



## **PRO REIT COMPLETES PREVIOUSLY ANNOUNCED PUBLIC OFFERING AND CONCURRENT PRIVATE PLACEMENT**

September 30, 2014 - Montréal, Québec - PRO Real Estate Investment Trust (“**PRO REIT**” or the “**REIT**”) (TSXV: PRV.UN) is pleased to announce that it has completed its previously announced marketed public offering (the “**Offering**”) and concurrent private placement (the “**Concurrent Private Placement**”), for aggregate gross proceeds of \$26.4 million. As part of a series of transactions, the net proceeds of the Offering and Concurrent Private Placement are being used to finance a component of the previously announced acquisitions of \$65.6 million of accretive property acquisitions. Further details on each of these transactions are provided below. A total of 11,459,000 units of the REIT, each comprised of one trust unit of the REIT and one-half of one trust unit purchase warrant, were issued at a price of \$2.30 per unit. As previously announced, the REIT also intends to issue \$4.3 million of equity to certain private vendors, for an aggregate total of \$30.7 million of new equity.

Jim Beckerleg, CEO of the REIT commented: “We are pleased with the transactions detailed in this press release, and believe they represent a strong affirmation that PRO REIT is achieving its growth strategies. The acquisitions PRO REIT is undertaking with the proceeds of the Offering and the Concurrent Private Placement are significant for the REIT. On closing, they will more than double our assets, cash flows, and gross leasable area, and further diversify our property and tenant profiles. This accretive transaction benefits all unitholders.”

### **Closing of the Offering**

The Offering was completed by a syndicate of underwriters led by Canaccord Genuity Corp. (“**Canaccord**”) and including National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., GMP Securities L.P., Raymond James Ltd., Desjardins Securities Inc., and Dundee Securities Ltd. (collectively, with Canaccord, the “**Underwriters**”).

A total of 9,285,000 units of the REIT (the “**Offered Units**”) were issued under the Offering, including 585,000 Offered Units issued pursuant to the partial exercise of the over-allotment option granted to the Underwriters, at a price of \$2.30 per Offered Unit (the “**Offering Price**”) for gross proceeds of \$21.4 million (the “**Offering**”). Each Offered Unit consists of one trust unit in the capital of the REIT (a “**Trust Unit**”) and one half of one Trust Unit purchase warrant of the REIT (each whole Trust Unit purchase warrant being a “**Warrant**”). Each Warrant shall entitle the holder thereof to acquire one Trust Unit (each a “**Warrant Unit**”) at an exercise price of \$2.65 per Warrant Unit (the “**Exercise Price**”) at any time prior to 5:00 p.m. on March 31, 2017 (the “**Expiry Date**”).

The TSX Venture Exchange (the “**TSXV**”) has conditionally approved the listing of the Warrants and Placement Warrants (as defined below) under the symbol “PRV.WT”, subject to fulfilling all of the requirements of the TSXV.

The Offered Units were issued pursuant to a short form prospectus dated September 25, 2014 filed with securities authorities in all provinces of Canada (the “**Prospectus**”). A copy of the Prospectus is available under the REIT’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Closing of Concurrent Private Placement of Lotus Crux**

Concurrently with the closing of the Offering, Lotus Crux REIT LP (“**Lotus Crux**”) has purchased, on a private placement basis under the Concurrent Private Placement, 2,174,000 units of the REIT (the “**Placement Units**”) at the Offering Price for gross proceeds of approximately \$5.0 million.

Each Placement Unit consists of one Trust Unit and one half of one Trust Unit purchase warrant of the REIT (each whole Trust Unit purchase warrant being a “**Placement Warrant**”). Each Placement Warrant shall entitle the holder thereof to acquire one Trust Unit (each a “**Placement Warrant Unit**”) at the Exercise Price at any time prior to the Expiry Date. The Trust Units and Placement Warrants which comprise the Placement Units as well as the Placement Warrant Units which are issuable pursuant to the exercise of a Placement Warrant will be subject to a statutory hold period of four months following the closing of the Concurrent Private Placement.

Immediately following the closing of the Offering, the Concurrent Private Placement and the Acquisitions (as defined below), including the issuance of the Class B LP Units (as defined below) to be issued on closing of the Acquisitions, Lotus Crux and its related parties are expected to collectively beneficially hold a 12.2% equity interest in the REIT on a non-diluted basis.

### **Property Acquisitions and Issuance of Equity to Certain Vendors**

As previously disclosed on September 8, 2014, the Offering and the Concurrent Private Placement are part of a series of transactions leading to the acquisition by the REIT of 14 income producing commercial properties from eight separate and unrelated vendors (collectively, the “**Acquisitions**”). The aggregate purchase price (excluding closing costs) for the Acquisitions is anticipated to be approximately \$65.6 million and the Acquisitions are subject to customary closing conditions.

Upon closing of the Acquisitions, the REIT’s portfolio will be comprised of 23 commercial properties (the “**Portfolio**”) totaling 1,044,095 square feet of gross leasable area, providing increased exposure to certain of the REIT’s core target markets of Québec and Atlantic Canada, and the REIT’s first investment in Alberta.

The Portfolio will be diversified by property type and geography across Québec, New Brunswick, Nova Scotia and Alberta. The Portfolio will consist of three office properties representing 125,407 square feet of GLA, 12 retail properties representing 432,995 square feet of GLA, five industrial properties representing 261,161 square feet of GLA and three commercial mixed use properties representing 224,532 square feet of GLA. The properties are mostly situated in prime locations within their respective markets, along major traffic arteries benefiting from high visibility and easy access. Management believes the quality and diversity of the Portfolio will enable the REIT to attract new tenants and retain existing tenants, providing a strong base on which to generate stable and growing cash flows.

Vendors of certain of the properties that PRO REIT intends to acquire have agreed to accept approximately \$4.3 million of class B limited partnership units (“**Class B LP Units**”) of PRO REIT Limited Partnership (“**PRO REIT LP**”), a subsidiary of the REIT, as partial consideration for the sale of such properties. The Class B LP Units are economically equivalent to and exchangeable for Trust Units on a one-for-one basis, and will be accompanied by special voting units that provide their holder with

equivalent voting rights to holders of Trust Units. The Class B LP Units will be issued upon the closing of the acquisition of the applicable properties at the Offering Price, and each Class B LP Unit will be accompanied by one half of one Class B LP Unit purchase warrant entitling the holder thereof to acquire one Class B LP Unit at an exercise price of \$2.65 per whole Class B LP Unit purchase warrant.

The TSXV has conditionally approved the issuance of the Class B LP Units and warrants to the property vendors and they will be issued on a private placement basis and subject to a customary hold period.

### **New Strategic Relationship with Lotus Crux and Lotus Crux Acquisition**

The subscription by Lotus Crux is part of a new strategic relationship with PRO REIT that is intended to expand PRO REIT's geographic reach and provide it with a pipeline of future acquisitions and investment opportunities. Lotus Crux is a partnership controlled by Lotus Pacific Investments Inc. ("**LPI**") and Crux Capital Corporation 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.

Shenoor Jadavji founded LPI in 1995 and has acquired, developed, managed and sold over \$1 billion of industrial, office, retail, hotel and multi-family residential real estate properties. Peter Aghar was formerly President and a founder of KingSett Capital and has a 20-year track record as a value investor, having been responsible for more than 100 real estate investments totaling over \$6 billion.

Peter Aghar, Co-President of Lotus Crux, commented, "My partner, Shenoor Jadavji, and I are excited to enter into this new relationship with PRO REIT. Their excellent management team, coupled with our strategic support, promises an enhanced pipeline of opportunities to further the growth prospects of the REIT and generate increased unitholder value."

The trustees of the REIT are pleased to announce that following the closing of the Offering and the Concurrent Private Placement, Shenoor Jadavji joined its board of trustees as an additional trustee of the REIT. "We welcome Shenoor Jadavji to the Board of Trustees," said Mr. Beckerleg. "Her track record and knowledge of Western Canadian markets in particular will strengthen our growth opportunities going forward, complementing our own strengths in those markets and across the country. We look forward to working with Ms. Jadavji and Lotus Crux.

### ***Support Agreement***

As part of the new strategic relationship with Lotus Crux, the REIT has entered into a support agreement (the "**Support Agreement**") with Lotus Crux. The Support Agreement provides that starting at the next annual meeting of unitholders, and at each meeting thereafter at which Trustees are to be elected, Lotus Crux will have the right to nominate a total of two individuals, which shall initially be Ms. Jadavji and then Mr. Aghar, 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 Lotus Crux and its related parties collectively hold or control at least 7.5% of the outstanding Trust Units, including all Trust 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 Lotus Crux and its related parties collectively hold or control at least 5.0%, but less than 7.5%, of the outstanding Trust Units, including all Trust Units issuable upon the exchange of Class B LP Units.

During a period of 36 months from the closing of the Concurrent Private Placement, Lotus Crux has agreed to, and has also agreed to use commercially reasonable efforts to cause any of its related parties 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 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. The Trust Units and Class B LP Units held by Lotus Crux and its related parties that are subject to a voting arrangement with the REIT will be used to calculate the ownership thresholds Lotus Crux in the REIT.

At the request of the TSXV, the Trustees and officers of the REIT, as well as Lotus Crux, have undertaken to limit, subject to certain conditions, the exercise of their voting rights in the REIT, as a group, to 20.0% of the total voting rights in the REIT.

#### ***Sub-Management Agreement***

The property and asset manager of the REIT and its subsidiaries, Labec Realty Advisors Inc. (“**Labec**”), has entered into a sub-management agreement with LPI (the “**Sub-Management Agreement**”), whereby Labec appointed LPI as sub-asset manager for certain properties brought to the REIT by Lotus Crux Acquisition LP (“**Lotus Crux Acquisition**”), a related party of Lotus Crux, or its related parties, and acquired by the REIT, for as long as Labec is the external manager of the REIT. LPI shall be entitled to a portion of the asset management fees earned by Labec. Contemporaneous with the termination or expiration of Labec’s management agreement with the REIT, the mandate of LPI and the Sub-Management Agreement shall terminate and LPI shall be entitled to receive a portion of the related termination fee paid to Labec in respect of properties brought to the REIT by Lotus Crux Acquisition, or its related parties, and acquired by the REIT. Any asset management fees or termination fees payable to LPI pursuant to the Sub-Management Agreement will be borne by Labec, out of the fees payable to it by the REIT, and will not increase the fees payable by the REIT.

#### ***Strategic Investment Agreement***

The REIT has entered into a strategic investment agreement with a party related to Lotus Crux Acquisition which management of the REIT believes will provide the REIT with enhanced coverage of major Canadian markets, especially in Western Canada, as well as access to Lotus Crux Acquisition’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.

Pursuant to the strategic investment agreement, the REIT will have the option of participating in investment properties (an “**Investment Property**”) identified by the party related to Lotus Crux by advancing mezzanine loans at market terms, and an option to purchase such properties once stabilized. Such party will be entitled to receive a fee of 0.875% of the purchase price payable by the REIT on acquisitions of certain properties owned by Lotus Crux and its related parties (each a “**Prospective Property**”) or of a property that is not owned by Lotus Crux or its related parties other than an Investment Property (a “**Third Party Property**”), in each case brought to the REIT by Lotus Crux or one of its related parties and completed without a vendor broker. Such party will also be entitled to receive from the REIT a fee based on the purchase price of acquisitions of Third Party Properties brought to the REIT by it, 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 price 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 price 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 price if the Third Party Property is acquired after the REIT has acquired in excess of \$200 million of properties in any fiscal year.

For more information on the Offering, the Concurrent Private Placement, the REIT's new strategic relationship with Lotus Crux and Lotus Crux Acquisition, the Support Agreement, the Sub-Management Agreement, or the Acquisitions please refer to the Prospectus.

The securities offered have not and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. State securities laws and may not be offered or sold, directly or indirectly, within the United States or its territories or possessions or to or for the account of any U.S. person (as defined in Regulation S under the U.S. Securities Act) other than pursuant to an available exemption from the registration requirements of the U.S. Securities Act. This press release does not constitute an offer to sell or a solicitation of an offer to buy any such securities within the United States, or its territories or possessions, or to or for the account of any U.S. person.

### **About PRO REIT**

PRO REIT is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario. PRO REIT was established in March 2013 to own a portfolio of diversified commercial real estate properties in Canada, with a focus on primary and secondary markets in Québec, Atlantic Canada and Ontario with selective expansion into Western Canada.

### **Forward-Looking Statements**

This news release may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements are based on a number of assumptions and are subject to a number of risks and uncertainties, many of which are beyond PRO REIT's control, which could cause actual results and events to differ materially from those that are disclosed in or implied by such forward-looking statements.

Forward-looking statements contained in this press release include, without limitation, statements pertaining to the closing of the Acquisitions. PRO REIT's objectives and forward-looking statements are based on certain assumptions, including that (i) PRO REIT will receive financing on favourable terms; (ii) the future level of indebtedness of PRO REIT and its future growth potential will remain consistent with PRO REIT's current expectations; (iii) there will be no changes to tax laws adversely affecting PRO REIT's financing capacity or operations; (iv) the impact of the current economic climate and the current global financial conditions on PRO REIT's operations, including its financing capacity and asset value, will remain consistent with PRO REIT's current expectations; (v) the performance of PRO REIT's investments in Canada will proceed on a basis consistent with PRO REIT's current expectations; and (vi) capital markets will provide PRO REIT with readily available access to equity and/or debt.

The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. All forward-looking statements in this press release are made as of the date of this press release. PRO REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

Additional information about these assumptions and risks and uncertainties is contained under "Risk Factors" in the Prospectus and in PRO REIT's latest annual information form, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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