREIT GP, amounts receivable in respect of such units and shares, in cash and similar deposits in a Canadian chartered bank or trust company and, subject to paragraph (b) above, such other investments as the Trustees deem advisable from time to time;
- (d) the REIT may, directly or indirectly, invest in a joint venture arrangement for purposes of owning interests or investments otherwise permitted to be held by the REIT, provided that the terms and conditions of any such joint venture arrangement are commercially reasonable;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies, the REIT may not hold securities of a Person other than to the extent such securities would constitute an investment or an interest in real or immovable property and provided that, notwithstanding the Declaration of Trust, the REIT may acquire securities of other real estate investment trusts or real estate operating companies;
- (f) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) the REIT shall not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction: (i) where revenue will be derived, directly or indirectly, principally from real property; or (ii) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of real or immovable property (in each case as determined by the Trustees);
- (h) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to properties of the REIT for the purpose of renovation or expansion of properties, or (ii) in connection with the development of new properties which will be capital property of the REIT, provided the aggregate value of investments in raw land, excluding raw land under development and after giving effect to the proposed investment, will not exceed 5% of Gross Book Value;
- (i) the REIT may invest in mortgages and mortgage bonds and similar instruments where: (i) the real property which is security therefor is income producing and meets the investment guidelines; and (ii) the aggregate book value of the investments in such mortgages, mortgage bonds and similar investments after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and

- (j) subject to paragraph (b), the REIT may invest an amount (which, in the case of an amount invested to acquire real property is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of Gross Book Value in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h).

For the purpose of the foregoing investment guidelines, the assets and liabilities of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

### **Operating Policies**

The Declaration of Trust provides that the operations and affairs of the REIT are to be conducted in accordance with the following operating policies and that the REIT will not permit any Subsidiary to conduct its operations and affairs other than in accordance with the following operating policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and (ii) to the extent the Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the holders of Voting Units, any written instrument which is a material obligation, shall contain a provision that the obligation created is not personally binding upon the Trustees, the holders of Voting Units or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound;
- (c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve their income producing potential of properties in which the REIT has an interest and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of investments in properties under development, after giving effect to the proposed investment in the construction or development, will not exceed 15% of Gross Book Value;
- (d) title to each real property shall be held by and registered in name of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or PROREIT LP or jointly-owned, directly or indirectly, by the REIT or PROREIT LP, with joint venturers;
- (e) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 70% of Gross Book Value following the investment. “**Indebtedness**” means on a consolidated basis: (i) any obligation of the REIT for borrowed money (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility); (ii) any obligation of the REIT (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions; (iii) any obligation of the REIT issued or assumed as the deferred purchase price of property; (iv) any capital lease obligation of the REIT; and (v) any obligation of the type referred to in subsections (i) through (iv) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible or liable, other than such an obligation in connection with a property that has been disposed of by the REIT for which the purchaser has assumed such obligation and provided the REIT with an indemnity or similar arrangement therefor; (A) for the purposes of subsections (i) through (iv), an obligation (other than convertible debentures) will constitute Indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS, (B) obligations referred to in subsections (i) through (iii) exclude trade accounts payables, security deposits, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, (C) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (D) Units and exchangeable securities, including Class B LP Units, will not constitute Indebtedness;

- (f) the REIT shall not incur or assume any indebtedness (other than by the assumption of existing indebtedness and the renewal, extension or modification thereof from time to time) or renew or refinance any indebtedness under a mortgage on any of the real property (other than on raw land and/or land under development and/or assumed debt) of the REIT where (i) in the case of an individual property, the total amount of indebtedness, excluding operating lines, secured by mortgages on such property exceeds 75% of the market value of such individual property; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of indebtedness, excluding operating lines, secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;
- (g) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest or by an entity jointly owned by the REIT with joint venturers where such indebtedness, if granted by the REIT directly, may in the sole discretion of the Trustees cause the REIT to contravene its investment guidelines or operating policies;
- (h) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and accidental loss of value of assets from risks; and
- (i) the REIT shall obtain or review a Phase I environmental site assessment of each real property to be acquired, and, if a Phase I environmental site assessment report recommends further environmental site assessment, the REIT shall have conducted such further assessment by independent and experienced environmental consultant as a condition to any acquisition, and such assessments shall be satisfactory to the Trustees.

For the purpose of the foregoing operating policies, the assets and liabilities of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

#### **Amendments to Investment Guidelines and Operating Policies**

Pursuant to the Declaration of Trust, the investment guidelines set out under the heading “Investment Guidelines” and the operating policies set out under the heading “Operating Policies” may be amended only with the approval of two-thirds of the votes cast by Unitholders at a meeting of Unitholders called for such purpose. If at any time a government or regulatory authority having jurisdiction over the REIT or any property or assets of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline of the REIT then in force, such guideline in conflict will, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and any such resolution of the Trustees will not require the prior approval of the Unitholders. A majority of the Trustees, including a majority of the Independent Trustees, may also, without the approval of the Unitholders, make certain amendments to the Declaration of Trust. See “Description of the Trust and Description of the Securities – Amendments to Declaration of Trust and Special Approvals”.

Subject to the foregoing, the Board of Trustees and Investment Committee will review the investment guidelines and operating policies from time to time with a view of ensuring that these investment guidelines and operating policies remain consistent with the growth and needs of the REIT.

## DISTRIBUTION POLICY

The following outlines the distribution policy that has been adopted by the REIT. Determinations as to the amounts actually distributable will be made in the sole discretion of the Trustees.

### Distribution Policy

The Board of Trustees adopted a distribution policy pursuant to which the REIT makes monthly cash distributions to Unitholders and holders of Class B LP Units (subject to an election by Unitholder to utilize the DRIP described below) currently equal to \$0.0175 per Unit or Class B LP Unit, as applicable, representing \$0.21 per unit on an annualized basis.

Management of the REIT believes that the distributions of \$0.21 per Unit or Class B LP Unit, as applicable, on an annualized basis, initially set by the REIT allows the REIT to meet its internal funding needs, while being able to eventually support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual annual distributions and related payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. Any increase or reductions in the percentage of AFFO to be distributed to Unitholders will result in a corresponding increase or decrease in distributions on Class B LP Units. Cash distributions are not assured. See "Risk Factors - Risks Relating to the Units - Cash Distributions Are Not Guaranteed".

Unitholders of record as at the close of business on the last business day of the month preceding the date of distribution will have an entitlement on and after that day to receive distributions in respect of that month on such date of distribution. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units.

### Distribution History

From the completion of the public offering on November 18, 2013 to the date of this AIF, the REIT paid monthly distributions of \$0.0175 per Unit to Unitholders, except for the first distribution which represented the stub period of November 26, 2013 to December 31, 2013 and accordingly consisted of a distribution to Unitholders in the amount of \$0.0198 per Unit. The REIT intends to make subsequent monthly distributions in the estimated amount of \$0.0175 per Unit.

PROREIT LP is the primary source of cash flow to fund distributions to Unitholders. PROREIT LP retained the discretion to make unequal distributions to account for expenses incurred or income earned by the REIT so that distributions to be made to holders of Class B LP Units will be economically equivalent, to the greatest extent possible, to the distributions that a holder of Class B LP Units would have received if it was holding Units instead of Class B LP Units.

### Distribution Reinvestment Plan

The REIT has implemented the DRIP pursuant to which Unitholders and holders of Class B LP Units may elect to have all cash distributions of the REIT and PROREIT LP automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the closing price of Units on the TSXV for the five trading days immediately preceding the relevant date of distribution. At the discretion of the REIT, Unitholders and holders of Class B LP Units who so elect will receive a further distribution of Units equal in value to 3% of each distribution that was reinvested by such Unitholder. No brokerage commission is payable in connection with the purchase of Units under the DRIP and all administrative costs are borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital. Unitholders resident outside of Canada are not entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

## **Tax Deferral on Distributions**

The REIT estimates that, of the monthly cash distributions to be made by the REIT to Unitholders, approximately 100% in 2017 will be tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions. Such estimate is based on the facts set out in this AIF, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of CRA and the Tax Proposals. The adjusted cost base of Units held by a Unitholder will generally be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder.

## **DESCRIPTION OF THE TRUST AND DESCRIPTION OF THE SECURITIES**

### **General**

The following is a summary of certain terms of the Declaration of Trust which is qualified in its entirety by reference to the text of the Declaration of Trust.

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT qualifies as a "mutual fund trust" as defined in the Tax Act, the REIT is not a "mutual fund" as defined by applicable securities legislation. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### **Units, Special Voting Units and Other Securities**

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders.

#### ***Units***

No Unit has any preference or priority over another. No Unitholder has or will be deemed to have any right of ownership in any of the properties or assets of the REIT. Each Unit represents an equal interest in the REIT with all other outstanding Units and confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the REIT and, in the event of termination of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. Except as set out under "Description of the Trust and Description of the Securities - Redemption Right" and "Description of the Trust and Description of the Securities - Issuance of Units", the Units have no conversion, retraction, redemption or pre-emptive rights. Fractional Units, if any, will be issued on any consolidation but fractional Units will not entitle the holders thereof to vote.

The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are substantially similar, Unitholders do not have statutory rights of shareholders of a corporation incorporated under the CBCA including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, and the right to bring "oppression" or "derivative" actions.

#### ***Special Voting Units***

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Voting Unit at any meeting of the Unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Class B LP Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities. A Special Voting Unit will be issued in tandem with each Class B LP Unit issued. Holders of Special Voting Units will not be entitled to receive a certificate evidencing ownership of such units. Special Voting Units are not transferable separately from the Class B LP Units issued in tandem with them and will be automatically transferred upon the transfer of such Class B LP Units. Each Special Voting Unit entitles the holder of record thereof to a number of votes at any meetings of the Unitholders or in respect of any written resolution of



the Unitholders equal to the number of Units which may be obtained upon the surrender of the Class B LP Unit. As Class B LP Units are surrendered for Units or redeemed or purchased for cancellation by PROREIT LP, the corresponding Special Voting Units will be automatically redeemed by the REIT for a nominal amount and will be automatically cancelled, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

### ***Warrants***

On September 30, 2014, upon the closing of the 2014 Public Offering and the Concurrent Private Placement, 5,729,500 Warrants were issued. Each whole Warrant entitles the holder to acquire one Unit at a price of \$2.65 until March 31, 2017. The Warrants are governed by the terms of a warrant indenture dated September 30, 2014 (the “**Warrant Indenture**”) between the REIT and Equity Financial Trust Company (the “**Warrant Agent**”). The whole warrants commenced trading on the TSXV on October 2, 2014 under the trading symbol “PRV.WT”.

The Warrant Indenture provides for adjustment in the exercise price and/or number of Units issuable upon the exercise of the Warrants upon the occurrence of certain events, including the issuance of Units or securities exchangeable or convertible into Units as a Unit distribution, the subdivision, redivision, reduction, combination or consolidation of the Units, the issuance of rights, options or warrants to substantially all of the holders of Units that entitle them to subscribe for Units, the merger of the REIT and the sale or conveyance of all or substantially all of the assets of the REIT, other than to one of its subsidiaries or pursuant to an internal reorganization.

The Warrant Indenture also provides for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Units; (ii) consolidations, amalgamations, plans of arrangement or mergers of the REIT with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Units or a change of the Units into other units); or (iii) the sale, conveyance or transfer (other than to one of the REIT’s subsidiaries) of the undertaking or assets of the REIT as an entirety or substantially as an entirety to another corporation or other entity. No adjustment in the exercise price or the number of Units issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Units issuable upon exercise by at least one one-hundredth of a Unit.

No fractional Units will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional Units. Holders of Warrants will not, by virtue of holding such warrants, have any voting or any other rights which a holder of Units would have.

From time to time, the REIT and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants in a material respect. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants in a material respect may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy entitled to purchase at least 25% of the aggregate number of Units which may be purchased pursuant to all of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66<sup>2/3</sup>% of the aggregate number of the Units which may be purchased pursuant to all of the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66<sup>2/3</sup>% of the aggregate number of Units which may be purchased pursuant to all of the then outstanding Warrants.

### ***Other Securities***

Pursuant to the LTIP, the REIT may grant Deferred Units or Restricted Units to its Trustees and senior officers and certain of its employees and consultants. Units are issued to participants in the plan upon vesting of the Deferred Units or Restricted Units, unless deferred in accordance with the terms of the LTIP. The total Deferred Units and Restricted Units outstanding as of December 31, 2016 was respectively 1,116,152 and nil.

## Meetings of Unitholders

The Declaration of Trust provides that annual meetings of Unitholders are required to be called and held for the election of Trustees, for the appointment or change of the auditors of the REIT and to transact such other business as the Trustees may determine or as may properly be brought before the meeting. The Trustees will have the power at any time to call special meetings of Unitholders for the purpose of (i) the approval of amendments to the Declaration of Trust (except as described below under “Amendments to Declaration of Trust and Special Approvals”); (ii) the sale of the assets of the REIT as an entirety or substantially as an entirety or the sale of all or substantially all of the assets of PROREIT LP (other than as part of an internal reorganization of the assets of the REIT or PROREIT LP as approved by the Trustees); (iii) the termination of the REIT; (iv) generally, any other matter which requires a resolution of Unitholders; and (v) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. All meetings of Unitholders must be held in Canada.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 10% of the Voting Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Units and Special Voting Units (on a fully diluted basis) will constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, will be dissolved, but in any other case, the meeting will stand adjourned to a day not less than 10 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Holders of Special Voting Units have an equal right to be notified of, attend and participate in meetings of Unitholders.

## Redemption Right

A holder of Units may at any time or from time to time require the REIT to redeem some or all of its Units by delivering to the REIT a duly completed and properly executed notice requiring redemption in a form satisfactory to the Trustees, together with written instructions as to the number of Units to be redeemed. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the “**Redemption Price**”) equal to the lesser of:

- (a) 90% of the “Market Price” of Units on the trading day prior to the date on which the Units were surrendered to the REIT for redemption (the “**Redemption Date**”); and
- (b) 100% of the “Closing Market Price” on the Redemption Date.

For purposes of calculating the Redemption Price, the “Market Price” of a Unit as at a specified date will be:

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the Closing Market Price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: (1) the simple average of the last bid and last asking price of the Units for each day on which there was no trading; (2) the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and (3) the simple average of the highest and lowest prices of

the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

For purposes of calculating the Redemption Price, the “**Closing Market Price**” of a Unit as at any date will be:

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date; or
- (b) if the applicable exchange or market does not provide information necessary to compute a weighted average trading price of the Units on the specified date, an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date; or
- (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If, at the relevant time, Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The Redemption Price payable by the REIT in respect of any Units tendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption, provided that the entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (the “**Monthly Limit**”) (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units tendered for redemption in such calendar month); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSXV or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date; and (iv) the redemption of all of Units will not result in the delisting of Units from the principal stock exchange on which Units are listed.

To the extent a holder of Units is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the Redemption Price per Unit shall be paid and satisfied by way of a distribution *in specie* to such holder of Units of share of a Canadian corporation owning Subsidiary Securities having a fair market value equal to the product of: (i) the Redemption Price per Unit of the Units tendered for redemption; and (ii) the number of Units tendered by such holder for redemption. No shares of a Canadian corporation owning Subsidiary Securities with a fair market value of less than \$100 will be transferred and, where the number of such shares to be received by the former holder of Units upon redemption *in specie* would otherwise include shares of a Canadian corporation owning Subsidiary Securities with a fair market value of less than a multiple of \$100, such number shall be rounded to the next lowest multiple of \$100 and the excess shall be paid in cash. The Redemption Price payable as described in this paragraph in respect of Units tendered for redemption during any month shall be paid by the transfer to or to the order of the holder of Units who exercised the right of redemption, of the fair market value of such shares determined as aforesaid and the cash payment, if any, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption.

Payments by the REIT of the Redemption Price are conclusively deemed to have been made upon the mailing of a check and/or certificates representing shares of a Canadian corporation owning Subsidiary Securities, in a postage prepaid envelope addressed to the former holder of Units. Upon such payment, the REIT shall be discharged from all liability to such former holder of Units in respect of the Units so redeemed.

## **Purchases of Units by the REIT**

The REIT may from time to time purchase for cancellation Units at a price per Unit and on a basis determined by the Trustees in compliance with applicable securities legislation and the rules and policies of any applicable stock exchange. Any such purchase will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

## **Take-Over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid, as defined in NI 62-104, is made for Units and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder’s Units determined in accordance with the procedures set out in the Declaration of Trust.

## **Issuance of Units**

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may issue new Units pursuant to any incentive or option plan established by the REIT from time to time, including the DRIP (see “Distribution Policy – Distribution Reinvestment Plan”) and, in certain instances, the REIT may also issue new Units as consideration for, or in connection with, the acquisition of new properties or assets. The price or the value of the consideration for which Units may be issued will be determined by the Trustees in their sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of new Units. The REIT may issue new Special Voting Units in tandem with Class B LP Units.

The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

## **Book-Based System**

At the option of the Trustees, Units may be issued in “book-entry only” form and may be represented by one or more global certificates or be represented by uncertificated securities, issued in the name of CDS or its nominee. No beneficial holders of Units issued in “book-entry only” form will be entitled to a certificate or other instrument from the REIT or CDS evidencing that beneficial holder’s ownership thereof except in the circumstances where CDS resigns or is removed from its responsibilities as depository and the REIT is unable or does not wish to locate a qualified successor. Beneficial interests in Units issued in “book-entry only” form will be represented only through the book-entry system of CDS. Transfer of Units between participants of CDS shall occur in accordance with CDS’s rules and procedures.

Units issued in “book-entry only” form will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the REIT is required to do so by applicable law; (ii) the depository system of CDS ceases to exist; (iii) the REIT determines that CDS is no longer willing or able or qualified to discharge properly its responsibility as depository and the REIT is unable to locate a qualified successor; or (iv) the REIT at its option elects to terminate the book-entry system in respect of such Units through CDS.

## **Transfer and Exchange of Units**

Transfers of beneficial ownership of Units issued in “book-entry only” form will be effected through records maintained by CDS or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT elects, in its sole discretion, to prepare and deliver definitive certificates representing the Units, beneficial owners who are not participants in the book-entry system administered by CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Units issued in “book-entry only” form, may do so only through participants in the book-entry system administered by CDS.

The ability of a beneficial owner of an interest in a Unit issued in “book-entry only” form to pledge the Unit or otherwise take action with respect to such owner’s interest in the Unit (other than through a participant) may be limited due to the lack of a physical certificate.

Registered holders of definitive certificates representing Units may transfer such Units upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Unit certificates to the registrar for the Units at its principal office in the City of Toronto, Ontario or such other city or cities as may from time to time be designated by the REIT, whereupon new Unit certificates will be issued in authorized denominations in the same aggregate principal amount as the Unit certificates so transferred, registered in the name of the transferees.

## **Limitation on Non-Resident Ownership**

In order for the REIT to maintain its status as a “mutual fund trust” under the Tax Act, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may more than 49% of the Units or the Special Voting Units then outstanding be held by or for the benefit of non-residents of Canada and the Trustees will inform the Transfer Agent of this restriction. The Trustees may require declarations as to the jurisdictions in which owners of Voting Units are resident or declarations from holders of Voting Units as to whether such Voting Units are held for the benefit of a non-resident. If the Trustees become aware that more than 49% of the Units or the Special Voting Units then outstanding are, or may be, held by or for the benefit of non-residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for such Units or Special Voting Units from or issue or register a transfer of such Units or Special Voting Units to a person unless the person provides a declaration that the person is not a non-resident for the purposes of the Tax Act.

If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units or the Special Voting Units then outstanding are held by or for the benefit of non-residents, the Trustees may send a notice to non-resident holders of the Units or Special Voting Units and holders of Units or Special Voting Units for non-residents chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units, Special Voting Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold or redeemed the specified number of Units or Special Voting Units or provided the Trustees with satisfactory evidence that they are not non-residents for the purpose of the Tax Act and do not hold their Units or Special Voting Units for the benefit of non-residents within such period, the Trustees may sell or redeem such Units or Special Voting Units and, in the interim, the voting and distribution rights, if any, attached to such units will be suspended. Upon such sale the affected holders will cease to be holders of such Units or Special Voting Units and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates representing such units. In any situation where it is unclear whether Units or Special Voting Units are held for the benefit of non-residents, the Trustees may exercise their discretion in determining whether such Units or Special Voting Units are or are not so held. Any such exercise by the Trustees of their discretion will be binding and the Trustees will have no liability in respect thereof provided that they act in good faith.

## **Information and Reports**

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the CBCA.

## **Amendments to Declaration of Trust and Special Approvals**

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of holders of Voting Units called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of holders of Voting Units called for such purpose. The following amendment or actions involving an amendment, among others, require the approval of two-thirds of the votes cast by all holders of Voting Units at a meeting:

- (a) except as described in this AIF, the amendment of the Declaration of Trust, including the Investment Guidelines and Operating Policies of the REIT;
- (b) the sale of the assets of the REIT as an entirety or substantially as an entirety or the sale of all or substantially all of the assets of PROREIT LP (other than as a part of an internal reorganization of the assets of the REIT or PROREIT LP as approved by the Trustees);
- (c) the termination of the REIT by the Unitholders;
- (d) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;
- (e) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;
- (f) the creation of new rights or privileges attaching to certain of the Units or Special Voting Units;
- (g) any change to the existing constraints on the issue, transfer or ownership of the Units or Special Voting Units; and
- (h) the combination, amalgamation or arrangement of the REIT with any other entity.

Notwithstanding the foregoing, a majority of the Trustees, including a majority of the Independent Trustees, may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, (including the Tax Act) regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or over the REIT; (ii) the status of the REIT as a “mutual fund trust”, “unit trust”, “real estate investment trust” and a “registered investment” under the Tax Act; or (iii) the distribution of Units or Special Voting Units;
- (b) which, in the opinion of the Trustees, acting reasonably, are necessary to maintain the rights of the Unitholders set out in this Declaration of Trust;
- (c) to remove any conflicts or inconsistencies in this Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws or the administration or enforcement thereof, or in accounting standards;
- (e) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, are not prejudicial to the Unitholders and are necessary or desirable;
- (f) deemed necessary or advisable to ensure that the REIT has not been established nor maintained primarily for the benefit of persons who are not residents of Canada; and
- (g) to implement a distribution reinvestment plan or any amendments to such plan.

## **REIT Unitholders' Rights Plan**

### *Summary*

The REIT has an amended and restated unitholder rights agreement dated June 7, 2016 (the “**Rights Plan**”) pursuant to which the REIT has issued one right (a “**Right**”) for each Voting Unit which is outstanding and will issue one Right for each voting Unit issued during the currency of the Rights Plan. The Rights Plan utilizes the mechanism of the “Permitted Bid” (as described below) to ensure that a person seeking control of the REIT gives Unitholders and the Board of Trustees sufficient time to evaluate the bid, negotiate with the initial bidder and encourage competing bids to emerge. The purpose of the Rights Plan is to protect Unitholders by providing an incentive for all potential bidders to comply with the conditions specified in the Permitted Bid provisions. If such bidders do not comply with the Permitted Bid provisions, they will be subject to the dilutive features of the Rights Plan.

The following is a summary of the material attributes and characteristics of the Rights Plan and does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Rights Plan, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Separation Time*

The Rights separate and trade separately from the Voting Units after the Separation Time (as defined below). Following the Separation Time, the REIT shall determine whether to issue certificates evidencing the Rights or whether the Rights will be registered in book entry only form.

The “**Separation Time**” is the close of business on the tenth business day following the earliest of:

- (a) the date of the first public announcement made by the REIT or an Acquiring Person (as defined below) that a person has become an Acquiring Person;
- (b) the date of the commencement of, or first public announcement of the intent of any Person to commence, a take-over bid (other than a Permitted Bid (as defined below)) or a Competing Permitted Bid (as defined below) by any person (an “**Offeror**”) for the Voting Units;
- (c) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be such; or
- (d) such later date as may be determined by the Board of Trustees in good faith.

If any take-over bid triggering the Separation Time expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time, the bid shall be deemed, for the purposes of determining the Separation Time, never to have been made.

### *Exercise Price of Rights*

The initial exercise price established under the Rights Plan is \$30 per Unit. After the Separation Time and prior to the occurrence of a Flip-in Event (as defined below), each Right entitles the registered holder to purchase one Unit at the exercise price of \$30 per Unit, subject to certain anti-dilution adjustments and other rights as will be set out in the Rights Plan. The terms of the Rights adjust significantly upon the occurrence of a “Flip-In Event”, as described below.

### *Flip-In Event*

A “**Flip-In Event**” is triggered when a person becomes an Acquiring Person (as defined below). Upon the occurrence of a Flip-in Event, the REIT must take such action as shall be necessary to ensure that each Right (except for Rights beneficially owned by the persons specified below) shall thereafter constitute the right to purchase from the REIT upon exercise thereof in accordance with the terms of the Rights Plan that number of Units having an aggregate market price on the date of the consummation or occurrence of such Flip-in Event equal to twice the exercise price, for an amount in cash equal to the exercise price. By way of example, if at the time of such announcement the exercise price of the Rights is \$100 and the Units have a market price of \$10 per Unit, the holder of each Right would be entitled to purchase the number of Units that has in the aggregate a market price of \$200 (i.e., 20 Units in this example) for a price of \$100, that is, at a 50% discount.

The Rights Plan provides that Rights that are beneficially owned by:

- (a) an Acquiring Person, any affiliate or associate of an Acquiring Person, any person acting jointly or in concert with an Acquiring Person, or any affiliate or associate of such Acquiring Person, or
- (b) a transferee, direct or indirect, of Rights from any of the foregoing,

shall in certain circumstances become null and void without any further action and any holder of such Rights (including transferees) shall not have any rights whatsoever to exercise such Rights under any provision of the Rights Plan.

### ***Acquiring Person***

An “**Acquiring Person**” is a person who beneficially owns (as such concept is defined in the Rights Plan) 20% or more of the outstanding Units. An Acquiring Person does not, however, include:

- (a) the REIT or any other Subsidiary of the REIT;
- (b) any person who beneficially owns 20% or more of the Voting Units of the REIT at close of business on March 11, 2013 (a “**Grandfathered Person**”), provided, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after March 11, 2013: (i) cease to own more than 20% or more of the outstanding Voting Units; or (ii) become the beneficial owner of any additional Voting Units that increases its beneficial ownership of Voting Units, by more than 1% of the number of Voting Units, outstanding as at March 11, 2013, directly or indirectly, other than pursuant to certain exempt acquisitions described below;
- (c) an underwriter or member of a banking or selling group that acquires Units from the REIT in connection with a distribution of securities; or
- (d) any person who becomes the beneficial owner of 20% or more of the Voting Units as a result of certain exempt acquisitions.

Exempt transactions include:

- (a) specified acquisitions (including pursuant to the DRIP) or redemptions of Voting Units;
- (b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or
- (c) acquisitions of Voting Units in exchange for additional properties being acquired by the REIT.

### ***Permitted Bids***

A “**Permitted Bid**” means a bid which is made by an Offeror by means of a take-over bid circular and which also complies with the following additional provisions:

- (a) the bid is made to all holders of Voting Units, other than the Offeror;
- (b) the bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that no Voting Units shall be taken up or paid for pursuant to the bid (i) prior to the close of business on the date which is not less than 105 days following the date of the bid or such shorter period that a take-over bid (that is not exempt from the general take-over bid requirements of NI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104; and (ii) unless at such date more than 50% of the Voting Units held by independent unitholders shall have been deposited or tendered pursuant to the bid and not withdrawn;
- (c) the bid contains an irrevocable and unqualified provision that, unless the bid is withdrawn, Voting Units may be deposited pursuant to such bid at any time prior to the close of business at any time during the period described in (b)(i) and that any Voting Units deposited pursuant to the bid may be withdrawn until taken up and paid for; and



- (d) the bid contains an irrevocable and unqualified provision that if, in the event that the deposit condition in (b)(ii) is satisfied and such Voting Units are taken up by the Offeror, the Offeror will make a public announcement of that fact and the bid will remain open for deposits and tenders of Voting Units for not less than 10 days from the date of such public announcement.

A “**Competing Permitted Bid**” means a bid that:

- (a) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of the Permitted Bid;
- (b) satisfies all components of the definition of a Permitted Bid other than the requirements set out in paragraph (b)(i) of the definition of Permitted Bid; and
- (c) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Voting Units will be taken up or paid for pursuant to the bid prior to the close of business on a date that is no earlier than the minimum number of days such bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the date of the bid constituting the Competing Permitted Bid.

Neither a Permitted Bid nor a Competing Permitted Bid is required to be approved by the Board of Trustees and such bids may be made directly to unitholders. Acquisitions of Voting Units made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-in Event.

#### ***Redemption and Waiver***

The Board of Trustees may, at any time prior to the occurrence of a Flip-in Event, with the prior approval of the holders of Voting Units or Rights, elect to redeem all but not less than all of the Rights at a redemption price of \$0.0001 per Right (the “**Rights Redemption Price**”). In the event that prior to the occurrence of a Flip-in Event a person acquires, pursuant to a Permitted Bid, a Competing Permitted Bid or an exempt acquisition, outstanding Voting Units, then the Board of Trustees shall, immediately upon the consummation of such acquisition without further formality be deemed to have elected to redeem the Rights at the Rights Redemption Price. If the Board of Trustees elects or is deemed to have elected to redeem the Rights, the right to exercise the Rights will terminate and each Right will after redemption be null and void and the only right thereafter of the holders of Rights shall be to receive the Rights Redemption Price.

Under the Rights Plan, the Board of Trustees may, prior to the occurrence of a Flip-in Event, waive application of the Rights Plan to a Flip-in Event that may occur by reason of a take-over bid made by way of a formal take-over bid circular to all holders of Voting Units. Once the Board of Trustees has exercised its discretion to waive application of the Rights Plan in respect of any particular take-over bid and another take-over bid is made, the Board of Trustees shall be deemed to have waived the application of the Rights Plan to such other take-over bid provided that such other take-over bid is made by way of a formal take-over bid circular to all holders of Voting Units prior to the expiry of the take-over bid in respect of which the waiver has been granted.

The Board of Trustees may also waive the application of the Rights Plan upon the occurrence of a Flip-in Event in certain other circumstances, including where the Board of Trustees has determined that a person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person and within 14 days after the foregoing determination by the Board of Trustees or such earlier or later date as the Board of Trustees may determine, such person has reduced its beneficial ownership of Voting Units such that the person is no longer an Acquiring Person.

## DESCRIPTION OF PROREIT LP

### General

The following is a summary of certain terms of the PROREIT LP Agreement which is qualified in its entirety by reference to the text of the PROREIT LP Agreement.

PROREIT LP is a limited partnership formed under the laws of the Province of Québec and governed by the PROREIT LP Agreement. PROREIT LP currently owns, directly or indirectly, beneficial ownership of all of the properties of the REIT. The general partner of PROREIT LP is PROREIT GP, a company incorporated under the CBCA that is wholly-owned by the REIT.

### Partnership Units

PROREIT LP has outstanding general partnership units, all of which are held by the REIT, Class A LP Units, all of which are held by the REIT, and Class B LP Units, which are held by the vendors of certain properties acquired by the REIT and certain officers of the REIT. As at the date of this AIF, the Class A LP Units, together with the general partnership units, represent approximately 92.5 % of the total interests in Master LP currently outstanding and the Class B LP Units represent approximately 7.5% of the total interests in Master LP currently outstanding. The Class B LP Units are, in all material respects, economically equivalent to the Units on a per unit basis. Under the Exchange Agreement, the Class B LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Tax Act. In addition, PROREIT LP is entitled to require the redemption of the Class B LP Units in consideration for Units in certain specified circumstances.

The PROREIT LP Agreement provides that the income or loss of PROREIT LP for a taxation year computed in accordance with the Tax Act will be allocated between the limited partners based on the distributions received by the limited partners during that taxation year. Except as required by law and in certain specified circumstances in which the rights of a holder of Class B LP Units are affected, holders of Class B LP Units are not entitled to vote at any meeting of the holders of limited partnership units of PROREIT LP.

In connection with certain property acquisition, PROREIT LP issued 923,913 warrants to purchase Class B LP Units ("**Class B Warrants**") to certain vendors. See "General Development of the Business - Year Ended December 31, 2014 - 2014 Property Acquisitions". Each whole Class B Warrant entitles the holder to acquire one Class B LP Unit at a price of \$2.65 until March 31, 2017.

### Operation

The business and affairs of PROREIT LP are managed and controlled exclusively by PROREIT GP which is bound by the investment guidelines and operating policies applicable to the REIT. The limited partners are not entitled to take part in the management or control of the business or affairs of PROREIT LP. The general partner of PROREIT LP is PROREIT GP, a company incorporated under the CBCA that is wholly-owned by the REIT.

In its capacity as general partner of PROREIT LP, PROREIT GP has exclusive authority to manage the business and affairs of PROREIT LP, to make all decisions regarding the business of PROREIT LP and to bind PROREIT LP in respect of any such decisions. PROREIT GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of PROREIT LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in PROREIT GP to manage the business and affairs of PROREIT LP includes all authority necessary or incidental to carry out the objects, purposes and business of PROREIT LP, including, without limitation, the ability to engage agents (including asset and property managers) to assist PROREIT GP to carry out its management obligations and administrative functions in respect of PROREIT LP and its business.

### Transfer of LP Units

The PROREIT LP Units (other than Class A LP Units) are not transferable, except, in the case of Class B LP Units, in connection with the exercise of rights to exchange Class B LP Units (together with the Special Voting Units attached thereto) to Units, and in those certain limited exceptions set out in the PROREIT LP Agreement.

## **Amendments to the PROREIT LP Agreement and Special Approvals**

The PROREIT LP Agreement provides that certain acts and decisions must be approved by a special resolution approved by more than 66 $\frac{2}{3}$ % of the votes cast in person or by proxy at a duly constituted meeting of holders of LP Units (or the relevant class thereof) or by a written special resolution signed by partners (or the relevant class of partners) holding at least 66 $\frac{2}{3}$ % of the number of LP Units (or the relevant class thereof) held by those partners (or the relevant class of partners) who are entitled to vote on such resolution at a meeting, provided that the holders of Class B LP Units are not entitled to vote at a meeting of the partners except in accordance with applicable law or the Exchange Agreement. A special resolution of the limited partners will be required, without limitation, to (i) appoint a new general partner; and (ii) approve the sale or disposition of all or substantially all of the assets of PROREIT LP. A special resolution of the partners will be required, without limitation, to (i) remove and replace the general partner of PROREIT LP; (ii) dissolve PROREIT LP; or (iii) otherwise amend the PROREIT LP Agreement, provided, however, that PROREIT GP may amend the PROREIT LP Agreement without notice to or consent of any other partner to reflect the admission, resignation or withdrawal of any partner, or the assignment by any partner of the whole or any part of such partner's interest in accordance with the PROREIT LP Agreement.

Notwithstanding the foregoing, (i) no amendment which, subject to certain exceptions, would affect the rights or interest of PROREIT GP, as a general partner, may be made without its consent; (ii) no amendment which would adversely affect the rights and obligations of any other holders of LP Units may be made without the consent of such holders; and (iii) no amendment which would adversely affect the terms and conditions of the Class B LP Units may be made without the consent of the holders of Class B LP Units. In no event may PROREIT GP amend the PROREIT LP Agreement if such amendment would cause the REIT to fail or cease to qualify as a "mutual fund trust", "real estate investment trust" or "registered investment" under the Tax Act.

The PROREIT LP Agreement also provides that certain acts and decisions must be approved by a special resolution approved by more than 66 $\frac{2}{3}$ % of the votes cast in person or by proxy at a duly constituted meeting of Unitholders or by a written special resolution signed by Unitholders holding at least 66 $\frac{2}{3}$ % of the Voting Units. A special resolution of holders of Voting Units will be required, without limitation, to (i) enforce, on behalf of PROREIT LP, any obligation or covenant on the part of any holder of Class A LP Unit or Class B LP Unit, as applicable; (ii) waive any default on the part of PROREIT GP which would affect the Class A LP Units or Class B LP Units, as applicable, on such terms as they may determine and release PROREIT GP from any claims in respect thereof; (iii) create a new class of interests in PROREIT LP which would rank, in any manner, equal to or superior to one or more individual characteristics or rights attaching to the Class A LP Units; (iv) consent to any action that would adversely affect the Class A LP Units or the Class B LP Units, as applicable, and any interests therein; (v) amend or delete any of the investment guidelines or operating policies of PROREIT LP; or (vi) amend, modify or repeal any special resolution of holders of Voting Units previously passed by such holders in accordance with the foregoing.

## **RISK FACTORS**

Investing in Units involves a high degree of risk. If any of the following risks actually occur, the business of the REIT, results of operations or financial condition could be materially adversely affected. In that event, the value of the Units could decline and investors may lose part or all of their investment. Although the REIT believes that the risk factors described below are its most material risks, they are not the only ones that the REIT faces. Additional risk factors not presently known to the REIT or that it currently deems immaterial may also have a material adverse effect on its business, results of operations or financial condition and could negatively affect the price of the Units.

### **Risks Relating to the REIT**

#### ***Real Property Ownership***

All real property investments are subject to a degree of risk. Such investments are affected by general economic conditions, such as availability of long-term mortgage funds, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants.

## ***Diversification Risk***

### ***Tenants***

The REIT's revenues will be sensitive to the ability of the REIT's key tenants to meet their rent obligations and the REIT's ability to collect rent from these tenants. Approximately 31% of GLA of the portfolio of properties of the REIT is comprised of single-tenant properties. In the event that such tenants were to terminate their tenancies or become insolvent, the REIT's financial results would be materially adversely affected. Until the REIT is in a position to acquire more assets and further diversify its tenant base, the REIT will take certain steps to mitigate any credit risk by closely monitoring its tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

The REIT has a limited number of tenants and therefore the amount of cash distributions to Unitholders may be largely dependent on income derived from rent paid by such tenants. In the event that a key tenant defaults on or ceases to satisfy its payment obligations under its lease, the business, operating results, financial condition and distributions of the REIT could be adversely affected and there would be a negative effect on the REIT.

The REIT expects to generate the majority of its base rental revenue from its 10 largest tenants. Accordingly, revenue will be dependent on the ability of those tenants to meet rent payments. If any of the 10 largest tenants default on their rent obligations, the REIT's financial condition and operations could be adversely affected. Until the REIT is in a position to acquire more assets and further diversify its tenant base, the REIT will take certain steps to mitigate any credit risk by closely monitoring its tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. In certain cases and in certain jurisdictions, tenants may have the contractual or statutory right to terminate the leases prior to the expiration of their term, upon certain conditions. In the event that a lease was terminated prior to its term, the terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as a lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT. Costs may be incurred in making improvements or repairs required by a new tenant. The failure to rent unleased space on economically favourable lease terms on a timely basis or at all would likely have an adverse effect on the financial condition of the REIT.

### ***Dependence on the Manager and Key Personnel***

The REIT is dependent upon the Manager for operational and administrative services relating to the REIT's business. Should the Manager terminate the Management Agreement, the REIT may be required to engage the services of another external property and asset manager. The REIT may be unable to engage a property and asset manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be adversely affected. In addition, the success of the REIT is highly dependent on the services of certain key personnel, including in particular James W. Beckerleg and Gordon G. Lawlor, the Manager's principals who are also the President and Chief Executive Officer and the Chief Financial Officer, respectively, of the REIT. There can be no assurance that the REIT, through the Manager, will be able to retain its existing key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the REIT's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the REIT and adversely impact the REIT's financial condition and decrease the amount of cash available for distribution.

### ***Fixed Costs***

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments,

insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space.

The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders.

### ***Financing Risks and Leverage***

The REIT is subject to the risks associated with debt financing, including the risk that the REIT's cash flows will be insufficient to meet required payments of principal and interest, the risk that existing mortgages will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

If the REIT is unable to refinance its indebtedness on acceptable terms, or at all, it might be forced to dispose of one or more of its properties on disadvantageous terms, which might result in losses. Such losses could have a material adverse effect on the REIT's business, financial condition, results of operations or cash flows.

Furthermore, if a property is mortgaged to secure the payment of indebtedness and the REIT is unable to meet mortgage payments, the mortgagee could foreclose upon the property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all of which could result in lost revenues and asset value to the REIT.

The degree to which the REIT is leveraged could have important consequences to Unitholders, including: (i) the REIT's ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the REIT's cash flow may be dedicated to the payment of the principal of, and interest on, its indebtedness, thereby reducing the amount of funds available for the payment of distributions to Unitholders; and (iii) certain of the REIT's borrowings will be at variable rates of interest which exposes the REIT to the risk of increased interest rates. The REIT's ability to make scheduled payments of the principal of, or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the financial performance of properties in the REIT's portfolio, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the REIT's control. The credit facility of the REIT contains covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

### ***Liquidity of Real Property Investments***

Real property investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the ability of the REIT to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was to be required to liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of such properties.

### ***Current Global Capital Market Conditions***

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation and the systematic impact of increased unemployment, volatile energy costs, geographical issues, the availability and cost of credit to the Canadian mortgage market and a distressed commercial real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT in various ways, some of which are:

- (a) Carrying value of properties – The current global market conditions could result in tenants not fulfilling their lease obligations, or not renewing their leases at the end of the lease term, or not paying their rent on time, and the REIT may experience longer than normal times in filling vacancies. These circumstances could result in an impairment in the carrying value of the properties which would affect reported income.
- (b) Tenants – The current global market conditions may result in certain tenants or classes of tenants or properties having above-normal business failures resulting in higher than normal vacancies or higher than normal amounts of uncollectible rents. A substantial portion of the REIT's costs are relatively fixed. Excessive vacancies or uncollectible rents could have an adverse effect on the REIT's and its subsidiaries operations and cash flows required to meet those fixed costs.

- (c) Unit price – The current global capital market conditions have resulted in significant reductions in the trading value of securities prices in the various stock markets. The current market conditions reduce the value of any securities issued as part consideration for acquisitions, and make it difficult to raise additional capital through public and/or private securities issues. The reduced availability of equity funding could reduce the REIT’s ability to further grow and expand its operations.

### ***Acquisition and Development***

The REIT’s external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. If the REIT is unable to manage its growth and integrate its acquisitions effectively, its business, operating results and financial condition could be adversely affected. While consistent with the REIT’s strategy and in the normal course, the REIT is engaged in discussions with respect to possible acquisitions of properties, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms and timing of any acquisition would be.

The success of the acquisition activities of the REIT will be determined by numerous factors, including the ability of the REIT to identify suitable acquisition targets; to obtain adequate financing related to such acquisitions on reasonable terms, the level of competition for acquisition opportunities and the REIT’s ability to obtain adequate purchase prices and terms; and, in turn, the ability to effectively integrate and operate the acquired properties and the financial performance of such properties after acquisition.

Acquired properties may not meet financial or operational expectations due to unexpected costs associated with acquiring the property, as well as the general investment risks inherent in any real estate investment or acquisition. See “Risk Factors - Risks Relating to the REIT - Real Property Ownership”. Moreover, newly acquired properties may require significant management attention or capital expenditures that would otherwise be allocated to existing properties. Any failure by the REIT to identify suitable candidates for acquisition or to operate the acquired properties effectively may have a material adverse effect on the business, results of operations and financial condition of the REIT.

Acquisition and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, properties acquired by the REIT may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

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

Certain of the Trustees and executive officers of the REIT are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the REIT. Consequently, there exists the possibility for such Trustees and executive officers to be in a position of conflict. Pursuant to the Declaration of Trust, all decisions to be made by the Trustees which involve the REIT are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Trustees and officers of the REIT are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest.

### ***Risks Associated with External Management Arrangements***

The Management Agreement has an initial term expiring in 2020, subject to earlier termination and/or internalization in certain circumstances, and may be renewed for five year periods on mutual agreement of the Manager and the REIT (subject to approval of a majority of the Independent Trustees).

At the end of the initial term and any five-year renewal term (if so renewed on mutual agreement), there could be circumstances whereby the fees payable to the Manager under the Management Agreement to carry out its duties thereunder are in excess of those expenses that would be incurred by the REIT on an annual basis if management of the REIT was performed by individuals employed directly by the REIT rather than by the Manager under the Management Agreement but the Management Agreement may not be terminated by the REIT in accordance with the provisions of the agreement. Furthermore, there is a risk that, because of the term and termination provisions of the

Management Agreement, the termination of such agreement may be uneconomical for the REIT and accordingly not in the best interest of the REIT.

There can be no assurance that the REIT will continue to have the benefit of the Manager's advisory services, including its executive officers, or that the Manager will continue to act as the property and asset manager of the REIT. If the Manager should cease for whatever reason to provide advisory services or be the property and asset manager of the REIT, the REIT may be unable to engage an asset manager and/or property manager on acceptable terms or the cost of obtaining substitute services, whether through an external manager or by internalizing its management, may be greater than the fees the REIT pays the Manager, and this may adversely impact the REIT's ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT's cash flow, operating results and financial condition.

### ***Ownership by Lotus Crux***

Lotus Crux, the Lotus Crux Related Parties and parties related to them collectively hold, to the knowledge of the REIT, as of the date of this AIF, a 8.04% effective interest in the REIT, including through the holding of Class B LP Units with each such Class B LP Unit being attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. In addition, the Support Agreement grants Lotus Crux the right to nominate one or two Trustees of the REIT, based on the effective interest in the REIT of Lotus Crux and the Lotus Crux Related Parties and subject to the terms of the Support Agreement. See "Relationship with Lotus Crux - Support Agreement". For so long as Lotus Crux and the Lotus Crux Related Parties maintain an effective interest in the REIT, Lotus Crux may have the ability to exercise certain influence with respect to the affairs of the REIT and possibly affect the outcome of Unitholder votes. As a result, Lotus Crux may have the ability to influence certain matters affecting the REIT. Accordingly, the Units may be less liquid and worth less than they would if Lotus Crux did not have the ability to influence or determine matters affecting the REIT. Additionally, Lotus Crux's effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor as a holder of the Units might otherwise receive a premium for its Units over the then current market price. Each Class B LP Unit is exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). If Lotus Crux or any Lotus Crux Related Party exchanges Class B LP Units for Units and sells Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

### ***Acquisition of Future Properties from Lotus Crux Acquisition***

The REIT's ability to expand its asset base and increase AFFO per Unit through acquisitions is affected by the REIT's ability to leverage its relationship with Lotus Crux Acquisition to access opportunities to acquire additional commercial properties that satisfy the REIT's investment criteria. Pursuant to the Strategic Investment Agreement, the REIT may have the opportunity to finance or acquire an Investment Property, although no assurance can be given in that regard. There can be no assurance that the REIT will be able to access such opportunities and acquire additional properties or do so on terms favourable to the REIT.

### ***Potential Conflicts of Interest with Lotus Crux and Lotus Crux Acquisition***

Lotus Crux's continuing businesses may lead to conflicts of interest between Lotus Crux and the REIT. The REIT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a significant holder of an interest in the REIT. The agreements that the REIT entered into with Lotus Crux may be amended upon agreement between the parties, subject to applicable laws and approval in certain cases of the Independent Trustees. Lotus Crux and Lotus Crux Acquisition are engaged in a wide range of real estate and other business activities and may be involved in real estate transactions that do not satisfy the REIT's investment criteria. Such transactions could include real estate transactions that are not accretive to AFFO per Unit, transactions which involve significant capital expenditure in order to reposition a property, and transactions which may be considered too small.

### ***Competition***

The real estate market in Canada is highly competitive and fragmented and the REIT will compete for real property acquisitions with individuals, corporations, institutions (Canadian and foreign) and other entities which are seeking or may seek real property investments similar to those desired by the REIT in the same targeted geographical market. An increase in the availability of investment funds or an increase in interest in immovable

property investments may increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them.

Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located or less leveraged than the properties owned by the REIT. Some of the REIT's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the ability of the REIT to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the revenues of the REIT and its ability to meet its obligations and make cash distributions to its Unitholders.

Competition for acquisitions of real properties can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

### ***Geographic Concentration***

The REIT expects that its portfolio of income-producing properties will be concentrated in Québec, Atlantic Canada (New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador) and Ontario with selective expansion into Western Canada (Alberta and British Columbia). Consequently, the market value of the REIT's properties and the income generated from them could be negatively affected by changes in local and regional economic conditions. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in those areas decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

### ***General Uninsured Losses***

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. The REIT has insurance for earthquake risks, subject to certain policy limits and deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such properties. Claims against the REIT, regardless of their merit or eventual outcome, may have a material adverse effect on the ability of the REIT to attract tenants or expand its business and will require management to devote time to matters unrelated to the operations of the business.

### ***Access to Capital***

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust. In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. It is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. As well, the degree of leverage could affect the REIT's ability to obtain additional financing in the future. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.



### ***Interest Rate Exposure***

The assets and liabilities of the REIT may have fixed and floating interest rate components resulting in an exposure to interest rate fluctuations. Fluctuations in interest rates will have an impact on the earnings of the REIT. As a result of increased interest rates, the REIT's financial results and condition or operating results could be materially adversely affected. To the extent that the REIT fails to adequately manage these risks, its financial results, and its ability to pay distributions to Unitholders and interest payments under its mortgages, loans and its Revolving Credit Facility future financings may be adversely affected. Increases in interest rates generally cause a decrease in demand for properties. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by banks, could have a material adverse effect on the REIT's ability to sell any of its properties in the future.

### ***Environmental Matters***

As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters.

Under these laws, the REIT could be held liable for the costs, which may be significant, of removal or remediation of certain hazardous substances, wastes or other regulated substances present in buildings or released or deposited on, in or under its properties or disposed of at other locations. The presence and migration of such substances and the failure to remove or remediate such substances, if any, could adversely affect the REIT's ability to sell its real estate or to borrow using real estate as collateral, and could potentially also result in civil claims for damages, statutory prosecutions, administrative orders or other proceedings against the REIT and in a reduction of property value. Environmental laws and regulations can change rapidly and the REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on its business, financial condition or results of operations.

The REIT's operating policy is to obtain a Phase I ESA report, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I ESA report. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which the REIT cannot insure, or against which the REIT may elect not to insure, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT is not aware of any material non-compliance with environmental laws at its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities or complaints by private parties in connection with its properties. See "Environmental Site Assessments". In the event these issues are not remediated as intended, it could have an adverse effect on the business and financial condition of the REIT.

The REIT intends to implement policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability. The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution.

### ***Litigation Risk***

In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the REIT's business operations, which could adversely affect its financial condition.

### ***Potential Undisclosed Liabilities***

The REIT may acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by customers, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances the REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the REIT may not have recourse to the vendor of the properties for any of these liabilities.

### ***Internal Controls***

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT undertakes a number of procedures and PROREIT GP and the Manager have implemented a number of safeguards, in each case, in order to help ensure the reliability of the REIT's and the Manager's financial reports, including those imposed on the REIT under Canadian securities law, the REIT cannot be certain that such measures will ensure that the REIT will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the REIT's results of operations or cause it to fail to meet its reporting obligations. If the REIT or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the REIT's consolidated financial statements and harm the trading price of the Units.

### ***Security of Information Technology***

The REIT requires protection of company information, including security over tenant lease details, financial records and operational data ("**Confidential Information**"). Some of this Confidential Information is held and managed by third party service providers. Any failure in data security or any system vulnerability (internal or external) could result in harm to the reputation or competitive position of the REIT.

All of the Trust's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The REIT or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the REIT's security measures or those of our third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the REIT's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the REIT's or its third party service providers' security measures, which could result in a breach of Confidential Information.

If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new tenants; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

### ***Indexation for Inflation and Duration of Lease Contracts***

The fixed rents in the lease contracts for the properties of the REIT do not normally provide for adjustments following a general change in prices. As a result, the REIT's revenues adjusted for inflation could be materially adversely affected from an unexpected rise in inflation. The lease contracts typically have terms of up to five years with an option to extend at the sole discretion of the tenant for two to three renewal periods of typically five years, which is shorter than contracts in other markets of where the REIT operates and its revenues might be less stable as a result of contracts that are not promptly renewed. If contracts are not renewed and if the REIT is unable to find new tenants, this could have a materially adverse effect on the business, operating results or financial condition of the REIT.

### ***Limit on Activities***

In order to maintain its status as a "mutual fund trust" under the Tax Act, the REIT cannot carry on most active business activities and is limited in these types of investments it may make. The Declaration of Trust contains restrictions to this effect.

### ***Insurance Renewals***

There is a possibility that the REIT may not be able to renew its current insurance policy or obtain new insurance policies in the future for its properties once they expire. The current terms and levels of coverage may not be available to the REIT for property and casualty insurance, as well as insurance against natural disasters. In addition, the premiums that insurance companies may charge in the future may be significantly greater than they are currently. If the REIT is unable to obtain adequate insurance for its properties, the REIT could be in default under certain contractual commitments that it has made. The REIT may also be subject to a greater risk of not being covered should damages to its properties occur, therefore affecting the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to its Unitholders.

### ***Joint Venture/Partnership Arrangements***

Subject to the Declaration of Trust, the REIT may participate in joint ventures and limited partnerships with third party co-owners in real properties in which the REIT has an interest. A joint venture or partnership arrangement involves certain additional risks including: (i) the possibility that a co-owner may at any time have economic or business interests or goals that are inconsistent with those of the REIT or take actions contrary to the instructions or requests of the REIT or contrary to the REIT's policies or objectives with respect to its real estate investments; (ii) the risk that the co-owners with which the REIT has entered into a joint venture or partnership could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on the REIT to maintain and operate the properties or repay the co-owners' share of property debt guaranteed by the REIT or for which the REIT is jointly and severally liable and which could result in delays, expense and other problems associated with obtaining a court approval of joint venture or partnership decisions; and (iii) the need to obtain co-owners' consents with respect to certain major decisions, including the decision to distribute cash or refinance or sell a property. The REIT may not have sole control of certain major decisions relating to properties in which it has less than a 100% interest, including the decision relating to the sale of the properties, refinancing, timing and amount of distributions of cash from such properties to the REIT, capital improvements and requests for capital contributions. In addition, the sale or transfer of an interest in joint ventures and limited partnerships will generally be subject to rights of first refusal or first offer and certain other joint venture or limited partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the REIT may not desire the sale but may be forced to do so because it does not then have the financial resources with which to purchase the other parties' interests. Such rights may also inhibit the ability of the REIT to sell its interest in a property or joint venture/ limited partnership within the time frame or otherwise on the basis desired by the REIT.

### ***Foreclosure***

Management expects that most or all of the REIT's properties will be mortgaged as collateral for mortgage debt. If a facility or group of facilities is mortgaged and the REIT is unable to meet mortgage payments, the lender could foreclose on the subject properties or group of facilities, resulting in the loss of the REIT's investment. Any foreclosure on a mortgaged facility or group of facilities could adversely affect the overall value of the REIT's portfolio of properties.

## ***Appraisals***

The REIT may from time to time retain appraisers to provide independent estimates of the fair market value for the properties of the REIT or properties to be acquired by the REIT. It should be noted that appraisals are estimates of market value at a specific point in time and represent the opinion of qualified experts as of the effective date of such appraisals. Accordingly, appraisals are not guarantees of present or future value. There is no assurance that valuations correctly reflect an amount that would be realized upon a current or future sale of any of the properties. As real estate prices fluctuate due to numerous factors, the appraised value of the properties may not accurately reflect current market value.

## ***Occupancy by Tenants***

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. While such clauses are not uncommon in leases with key tenants of commercial retail properties, if any key tenant were to “go dark” (to cease operations in its leased space, but continue to pay rent), it could have an adverse effect on the relevant property as it could impact on the amount of pedestrian traffic in the area, among other things. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT’s financial condition and results of operations and decrease the amount of cash available for distribution.

There can be no assurance that the tenants will be replaced and the terms of any subsequent lease may be less favourable to the REIT than the existing leases. The ability to rent such unleased space is affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT’s control. Failure by the REIT to replace such tenants on terms favourable to the REIT could adversely affect the REIT.

## ***Lease Renewals and Rental Increase***

Expiries of leases for the REIT’s properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT’s financial condition and results of operations and decrease the amount of cash available for distribution.

## ***Taxation Matters***

As of the date hereof, management of the REIT believes the REIT qualifies as a mutual fund trust for income tax purposes. If the REIT were not to so qualify, the consequences could be material and adverse.

The Tax Act contains the SIFT Rules which tax certain publicly traded or listed trusts in a manner similar to Canadian public corporations and treat certain distributions from such trusts as taxable dividends from a taxable Canadian corporation. The SIFT Rules are not applicable to a real estate investment trust that qualifies for the REIT Exception.

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. As of the date hereof, management of the REIT believes that the REIT has met the requirements of the REIT Exception from the time of its inception to the date hereof and will continue to meet such requirements throughout 2017 and future years. However, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the tax imposed by the SIFT Rules in 2017 or future years.

The likely effect of the SIFT Rules on the market for Units, and on the REIT’s ability to finance future acquisitions through the issue of Units or other securities is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

### ***Change of Tax Laws***

There can be no assurance that Canadian tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative and assessing practices and policies of the CRA or the Minister of Finance (Canada) will not change in a manner that adversely affects the REIT, its affiliates or Unitholders. Any such change could affect the REIT's eligibility for the REIT Exception, increase the amount of tax payable by the REIT or its affiliates, or otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

### **Risks Relating to the Units**

#### ***Volatile Market Price for Units***

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, competitive developments, regulatory changes and other related issues in the REIT's industry or target markets.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the REIT's securities by those institutions, which could adversely affect the trading price of the REIT's securities. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the REIT's securities may be adversely affected.

#### ***Lack of Liquidity in the Public Market for the Warrants***

There can be no assurance as to the liquidity of any trading market for the Warrants or that a trading market for the Warrants will develop. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants.

#### ***Cash Distributions Are Not Guaranteed***

The REIT does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit. There can be no assurance regarding the amount of income to be generated by the REIT's properties and future financial performance of the REIT may not meet its future plans or budgets. Distributions made to holders of Units and holders of Class B LP Units may exceed actual cash available to the REIT from time to time. Although the REIT intends to make cash distributions to Unitholders, these cash distributions may be reduced or suspended. The ability of the REIT to make cash distributions and the actual amount distributed are entirely dependent on the operations and assets of the REIT and its Subsidiaries, and are subject to various factors including financial performance, obligations under applicable credit facilities, the sustainability of income derived from anchor tenants and capital expenditure requirements. Cash available to the REIT to fund distributions may be limited from time to time because of such items as principal repayments, tenants' allowances, leasing commissions, capital expenditures and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The market value of the Units will deteriorate if the REIT is unable to continue its distribution levels in the future, and that deterioration may be

significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

### ***Restrictions on Redemptions***

It is anticipated that the redemption right described under “Description of the Trust and Description of the Securities - Redemption Right” will not be the primary mechanism for Unitholders to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations:

- (a) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees);
- (b) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units;
- (c) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date; and
- (d) the redemption of all of the Units shall not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

### ***Subordination of the Units***

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of the REIT and its Subsidiaries before any assets are made available for distribution to the REIT or its Unitholders. The Units are subordinated to the debt and other obligations of the REIT and its Subsidiaries. The REIT’s Subsidiaries will generate all of the REIT’s revenue available for distribution and hold substantially all of the REIT’s operating assets.

### ***Nature of Investment***

A holder of a Unit or a Class B LP Unit does not hold a share of a body corporate. Unitholders or holders of Class B LP Units do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The rights of holders of Units and Class B LP Units are based primarily on the Declaration of Trust and the PROREIT LP Agreement, respectively. There is no statute governing the affairs of the REIT or PROREIT LP equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances.

Neither the Units nor the Class B LP Units are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act*, nor will they be insured under the provisions of that statute or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### ***Unitholder Liability***

The Declaration of Trust provides that no holder of Units or annuitant or beneficiary of a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan or a deferred profit sharing plan, each as defined in the Tax Act, or of any plan of which a holder of Units acts as a trustee or a carrier (an “**annuitant**”) will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of Units or annuitant for any liability whatsoever, whether constituting extracontractual or contractual liability or arising in tort, contract or otherwise, to any Person in connection with the REIT property or the affairs of the REIT, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a holder of Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such (“**Trust Liability**”). Only the assets of the REIT are intended to be liable and subject to levy or execution for satisfaction of such Trust Liability. Each holder of Units and annuitant

will be entitled to be reimbursed out of the assets of the REIT in respect of any payment of such Trust Liability made by such holder of Units or annuitant.

The Declaration of Trust further provides that the Trustees shall cause the operations of the REIT to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of Units, any material risk of liability on the holders of Units for claims against the REIT, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by the REIT, to the extent applicable, to cover the holders of Units and annuitants as additional insured. Any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage and, to the extent the Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the holders of Units, any written instrument which is a material obligation, shall contain a provision that the obligation created is not personally binding upon the Trustees, the holders of Units or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Ontario to Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting its affairs, the REIT will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the REIT may not be able to obtain such modification in all cases. If a claim is not satisfied by the REIT, there is a risk that a Unitholder or annuitant will be held personally liable for the performance of the obligations of the REIT where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

#### ***Liability of Holders of Class B LP Units***

Holders of Class B LP Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of PROREIT LP. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Class B LP Units may be liable beyond their contribution of capital and share of undistributed net income of PROREIT LP in the event of judgment on a claim in an amount exceeding the sum of the net assets of PROREIT GP and the net assets of PROREIT LP. Holders of Class B LP Units remain liable to return to PROREIT LP for such part of any amount distributed to them as may be necessary to restore the capital of PROREIT LP to the amount existing before such distribution if, as a result of any such distribution, the capital of PROREIT LP is reduced and PROREIT LP is unable to pay its debts as they become due.

#### ***Dilution***

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time. Any issuance of Units, including Units issued in consideration for properties acquired by the REIT, grants under the LTIP and issuances under the DRIP will have a dilutive effect on existing Unitholders.

## MARKET FOR SECURITIES

### Trading Price and Volume

The outstanding Units are listed on the TSXV under the symbol “PRV.UN”. The following table sets forth, for the period from January 1, 2016 to December 31, 2016, the reported high and low prices and the aggregate volume of trading of the Units on the TSXV:

Period	High (\$)	Low (\$)	Trading Volume
January 2016.....	1.85	1.59	662,025
February 2016.....	1.90	1.69	534,590
March 2016.....	1.92	1.79	1,110,178
April 2016.....	1.95	1.79	854,962
May 2016.....	2.15	1.93	865,501
June 2016.....	2.15	1.99	1,112,597
July 2016.....	2.17	2.03	940,831
August 2016.....	2.25	2.04	1,155,265
September 2016.....	2.40	2.15	2,558,518
October 2016.....	2.23	2.04	1,843,631
November 2016.....	2.17	1.94	1,674,290
December 2016.....	2.15	2.05	1,763,597

The Warrants, which expire on March 31, 2017, were listed on the TSXV in 2016 under the symbol “PRV.WT”. The following table sets forth, for the period from January 1, 2016 to December 31, 2016, the reported high and low prices and the aggregate volume of trading of the Warrants on the TSXV:

Period	High (\$)	Low (\$)	Trading Volume
January 2016.....	0.005	0.005	2,250
February 2016.....	0.005	0.005	1,000
March 2016.....	0.005	0.005	18,000
April 2016.....	-	-	-
May 2016.....	-	-	-
June 2016.....	0.005	0.005	54,599
July 2016.....	0.005	0.005	67,265
August 2016.....	0.03	0.005	120,935
September 2016.....	0.015	0.005	13,400
October 2016.....	0.005	0.005	37,450
November 2016.....	0.005	0.005	16,375
December 2016.....	0.005	0.005	70,000

### Issuance of Securities

The REIT has a LTIP pursuant to which it grants Deferred Units to its Trustees and senior officers and certain of its employees and consultants. Units are issued to participants in the LTIP upon vesting of the Deferred Units, unless deferred in accordance with the terms of the LTIP. During the year ended December 31, 2016, the REIT issued 364,348 Deferred Units pursuant to the LTIP. The REIT did not otherwise issue any class of securities of the REIT that is not listed or quoted on a marketplace during the year ended December 31, 2016.



## **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contracts which the REIT has entered into since the beginning of the most recently completed financial year, or before the most recently completed financial year but still in effect, are as follows:

- (a) the Declaration of Trust described under “Description of the Trust and Description of the Securities”;
- (b) the Management Agreement described under “Arrangements with the Manager”;
- (c) the underwriting agreement dated September 30, 2016 entered into between the REIT and a syndicate of underwriters in connection with the 2016 Public Offering. The underwriting agreement provided that the REIT would pay to the underwriters an aggregate fee in respect of the units of the REIT offered thereunder and that the REIT would indemnify the underwriters and their directors, officers and employees against certain liabilities pursuant to the underwriting agreement, including liabilities under Canadian securities legislation;
- (d) the Rights Plan described under “Description of the Trust and Description of the Securities - REIT Unitholders’ Rights Plan”;
- (e) the Strategic Investment Agreement described under “Relationship with Lotus Crux - Strategic Investment Agreement”;
- (f) the Support Agreement described under “Relationship with Lotus Crux - Support Agreement”; and
- (g) the Warrant Indenture described under “Description of the Trust and Description of the Securities - Units, Special Voting Units and Other Securities - Warrants”.

## **LEGAL PROCEEDINGS**

None of the REIT or its Subsidiaries is involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

## **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

Except as described in this AIF, no Trustee, officer of the REIT, or unitholder that beneficially owns, or controls or directs more than 10% of the Units, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years or during the current financial year, or any proposed transaction, that has materially affected or would materially affect the REIT or any of its Subsidiaries.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The REIT’s auditors, MNP S.E.N.C.R.L., s.r.l., 1155 René-Lévesque Boulevard West, Montréal, Québec, H3B 2J8, has advised that it is independent within the rules of the Code of Ethics of the Chartered Professional Accountants of Québec.

The transfer agent and registrar of the REIT is TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

## **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). Additional information, including with respect to Trustees' and officers' remuneration and indebtedness, principal holders of the REIT's securities and units authorized for issuance under equity compensation plans, as applicable, is contained in the REIT's information circular for its most recent annual meeting of unitholders that involved the election of Trustees and will be contained in the REIT's information circular which will be prepared in connection with the REIT's 2017 annual meeting of Unitholders.

Additional financial information is provided in the consolidated financial statements and notes to the consolidated financial statements and management's discussion and analysis of the REIT for the year ended December 31, 2016.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**

1. **PURPOSE**

- (a) The audit committee (the “**Committee**”) is a standing committee appointed by the board of trustees (the “**Board**”) of PRO Real Estate Investment Trust (the “**REIT**”). The Committee is established to fulfill applicable public issuer obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:
  - (i) oversee the integrity of the REIT’s financial statements and financial reporting process, including the audit process and the REIT’s accounting controls and procedures and compliance with related legal and regulatory requirements;
  - (ii) oversee the qualifications and independence of the external auditors;
  - (iii) oversee the work of the REIT’s financial management and external auditors in these areas; and
  - (iv) provide an open avenue of communication between the external auditors, the Board and management.
- (b) The Committee is also responsible for assisting the Board in fulfilling its responsibilities relating to pension matters.
- (c) The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the REIT’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee members and its chair are members of the Board of the REIT, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the REIT, and are specifically not accountable or responsible for the day to day operation or performance of such activities.
- (d) Management is responsible for the preparation, presentation and integrity of the REIT’s financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The external auditors are responsible for planning and carrying out an audit of the REIT’s annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.
- (e) In the event that any provision of this charter conflicts with or contravenes any provision of the REIT’s amended and restated declaration of trust dated as of March 11, 2013 (as such declaration of trust may be further amended or amended and restated from time to time) (the “**Declaration of Trust**”), such provision of the Declaration of Trust will govern and nothing herein shall be construed as giving the Trustees of the REIT who are members of the Committee any powers or authority in addition to, or greater than, the power and authority established by the Declaration of Trust.

## 2. COMPOSITION, PROCEDURES AND ORGANIZATION

- (a) The Committee shall consist of at least three members of the Board, all of whom shall be, in the determination of the Board, “independent” as that term is defined by *National Instrument 52-110 respecting Audit Committees* (“**NI 52-110**”), as amended from time to time.
- (b) All members of the Committee shall be, in the determination of the Board, “financially literate” as that term is defined by NI 52-110.
- (c) The Board, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a Trustee of the REIT shall cease to be a member of the Committee.
- (d) The members of the Committee shall designate a chair (who shall be a resident Canadian) by majority vote of the full Committee membership.
- (e) The Committee shall have access to such officers and employees of the REIT and to the REIT’s external auditors and its legal counsel, and to such information respecting the REIT as it considers necessary or advisable in order to perform its duties.
- (f) Meetings of the Committee shall be conducted as follows:
  - (i) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
  - (ii) any member of the Committee may call a meeting of the Committee;
  - (iii) any Trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and
  - (iv) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.
- (g) The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.
- (h) The Committee is authorized, at the REIT’s expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

## 3. DUTIES

- (a) The duties of the Committee shall be to:
  - (i) assist the Board in the discharge of its duties relating to the REIT’s accounting policies and practices, reporting practices and internal controls;
  - (ii) establish and maintain a direct line of communication with the REIT’s external auditors and assess their performance;
  - (iii) oversee the work of the external auditors;
  - (iv) review and discuss with management and the external auditors the adequacy and effectiveness the REIT’s internal controls;
  - (v) assess the quality, appropriateness, objectivity and acceptability of the REIT’s financial reports and accounting principles and practices used in its financial reporting;
  - (vi) report regularly to the Board on the fulfillment of the Committee’s duties;
  - (vii) assist the Board in the discharge of its duties relating to the REIT’s compliance with legal and regulatory requirements; and

- (viii) assist the Board in the discharge of its duties relating to risk assessment and risk management.
- (b) The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:
- (i) recommending to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;
  - (ii) reviewing, where there is to be a change of external auditors, all issues related to the change, and the planned steps for an orderly transition;
  - (iii) reviewing all reportable events, including disagreements, unresolved issues and consultations, or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
  - (iv) reviewing the engagement letters of the external auditors, both for audit and non-audit services;
  - (v) reviewing the independence of the external auditors;
  - (vi) reviewing and approving the terms of engagement of the external auditors, including the compensation payable, scope and timing of the audit and other related services and any non-audit services provided by the external auditors, and assessing the performance of the external auditors; and
  - (vii) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.
- (c) The duties of the Committee as they relate to audits and financial reporting shall be to:
- (i) review the audit plan with the external auditor and management;
  - (ii) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
  - (iii) review the contents of the audit report;
  - (iv) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
  - (v) review the scope and quality of the audit work performed;
  - (vi) review the adequacy of the REIT's financial and auditing personnel;
  - (vii) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;
  - (viii) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and any reports on internal controls received from the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;
  - (ix) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;
  - (x) review and recommend to the Board for approval the REIT's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external

- auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (xi) review and approve the REIT's interim unaudited financial statements, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
  - (xii) oversee procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and
  - (xiii) review the terms of reference for an internal auditor or internal audit function.
- (d) The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:
- (i) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;
  - (ii) review the quality, acceptability and appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;
  - (iii) review the status of material contingent liabilities as reported to the Committee by management;
  - (iv) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
  - (v) review and approve before their release all publicly disclosed audited or unaudited financial information and any public disclosure documents to be filed with securities regulators containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management's discussion and analysis; and
  - (vi) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.
- (e) The other duties of the Committee shall include:
- (i) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
  - (ii) prohibiting or overseeing policies respecting the hiring of employees or former employees of the REIT's external auditors;
  - (iii) reviewing annual operating and capital budgets;
  - (iv) reviewing the funding and administration of the REIT's compensation and pension plans;
  - (v) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
  - (vi) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;
  - (vii) any other questions or matters referred to it by the Board; and
  - (viii) receiving and reviewing:
    - (A) periodic reports on compliance with requirements regarding statutory deductions and remittances;
    - (B) material policies and practices of the REIT respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the REIT; and

- (C) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
- (ix) meeting periodically with management to review and discuss the REIT's major risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.
- (x) receiving and reviewing the financial statements and other financial information of material subsidiaries of the REIT and any auditor recommendations concerning such subsidiaries; and
- (xi) meeting with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.