

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws and may not be offered or sold in the United States, except pursuant to an exemption from the registration requirements of those laws. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of PRO Real Estate Investment Trust at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5, telephone (514) 933-9552, and are also available electronically at www.sedar.com.*

## SHORT FORM PROSPECTUS

New Issue

June 3, 2015



# PRO REAL ESTATE INVESTMENT TRUST

**\$17,537,500**

**7,625,000 Trust Units**

This short form prospectus qualifies the distribution (the "**Offering**") of 7,625,000 trust units (the "**Trust Units**") of PRO Real Estate Investment Trust (the "**REIT**") at a price of \$2.30 per Trust Unit (the "**Offering Price**") pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated May 25, 2015 between the REIT and Canaccord Genuity Corp. ("**Canaccord**"), National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Haywood Securities Inc. and Industrial Alliance Securities Inc. (collectively, the "**Underwriters**"). The Offering Price of the Trust Units was determined by negotiation between the REIT and the Underwriters.

The REIT is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario. 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 across Canada. The currently outstanding Trust Units are listed and posted for trading on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "PRV.UN". The closing price of the Trust Units on the TSXV on June 2, 2015, the last trading day prior to the date of this short form prospectus, was \$2.24. The TSXV has conditionally approved the listing of the Trust Units distributed under this short form prospectus on the TSXV. Listing will be subject to the REIT fulfilling all the listing requirements of the TSXV.

**There are risks associated with an investment in the Trust Units. See "Risk Factors" for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Trust Units.**

### Price: \$2.30 Per Trust Unit

	<u>Price to the Public</u>	<u>Underwriters' Fee<sup>(1)</sup></u>	<u>Net Proceeds to the REIT<sup>(2)</sup></u>
Per Trust Unit	\$ 2.30	\$ 0.138	\$ 2.162
Total Offering <sup>(3)</sup>	\$ 17,537,500	\$ 1,052,250	\$ 16,485,250

Notes:

- (1) Pursuant to the terms of the Underwriting Agreement, the Underwriters will receive a fee equal to \$0.138 per Trust Unit, or 6% of the gross proceeds of the Offering (the "**Underwriters' Fee**"), but excluding therefrom proceeds from the sale of Trust Units sold to purchasers introduced by the REIT directly (the "**President's List**"), for which the Underwriters will be paid a commission of \$0.069 per Trust Unit, or 3% of the gross proceeds of such sales. See "Plan of Distribution".
- (2) After deducting the Underwriters' Fee but before deducting the expenses of the Offering, which are estimated to be \$700,000.
- (3) The REIT has granted to the Underwriters an option (the "**Over-Allotment Option**") to purchase up to an additional 1,143,750 Trust Units at a price of \$2.30 per Trust Unit on the same terms and conditions as the Offering, exercisable in whole or in part from time to time up to 30 days following the closing of the Offering (the "**Closing**") for the purpose of covering the Underwriters' over-allocation position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' Fee and net proceeds to the REIT (before deducting expenses of the Offering) will be \$20,168,125, \$1,210,088 and \$18,958,037, respectively (assuming no President's List purchases). This short form prospectus also qualifies the distribution of the Over-Allotment Option and the issuance of Trust Units pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution" and the table below. A purchaser who acquires Trust Units forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

<u>Underwriters' Position</u>	<u>Maximum Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to 1,143,750 Trust Units	Exercisable for a period of 30 days following the Closing	\$2.30 per Trust Unit

The Underwriters, as principals, conditionally offer the Trust Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters relating to the Offering on behalf of the REIT by Osler, Hoskin & Harcourt LLP, and on behalf of the Underwriters by Cassels Brock & Blackwell LLP.

**BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that is among the REIT's principal mortgage holders and TD Securities Inc. is an affiliate of a Canadian chartered bank that has provided the Revolving Credit Facility (as defined herein) to the REIT. In addition, the REIT is seeking a commitment to finance from a Canadian chartered bank that is an affiliate of National Bank Financial Inc. with respect to one of the New Mortgages (as defined herein). Consequently, the REIT may be considered a "connected issuer" of BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. within the meaning of applicable securities legislation. The REIT intends to use a portion of the net proceeds from the Offering to repay approximately \$0.6 million of the indebtedness owed to a Canadian chartered bank that is an affiliate of TD Securities Inc. See "Plan of Distribution" and "Use of Proceeds".**

Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that Closing will occur on June 9, 2015 or such other date not later than June 29, 2015, as the REIT and the Underwriters may agree. It is anticipated that the Trust Units will 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 Clearing and Depository Services Inc. ("CDS") or its nominee. No certificates evidencing the Trust Units will be issued to subscribers except in certain limited circumstances, and registration will be made in the depository service of CDS. Subscribers for Trust Units will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Trust Units is purchased.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Trust Units at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution". The Underwriters propose to offer the Trust Units initially at the Offering Price. **After the Underwriters have made reasonable effort to sell all of the Trust Units at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Trust Units remaining unsold. Any such reduction will not affect the proceeds received by the REIT. See "Plan of Distribution".**

A return on an investment in Trust Units is not comparable to the return on an investment in a fixed income security. The recovery of an initial investment in Trust Units is at risk and the anticipated return on such investment is based on many performance assumptions. **Although the REIT intends to make distributions of a portion of its available cash to Unitholders (defined herein), these cash distributions may be reduced or suspended.** The ability of the REIT to make distributions and the actual amount distributed, if any, will depend on numerous factors, including the financial performance of the subsidiaries of the REIT, debt obligations, contractual obligations, working capital requirements, future capital requirements and risks associated with the REIT's business which include the ability of the REIT to complete acquisitions consistent with its business plan, having sufficient access to capital and on terms favourable to the REIT and other such risks. In addition, the market value of the Trust Units may decline if the REIT's cash distributions are reduced and/or suspended in the future, and that decline may be material. See "Risk Factors".

The TSXV has conditionally approved the listing of the Trust Units distributed under this short form prospectus on the TSXV. Listing will be subject to the REIT fulfilling all the listing requirements of the TSXV.

**The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The REIT currently qualifies as a mutual fund trust for the purposes of the Tax Act (as defined herein) and offers and sells its Trust Units to the public. The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that act or any other legislation.**

Investors should be aware that the acquisition, holding or disposition of Trust Units may have tax consequences in Canada or elsewhere depending on each particular investor's specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. The after-tax return from an investment in Trust Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the REIT on Trust Units, which may be fully or partially taxable or tax deferred. That composition may change over time, thus affecting a Unitholder's after-tax return. See "Certain Canadian Federal Income Tax Considerations" and "Risk Factors".

**Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the tax consequences to them of the Offering.**

**There are limits on ownership of Trust Units by non-residents of Canada, as described in the REIT's amended and restated declaration of trust made as of March 11, 2013. See "Description of the Trust and Description of the Units - Limitation on Non-Resident Ownership" in the AIF (as defined herein).**

The principal, registered and head office of the REIT is located at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5.

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## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus contains forward-looking statements 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. 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 short-form prospectus include, but are not limited to, statements with respect to the following:

- completion of the Offering;
- the intention of the REIT to distribute a portion of its available cash flow 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;
- statements relating to the Acquisitions (as defined herein) and the performance of the Acquisition Properties (as defined herein);
- statements relating to potential acquisitions and redevelopment opportunities;
- the REIT's capital expenditure requirements for the Acquisition Properties;
- the ability of the REIT to qualify for the REIT Exception (as defined herein);
- the expected completion and method of financing of the Acquisitions;
- the expected occupancy of the Acquisition Properties;
- the effect of the Acquisitions on the financial performance of the REIT; and
- the use of the net proceeds of the Offering including in the event that certain of the Acquisitions are not completed and/or in the event the Over-Allotment Option is exercised.

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 short form prospectus include the REIT's future growth potential, expected capital expenditures, competitive conditions, results of operations, future prospects and opportunities, the acquisition of each of the Acquisition Properties, industry trends remaining unchanged, future levels of indebtedness, the ability to secure equity and debt financing on terms acceptable to the REIT, 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" and elsewhere in our documents incorporated by reference in this short form prospectus. 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 short form prospectus. 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 short form prospectus 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.

These forward-looking statements are made as of the date of this short form prospectus or, in the case of documents incorporated by reference herein, as of the date of, or specified in, such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We 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

Net operating income (“**NOI**”), funds from operations (“**FFO**”), adjusted funds from operations (“**AFFO**”), Gross Book Value and debt to Gross Book Value ratio are performance measures that are often used by real estate investment trusts. The REIT believes that NOI and FFO are important measures of operating performance, that AFFO is an important measure of economic performance and is indicative of the REIT’s ability to pay distributions, that Gross Book Value is an important measure of the REIT’s asset base and financial position and that debt to Gross Book Value ratio is an important measure of the REIT’s financial position.

NOI, FFO, AFFO, Gross Book Value and debt to Gross Book Value ratio are not measures recognized under International Financial Reporting Standards (“**IFRS**”) and do not have standardized meanings prescribed by IFRS. NOI of the REIT is equal to net rental income, which is an IFRS measurement. The IFRS measurement most directly comparable to FFO and AFFO is net income.

For a reconciliation of FFO and AFFO to net income and a reconciliation of AFFO to cash flow from operating activities, please refer to Part IV (Distributions and Adjusted Funds from Operations) in the Interim MD&A.

“**NOI**” is defined as revenues from income-producing properties less property operating expenses such as taxes, utilities, property level general administrative costs, salaries, advertising, repairs and maintenance. NOI does not include charges for interest and other amortization.

“**FFO**” is defined 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.

“**AFFO**” is defined 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 (as defined herein) in their discretion.

Management believes that the AFFO of the REIT is a useful performance measure that may assist prospective investors in assessing an investment in the REIT. In particular, management considers AFFO to be a meaningful measure of cash flow performance because it more clearly measures normalized and stabilized cash flow, as opposed to cash flow from operating activities calculated in accordance with IFRS, which reflects fluctuations in working capital and other items. The REIT intends to analyze its cash distributions against AFFO to assess the stability of its cash distributions to Unitholders.

Gross Book Value is defined in the Declaration of Trust and is a measure of the value of the REIT’s assets and debt to Gross Book Value ratio is a compliance measure in the Declaration of Trust and establishes the limit for financial leverage of the REIT.

NOI, FFO and AFFO should not be compared to or construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Management’s method of calculating NOI, FFO, AFFO, Gross Book Value and debt to Gross Book Value ratio may differ from other issuers’ methods of calculating NOI, FFO, AFFO, Gross Book Value and debt to Gross Book Value ratio, and accordingly, may not be comparable to similar measures as reported by other reporting issuers in similar or different industries.

## MARKET AND INDUSTRY DATA

This short form prospectus and the documents incorporated by reference include market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. The REIT believes that such market and industry data is accurate. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although the REIT believes it to be reliable, neither the REIT nor the Underwriters have independently verified any of the data from third-party sources referred to in this short form prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the REIT, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, based on the current provisions of the Tax Act and subject to the provisions of any particular plan, provided the REIT qualifies at all times as a “mutual fund trust” (as defined in the Tax Act) or the Trust Units are listed on a designated stock exchange (which currently includes Tier 1 and Tier 2 of the TSXV), the Trust Units will be a qualified investment for trusts governed by an RRSP (as defined herein), RRIF (as defined herein), deferred profit sharing plan, TFSA (as defined herein), registered education savings plan and registered disability savings plan (collectively, the “Plans”).

Notwithstanding the foregoing, if the Trust Units are a “prohibited investment” (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA, or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Trust Units will generally be a “prohibited investment” for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with the REIT for purposes of the Tax Act or (ii) has a “significant interest” (as defined in the Tax Act) in the REIT. Generally, a holder of a TFSA, or the annuitant of a RRSP or RRIF will have a significant interest in the REIT if the holder or annuitant and/or persons not dealing at arm’s length with the holder or annuitant own, directly or indirectly, 10% or more of the fair market value of the Trust Units. In addition, the Trust Units will generally not be a “prohibited investment” if the Trust Units are “excluded property” (as defined in the Tax Act). Prospective purchasers who intend to hold their Trust Units in a TFSA, RRSP or RRIF should consult their own tax advisors with regard to the application of these rules in their particular circumstances.

Subsidiary Securities received as a result of an *in specie* redemption of Trust Units by the REIT may not be qualified investments for Plans, which could give rise to adverse consequences to the Plan or the beneficiary or annuitant thereunder. Accordingly, Plans that own Trust Units should consult with their own tax advisors before deciding to exercise the redemption rights attached to the Trust Units.

## GENERAL MATTERS

Certain terms used in this short form prospectus are defined under “Glossary”. References to dollars or “\$” are to Canadian currency and references to “US\$” are to the currency of the United States. Unless otherwise indicated, the disclosure in this short form prospectus assumes that the Over-Allotment Option will not be exercised.

Unless the context otherwise requires, all references in this short form prospectus to the “REIT”, “we”, “us” and “our” refer to the REIT and its subsidiary entities, including PRO REIT LP (as defined herein), on a consolidated basis; and in the case of references to matters undertaken by a predecessor in interest to the REIT or its subsidiary entities, include each such predecessor in interest.

Notwithstanding the foregoing, for the purposes of the opinions given under the heading “Certain Canadian Federal Income Tax Considerations” and the opinion given under the heading “Eligibility for Investment”, a reference to the “REIT” is a reference to PRO Real Estate Investment Trust only and is not a reference to any of its subsidiary entities or predecessors in interest.

References to “management” in this short form prospectus means the persons acting in the capacity of the REIT’s Chief Executive Officer, the REIT’s Chief Financial Officer, and the persons who are the REIT’s executive officers or who are acting in the capacities of the executive officers of the REIT and are officers or employees of the Manager. Any statements in this short form prospectus made by or on behalf of management are made in such persons’ capacities as officers of the REIT and not in their personal capacities.

You should rely only on the information contained in this short form prospectus and in the documents incorporated by reference herein. The REIT and the Underwriters have not authorized anyone to provide you with additional or different information from that contained in this short form prospectus. The REIT and the Underwriters are offering the Trust Units only in jurisdictions where, and to persons to whom, such offering is lawfully permitted. The information contained in this short form prospectus (including documents incorporated by reference herein) is accurate only as of the date of this short form prospectus (or the date of, or specified in, the documents incorporated by reference, as applicable), regardless of the time of delivery of this short form prospectus or of any sale of the Trust Units. The REIT’s business, financial condition, results of operations and prospects may have changed since the date of this short form prospectus.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of documents incorporated herein by reference may be obtained on request without charge from the REIT at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5, telephone (514) 933-9552, and are also available electronically at [www.sedar.com](http://www.sedar.com). The following documents, as filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the material change report of the REIT dated May 29, 2015 in respect of the Offering and the Acquisitions;
- (b) the unaudited condensed interim financial statements of the REIT as at and for the three month period ended March 31, 2015;
- (c) the management's discussion and analysis of financial condition and results of operations for the REIT for the three month period ended March 31, 2015 (the "**Interim MD&A**");
- (d) the management information circular of the REIT dated May 15, 2015 sent to Unitholders in connection with the annual and special meeting of Unitholders to be held on June 9, 2015, including the supplement to the management information circular dated June 2, 2015;
- (e) the annual information form of the REIT dated April 23, 2015 for the year ended December 31, 2014 (the "**AIF**");
- (f) the audited consolidated financial statements of the REIT as at and for the 12 month period ended December 31, 2014 together with the notes thereto and the auditor's report thereon;
- (g) the management's discussion and analysis of financial condition and results of operations for the REIT for the 12 month period ended December 31, 2014 (the "**Annual MD&A**");
- (h) the short form term sheet (the "**Short Form Term Sheet**") of the REIT dated May 19, 2015, prepared in connection with the Offering; and
- (i) the long form term sheet of the REIT dated May 19, 2015 (the "**Long Form Term Sheet**") and the long form term sheet of the REIT dated June 3, 2015 (the "**Second Long Form Term Sheet**"), each prepared in connection with the Offering (collectively with the Short Form Term Sheet, the "**Marketing Materials**").

Any documents of the types referred to above, any material change reports and business acquisition reports (but excluding confidential material change reports) and any other documents referred to in Form F1 of National Instrument 44-101, Item 11.1 filed by the REIT with any securities regulatory authorities after the date of this short form prospectus and prior to the termination of the distribution pursuant to the Offering will be deemed to be incorporated by reference into this short form prospectus.

**Notwithstanding anything herein to the contrary, any statement contained in this short form prospectus, or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this short form prospectus.**

## MARKETING MATERIALS

The Marketing Materials are not part of this short form prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this short form prospectus or any amendment thereto.

The Long Form Term Sheet has been modified to disclose that AFFO is a non-IFRS financial measure, to update the pro forma normalized annualized AFFO of the REIT to be based on the financial results of the REIT for the first quarter of 2015, to change the

number of tenants for the property located at 325 Vanier Boulevard, Bathurst, New Brunswick from three to 11, and to change the total number of tenants for the properties located at 3500 and 3528 Principale Street from eight to nine. The foregoing summary of modifications is not exhaustive and is qualified by the information contained in the revised Marketing Materials, which have been blacklined to show the modified statements. Such revised marketing materials can be viewed under the REIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Any "template version" of any other "marketing materials" (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with the Offering, after the date hereof, but prior to the termination of the distribution of the securities under this short form prospectus, is deemed to be incorporated by reference herein.



## GLOSSARY

The following terms used in this short form prospectus have the meanings set out below:

“**2014 Acquisitions**” means the following properties, acquired by the REIT in October 2014: (i) 879 Main Street, Beresford, New Brunswick, (ii) 1850 Vanier Boulevard, Bathurst, New Brunswick, (iii) 267 Commerce Street, Beresford, New Brunswick, (iv) 9002 20th Street, Edmonton, Alberta, (v) 7405 127th Avenue, Edmonton, Alberta, (vi) 11047 Henri-Bourassa Boulevard, Québec City, Québec, (vii) 26 Hymus Boulevard, Pointe-Claire, Québec, (viii) 5655 de Marseille Street, Montréal, Québec, (ix) 10100 Côte-de-Liesse Road, Lachine, Québec, (x) 2466 – 2480 King George Highway, Miramichi, New Brunswick, (xi) 2485 King George Highway, Miramichi, New Brunswick, (xii) 8934 – 8944 Commercial Street, New Minas, Nova Scotia, and (xiii) 87 Warwick Street, Digby, Nova Scotia.

“**Acquisitions**” has the meaning given to such term under “The Acquisitions - Acquisition Agreements”.

“**Acquisition Agreements**” has the meaning given to such term under “The Acquisitions - Acquisition Agreements”.

“**Acquisition Properties**” means, collectively, the seven retail, industrial and office properties described under “The Acquisitions - Description of Acquisition Properties”, which are proposed to be acquired by the REIT pursuant to the Acquisition Agreements.

“**Additional Trust Units**” means the additional Trust Units, if any, issued pursuant to the Over-Allotment Option.

“**AFFO**” has the meaning given to such term under “Non-IFRS Financial Measures”.

“**AIF**” has the meaning given to such term under “Documents Incorporated by Reference”.

“**Annual MD&A**” has the meaning given to such term under “Documents Incorporated by Reference”.

“**Appraisers**” has the meaning given to such term under “Assessment and Valuation of the Acquisition Properties - Appraisals”.

“**Assumed Mortgages**” has the meaning given to such term under “The Acquisitions - Financing of the Acquisitions - Assumed Mortgages”.

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

“**Canaccord**” has the meaning given to such term on the face page of this short form prospectus.

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

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

“**Class B LP Units**” means the Class B limited partnership units in the capital of PRO REIT LP as described in “Description of PRO REIT LP – Partnership Units” in the AIF, and “**Class B LP Unit**” means any one of the foregoing.

“**Class B Warrants**” means warrants to acquire Class B LP Units, each whole warrant entitling the holder thereof to acquire one Class B LP Unit at an exercise price of \$2.65 at any time prior to 5:00 p.m. (Montréal time) on March 31, 2017.

“**Colliers Atlantic**” has the meaning given to such term under “Assessment and Valuation of the Acquisition Properties - Appraisals”.

“**Colliers Realty**” has the meaning given to such term under “Assessment and Valuation of the Acquisition Properties - Appraisals”.

“**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.

“**FFO**” has the meaning given to such term under “Non-IFRS Financial Measures”.

“**GBV**” means 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.

“**GDP**” means gross domestic product.

“**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 the International Financial Reporting Standards established by the International Accounting Standards Board.

“**Interim MD&A**” has the meaning given to such term under “Documents Incorporated by Reference”.

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

“**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 entered into between, *inter alia*, the REIT, through one of its Subsidiaries, PRO REIT Management Inc., formerly known as Taggart Capital Corp., 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.

“**Marketing Materials**” has the meaning given to such term under “Documents Incorporated by Reference”.

“**New Mortgages**” has the meaning given to such term under “The Acquisitions - Financing of the Acquisitions - New Mortgages”.

“**NOI**” has the meaning given to such term under “Non-IFRS Financial Measures”.

“**Offering**” means the offering of the Trust Units pursuant to this short form prospectus.

“**Operating Facility**” means the short term operating facility of the REIT which can be drawn up to a maximum amount of \$4.0 million.

“**Over-Allotment Option**” has the meaning given to that term on the face page of this short form prospectus.

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

“**Pro Forma Portfolio**” means the real estate portfolio described under the heading “The Pro Forma Portfolio”.

“**Properties**” means the properties described under the heading “The Pro Forma Portfolio - Overview of the Pro Forma Portfolio”.

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

“**PRO REIT 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.

**“PRO REIT LP Agreement”** means the first amended and restated limited partnership agreement of PRO REIT LP dated March 11, 2013, between PRO REIT 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 amended and/or restated from time to time.

**“REIT”** means PRO Real Estate Investment Trust and references in this short form prospectus to the “REIT” should be interpreted as described under “General Matters”.

**“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.

**“Revolving Credit Facility”** means the revolving credit facility of the REIT with a Canadian chartered bank in the aggregate maximum principal amount of \$9.0 million bearing interest at a floating rate equal to either the prevailing prime rate plus 162.5 basis points or the prevailing banker’s acceptance rate plus 262.5 basis points, at the REIT’s option.

**“RRIF”** means “registered retirement income fund” within the meaning of the Tax Act.

**“RRSP”** means “registered retirement savings plan” within the meaning of the Tax Act.

**“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 as described under “Certain Canadian Federal Income Tax Considerations - Status of the REIT - SIFT Rules”.

**“Special Voting Unit”** means a special voting unit in the capital of the REIT.

**“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, PRO REIT LP and any partnership of which PRO REIT LP is, directly or indirectly, a member.

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

**“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.

**“TFSA”** means “tax-free savings account” within the meaning of the Tax Act.

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

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

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

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

**“Underwriters”** means, collectively, Canaccord, National Bank Financial Inc., Scotia Capital Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Haywood Securities Inc. and Industrial Alliance Securities Inc.

**“Underwriters’ Fee”** has the meaning given to such term on the cover page of this short form prospectus.

**“Underwriting Agreement”** means the agreement dated as of May 25, 2015 entered into among the REIT and the Underwriters in respect of the Offering.

**“Unitholder”** means a holder of Trust 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.

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

“**VTB Mortgage**” has the meaning given to such term under “The Acquisitions - Financing of the Acquisitions - Vendor Take-Back Mortgages”.

“**Warrants**” means warrants to acquire Trust Units, each whole warrant entitling the holder thereof to acquire one Trust Unit at an exercise price of \$2.65 at any time prior to 5:00 p.m. (Montréal time) on March 31, 2017, in accordance with the terms of the of a warrant indenture entered into on September 30, 2014, between the REIT and the Transfer Agent, as warrant agent thereunder.

## BUSINESS OF 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 Peel Street, Suite 758, Montréal, Québec, H3A 2W5. A copy of the Declaration of Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The REIT has been established to own a diversified portfolio of 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). The REIT currently owns 22 commercial properties located in Québec, New Brunswick, Nova Scotia and Alberta, comprising 1,014,561 square feet of GLA. Pursuant to the Acquisitions, the REIT intends to acquire the Acquisition Properties comprised of seven retail, office and industrial properties in New Brunswick and Ontario, representing 416,735 square feet of GLA. See “Recent Developments - Proposed Acquisitions”.

Upon closing of the Acquisitions, the REIT’s Pro Forma Portfolio will be comprised of 29 properties with 1,431,296 square feet of GLA, located in Québec, New Brunswick, Nova Scotia, Ontario, and Alberta.

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 Trust Unit value; and (iii) increase the REIT’s net operating income and AFFO per Trust 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. Management believes that the REIT’s strategic relationship with Lotus Crux further 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.

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, at the REIT’s request, once the REIT’s GBV reaches \$500 million.

## INVESTMENT HIGHLIGHTS

Management believes that the REIT offers an:

### **Experienced Management Team and Board with a Proven Track Record of Value Creation**

The Manager is comprised of an experienced team of real estate professionals. 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 real estate investment trust that owned a nationally diversified portfolio of 115 commercial properties totalling 9.4 million square feet of GLA, including a significant portfolio 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 across Canadian real estate markets and capital markets, it possesses a unique and valuable set of skills and relationships that can be leveraged to the benefit of the REIT.

### **Geographic Focus on Stable Eastern Canadian Markets, with Select Exposure to Western Canadian Markets**

The REIT targets property acquisitions in primary and secondary markets across Canada, with particular focus on Québec, Atlantic Canada, and Ontario in the East, and, selectively, Alberta and British Columbia in the West. The Eastern Canadian economies are among the largest and most stable in Canada, with growth expected over the long term. Management believes that its strategy of focusing on stable markets in Eastern Canada and selective expansion in Western Canada will enable the REIT to assemble a portfolio underpinned by strong and consistently stable economic fundamentals, with exposure to organic growth opportunities. Going forward, the REIT's acquisition strategy will target 7 of the 10 largest property markets in Canada. As the ownership of commercial real estate in these target markets is highly fragmented, management believes that the Pro Forma Portfolio provides the REIT with a national platform on which to consolidate real estate that fits the REIT's acquisition criteria and expand its presence across Canada. The Pro Forma Portfolio is diversified by property type and geography consisting of well-located properties in their respective markets, along major traffic arteries benefiting from high visibility and easy access. The Pro Forma Portfolio has a geographical footprint among markets in Québec (24.0% of base rent), Atlantic Canada (60.5% of base rent), Ontario (9.7% of base rent), and Alberta (5.8% of base rent). Management believes the quality and diversity of the Pro Forma 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. See "Risk Factors - Risks Related to the Acquisitions".

### **Enhanced Scale Through Accretive Acquisitions**

Upon closing of the Acquisitions, the REIT's Pro Forma Portfolio will be comprised of 29 commercial properties totalling 1,431,296 square feet of GLA. The Acquisitions are comprised of seven properties totalling 416,735 square feet of GLA located in Ontario and New Brunswick at a weighted-average capitalization rate of approximately 7.5% (using management estimates of NOI), excluding acquisition costs. The Acquisitions are expected to be immediately accretive to the REIT's in-place normalized annualized AFFO per Trust Unit. Following the closing of the Acquisitions and the Offering, the REIT's Gross Book Value is expected to be approximately \$183 million, and its market capitalization is expected to be approximately \$73.7 million (at the Offering Price).

### **High-Quality Tenants with Long Term Leases**

The Pro Forma Portfolio is leased to a large portion of high-quality tenants, including government and national tenants representing 83.4% of base rent. Tenants (or their corporate parent) that have been assigned investment grade credit ratings represent 55.5% of the Pro Forma Portfolio's base rent, and have a weighted average remaining lease term of 7.7 years. Furthermore, the Pro Forma Portfolio's tenants are well diversified by industry sector. The Pro Forma Portfolio's ten largest tenants are expected to account for approximately 57.0% of base rent, and no tenant will comprise more than 10.2% of the Pro Forma Portfolio's base rent. Seven of the Pro Forma Portfolio's top ten tenants (or their corporate parent) have been assigned investment grade credit ratings. The Pro Forma Portfolio is 95.9% occupied, with a weighted average remaining lease term of approximately 7.3 years, providing excellent stability to the underlying cash flows of the REIT.

## **Compelling Investment Metrics**

The REIT intends to pay stable and growing monthly cash distributions to Unitholders. Currently, the REIT pays distributions to Unitholders of \$0.21 per Trust Unit per annum, which will provide Unitholders with an annual yield of approximately 9.1% (at the Offering Price), and represents a payout ratio of approximately 91.7% based on pro forma normalized annualized AFFO per Trust Unit. The Offering Price represents a multiple of approximately 10.0x pro forma normalized annualized AFFO per Trust Unit, relative to the Canadian diversified REIT peer group average of approximately 12.2x (based on pricing metrics as at May 19, 2015, and consensus estimates for 2015 AFFO per unit). Management estimates that the Offering Price represents a significant discount to the REIT's net asset value per Trust Unit. Immediately following the closing of the Acquisitions and the Offering, the REIT is expected to have a consolidated debt to Gross Book Value ratio of approximately 59.1%. See "The Acquisitions - Estimated Pro Forma Normalized Annualized AFFO", "The Acquisitions - Financing of the Acquisitions" and "Risk Factors - Risks Related to the Acquisitions".

## **RECENT DEVELOPMENTS**

### **Proposed Acquisitions**

The REIT intends to acquire the Acquisition Properties comprised of seven retail, industrial and office properties representing 416,735 square feet of GLA from five separate and unrelated vendors. The aggregate purchase price for the Acquisition Properties is anticipated to be approximately \$40.5 million, at a weighted average capitalization rate of 7.5%, excluding acquisition costs. The net proceeds from the Offering are expected to be used by the REIT, along with cash on hand, the New Mortgages, the Assumed Mortgages, the VTB Mortgage and Class B LP Units, to fund the purchase of the Acquisition Properties, to fund the partial redevelopment of an existing property and to fund the partial repayment of the Revolving Credit Facility. The aggregate appraised value of the Acquisition Properties is \$43.3 million, excluding any portfolio premium. The Acquisition Properties have a geographical footprint among markets in New Brunswick (57.8% of NOI) and Ontario (42.2% of NOI).

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

The REIT is in the process of redeveloping approximately 21,300 square feet of prior common area and vacant space located at 370 Connell Street, Woodstock, New Brunswick. The redevelopment is expected to cost approximately \$1.0 million and secures a new national tenant for a ten year term with several renewal options for this space, for which a lease has been executed. Occupancy is expected in the third quarter of 2015, providing significant additional cash flow to the property. This partial redevelopment is expected to contribute to the REIT's NOI. See "The Acquisitions - Estimated Pro Forma Normalized Annualized AFFO".

## THE PRO FORMA PORTFOLIO

### Overview of the Pro Forma Portfolio

Upon completion of the Acquisitions, the REIT will own a portfolio of 29 income-producing commercial properties representing an aggregate of 1,431,296 square feet of GLA located in Eastern Canada and Alberta. The following table provides information regarding the Pro Forma Portfolio as at the date of this short form prospectus:

Property	Location	Year Built/Renovated	# of Tenants	GLA (square feet)	Occupancy
<b>Acquisition Properties</b>					
<u>Retail</u>					
3500 Principale Street .....	Tracadie-Sheila, NB	1998-1999/2009	6	29,365	100.0%
3528 Principale Street .....	Tracadie-Sheila, NB	1998-1999/2013	3 <sup>(1)</sup>	20,040	100.0%
50 Plaza Boulevard .....	Moncton, NB	2006	1	25,476	100.0%
325 Vanier Boulevard .....	Bathurst, NB	1986/2015	11	14,750	87.8%
			21	89,631	98.0%
<u>Office</u>					
139 Douglastown Boulevard .....	Miramichi, NB	2012	1	28,950	100.0%
			1	28,950	100.0%
<u>Industrial</u>					
209 Carrier Drive .....	Etobicoke, ON	1986	1	196,877	100.0%
1870 Albion Road .....	Etobicoke, ON	1986	4	101,277	100.0%
			5	298,154	100.0%
<b>Acquisition Properties Subtotal .....</b>			<b>27</b>	<b>416,735</b>	<b>99.6%</b>
<b>Existing Portfolio</b>					
<u>Retail</u>					
370 Connell Street <sup>(2)</sup> .....	Woodstock, NB	1972/2001	8	114,247	100.0%
2466 - 2480 King George Highway .....	Miramichi, NB	1994/2009/2010	14	70,546	100.0%
87 Warwick Street .....	Digby, NS	1973/2013	6	61,304	75.0%
8934 - 8944 Commercial Street .....	New Minas, NS	1988/1997/2007/2008	8	51,650	88.0%
879 Main Street .....	Beresford, NB	1984/1986/2009/2010	7	39,870	100.0%
2 Lawrence Street .....	Amherst, NS	2009	1	21,212	76.2%
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%
11047 Henri Bourassa Boulevard .....	Quebec City, QC	1983	1	11,700	100.0%
135 Main Street .....	Moncton, NB	2012	1	10,574	100.0%
267 Commerce Street .....	Beresford, NB	2011	1	7,530	100.0%
449 Principale Street .....	Daveluyville, QC	1987/2011	1	6,762	100.0%
			50	432,995	93.9%
<u>Office</u>					
55 Technology Drive .....	Saint John, NB	1999	1	50,732	100.0%
26-32 Prince Arthur/11-15 Princess .....	Amherst, NS	1957/1974/2008	7	50,681	76.3%
325 Hymus Boulevard .....	Pointe-Claire, QC	1977/2011	1	23,994	71.8%
			9	125,407	85.0%
<u>Industrial</u>					
26 Hymus Boulevard .....	Pointe-Claire, QC	1975	7	87,316	100.0%
9002 20 <sup>th</sup> Street .....	Edmonton, AB	1978/1989	1	59,390	100.0%
10100 Côte-de-Liesse Road .....	Lachine, QC	2004	3	55,471	100.0%
7405 127 <sup>th</sup> Avenue .....	Edmonton, AB	1970/1994	1	29,450	100.0%
			12	231,627	100.0%
<u>Commercial Mixed Use</u>					
3200-3260 Guénette Street .....	St. Laurent, QC	2007	4	99,535	94.2%
5655 de Marseille Street .....	Montreal, QC	1968/2013	1	65,000	100.0%
1850 Vanier Boulevard .....	Bathurst, NB	1989	7	59,997	90.8%
			12	224,532	95.0%
<b>Existing Portfolio Subtotal .....</b>			<b>83</b>	<b>1,014,561</b>	<b>94.4%</b>
<b>Total .....</b>			<b>110<sup>(3)</sup></b>	<b>1,431,296</b>	<b>95.9%</b>

(1) Includes a vendor lease for 3,700 square feet of GLA having a term of three years.

(2) Includes the lease up of approximately 21,316 square feet of redevelopment space expected in the third quarter of 2015. See "Recent Developments - Partial Redevelopment of the property located at 370 Connell Street, Woodstock New Brunswick" and "Use of Proceeds".

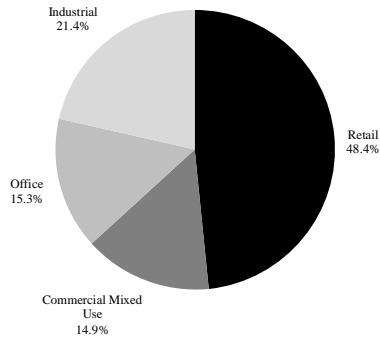
(3) 90 separate and discreet tenants, after accounting for tenants that occupy space in more than one property.



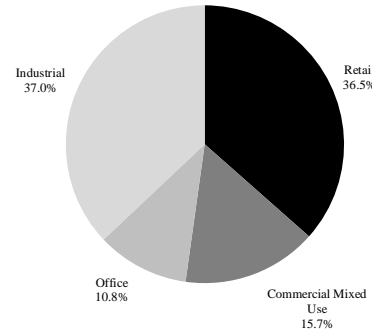
## Diversification by Asset Class

The Pro Forma Portfolio consists of a diversified mix of properties across office, retail, industrial and commercial mixed use asset classes. The following charts provide information regarding the diversification of the Pro Forma Portfolio by asset class:

**Base Rent by Asset Class<sup>(1)</sup>**



**GLA by Asset Class**

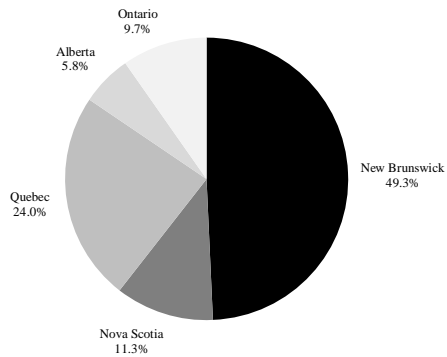


(1) Based on in-place and committed base rent, pro forma the Acquisitions.

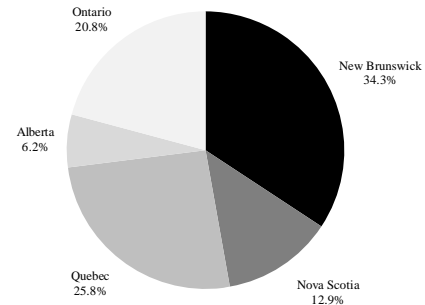
## Geographic Diversification

The following charts illustrate the geographic diversification of the Portfolio following the completion of the Acquisitions:

**Base Rent by Province<sup>(1)</sup>**



**GLA by Province**

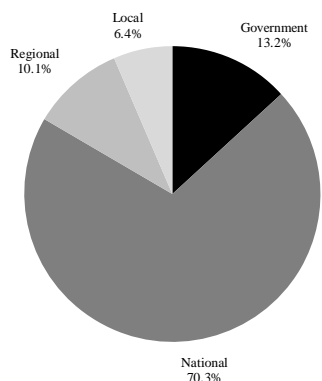


(1) Based on in-place and committed base rent, pro forma the Acquisitions.

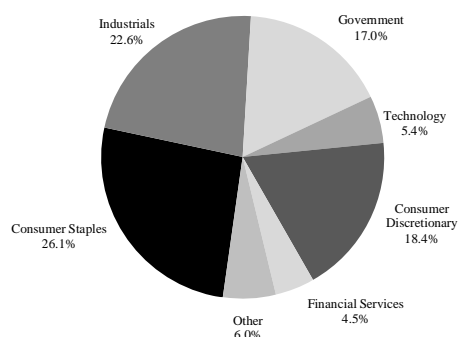
## Tenant Profile

The Properties are leased to a large portion of high-quality tenants. Government and national tenants represent 83.4% of the Pro Forma Portfolio's base rent. The Pro Forma Portfolio's tenants are well diversified by industry sector.

**Base Rent by Tenant Profile<sup>(1)</sup>**



**Base Rent by Tenant Industry<sup>(1)(2)</sup>**



(1) Based on in-place and committed base rent, pro forma the Acquisitions.

(2) "Other" includes professional services (2.6%), healthcare (2.7%), telecom (0.2%) and vendor leases (0.5%).

(3) National tenants are tenants with multiple locations and/or sales in jurisdictions beyond one province, and government tenants are tenants that are a division or agency of a federal, provincial, or municipal government body.

Upon closing of the Acquisitions, 55.5% of the Pro Forma Portfolio's base rent is expected to be generated from investment grade tenants, with a weighted average remaining lease term of 7.7 years. The Pro Forma Portfolio's ten largest tenants are expected to account for approximately 57.0% of base rent, with no tenant comprising more than 10.2% of the Pro Forma Portfolio's base rent. Seven of the Pro Forma Portfolio's top ten tenants have been assigned investment grade credit ratings. See "Risk Factors - Risks Related to the Acquisitions".

Tenant	% of Base Rent <sup>(1)</sup>	GLA (square feet)	% of GLA	Weighted Average Remaining Lease Term (years)	Credit Rating <sup>(2)</sup>
Sobeys and Lawtons Pharmacy .....	10.2%	103,079	7.2%	13.0	na/BBB-/BBB
Shoppers Drug Mart.....	8.6%	54,184	3.8%	9.9	na/BBB/BBB
Government of Canada.....	6.6%	40,547	2.8%	6.5	Aaa/AAA/AAA
Dominion Warehousing .....	6.3%	196,877	13.8%	8.4	
Versacold.....	5.8%	88,840	6.2%	12.8	
Xerox .....	4.2%	50,732	3.5%	4.7	Baa2/BBB/na
Canadian Schedule I Chartered Bank.....	4.2%	20,771	1.5%	7.0	Aa3/A+/na
Hydro Québec.....	4.0%	65,000	4.5%	4.7	Aa2/A+/AH
Best Buy.....	3.8%	25,476	1.8%	6.8	Baa2/BB/na
Adetel.....	3.4%	39,150	2.7%	4.9	
<b>Top 10 tenants sub-total.....</b>	<b>57.0%</b>	<b>684,656</b>	<b>47.8%</b>	<b>8.7</b>	
Other tenants.....	43.0%	688,190	48.1%	5.5	
Vacant .....	—	58,450	4.1%		
<b>Total .....</b>	<b>100.0%</b>	<b>1,431,296</b>	<b>100.0%</b>	<b>7.3</b>	

(1) Based on in-place and committed base rent, pro forma the Acquisitions.

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

## THE ACQUISITIONS

### Description of Acquisition Properties

#### *Retail Properties*

##### *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 100% occupied by six tenants, including Jean Coutu, Province of New Brunswick, and the City of Tracadie-Sheila.

##### *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). Following the closing of the First Acquisition Agreement, it will be 100% leased by three tenants, including Shoppers Drug Mart and HMR Medical Clinic.

##### *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. Previously run as a Future Shop until April, 2015, 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.

##### *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 87.8% occupied by eleven tenants, including Pharmasave and various medical doctors.

#### *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 and is 100% occupied by Dominion Warehousing 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).

##### *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).

#### *Office Property*

##### *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.

## Acquisition Agreements

The REIT intends to acquire a total of seven commercial properties (collectively, the “**Acquisitions**” and individually, an “**Acquisition**”) from five separate and unrelated vendors. The Acquisitions will be completed pursuant to various purchase and sale agreements (collectively, the “**Acquisition Agreements**”) between a subsidiary of the REIT and the respective vendors of the Acquisition Properties. The Acquisition Agreements are respectively for the acquisition of the following properties:

The first acquisition agreement is in respect of the following two properties: (i) 3500 Principale Street, Tracadie-Sheila, New Brunswick, and (ii) 3528 Principale Street, Tracadie-Sheila, New Brunswick (the “**First Acquisition Agreement**”). The aggregate purchase price payable by the REIT under the First Acquisition Agreement will be approximately \$8.5 million, excluding closing and transaction costs.

The second acquisition agreement is in respect of the property located at 325 Vanier Boulevard, Bathurst, New Brunswick (the “**Second Acquisition Agreement**”). The purchase price payable under the Second Acquisition Agreement will be approximately \$1.4 million, excluding closing and transaction costs, of which approximately \$0.5 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price.

The third acquisition agreement is in respect of the property located at 50 Plaza Boulevard, Moncton, New Brunswick (the “**Third Acquisition Agreement**”). The purchase price payable under the Third Acquisition Agreement will be approximately \$7.0 million, excluding closing and transaction costs. Net of a \$0.3 million mark to market adjustment on the Assumed Mortgage, the effective purchase price will be approximately \$6.7 million.

The fourth acquisition agreement is in respect of the property located at 139 Douglastown Boulevard, Miramichi, New Brunswick (the “**Fourth Acquisition Agreement**”). The purchase price payable under the Fourth Acquisition Agreement will be approximately \$5.7 million, excluding closing and transaction costs.

The fifth acquisition agreement is in respect of the following two properties: (i) 209 Carrier Drive, Etobicoke, Ontario, and (ii) 1870 Albion Road, Etobicoke, Ontario (the “**Fifth Acquisition Agreement**”). The purchase price payable under the Fifth Acquisition Agreement will be approximately \$18.0 million, excluding closing and transaction costs, of which approximately \$0.8 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price. LPI, a corporation controlled by Shenoor Jadavji, one of the Trustees of the REIT, has a minority limited partner interest in the vendor of such properties and a minority interest in the general partner of such vendor.

None of the Acquisition Agreements are conditional on any of the other Acquisition Agreements. The Acquisitions will be subject to typical conditions of closing for transactions of such type, including receipt of acceptable estoppel certificates from various tenants and other parties. The Acquisition Agreements will contain representations and warranties typical of those contained in acquisition agreements negotiated between sophisticated purchasers and vendors acting at arm’s length (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital, financial information, tax matters, environmental matters, non-contravention of constating documents, applicable laws and contract, no approvals to be obtained other than those to be obtained by closing and no litigation). Such representations and warranties will generally survive for a period of 12 months from closing of the applicable Acquisition.

The vendors under certain Acquisition Agreements will indemnify the REIT for any damages incurred or losses suffered by the REIT arising from the breach of such representations and warranties by the vendors. The maximum liability of the vendors under the Acquisition Agreement is generally not limited.

There can be no assurance of recovery by the REIT from the vendors for any breach of the representations, warranties or covenants to be provided by the vendors under the Acquisition Agreements because there can be no assurance that the amount and length of the indemnification obligations will be sufficient to satisfy such obligations or that the vendors will have any assets or continue to exist. See “Risk Factors - Risks Related to the Acquisitions”.

It is not expected that approval under the *Competition Act* (Canada) will be required for the Acquisitions. If for whatever reason certain of the conditions to the closing of the Acquisitions are not satisfied and are not waived or the REIT is not satisfied with the due diligence on the Acquisitions, the REIT may choose to not complete one or more of the Acquisitions.

## TSXV Approval

In addition to the application submitted by the REIT to the TSXV in respect of the listing of the Trust Units to be distributed pursuant to this Prospectus, the REIT has also applied to the TSXV for approval of the listing of the Trust Units issuable on exchange of the Class B LP Units to be issued to the vendor under the Second Acquisition Agreement and to the vendor under the Fifth Acquisition Agreement as partial consideration for the Acquisition Properties sold thereunder. Listing will be subject to the REIT fulfilling all of the listing requirements of the TSX.

## Other Acquisition Activity

Consistent with its past practice and in the normal course, the REIT may have outstanding non-binding letters of intent and/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. However, there can be no assurance that any of these letters, agreements and/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.

## Financing of the Acquisitions

The net proceeds from the Offering are expected to be used by the REIT, along with cash on hand, the New Mortgages, the Assumed Mortgages, the VTB Mortgage and Class B LP Units, to fund the purchase of the Acquisition Properties. Following the closing of the Acquisitions and the Offering, the REIT estimates that its debt to Gross Book Value will be approximately 59.1%.

(in \$000's, including in the notes hereto)

	3 months ended March 31, 2015	Adjustments	Pro forma
Debt.....	82,193 <sup>(1)</sup>	26,184 <sup>(3)</sup>	108,377
Gross Book Value .....	140,327 <sup>(2)</sup>	43,190 <sup>(4)</sup>	183,517
<b>Debt / Gross Book Value .....</b>	<b>58.6%</b>		<b>59.1%</b>

(1) As at March 31, 2015 includes Long-term debt of \$73,558 plus the Revolving Credit Facility of \$7,429 plus \$1,206 of unamortized financing costs.

(2) Includes total assets as at March 31, 2015 of \$140,279 plus \$48 in accumulated depreciation on property and equipment.

(3) Includes New Mortgages of \$19,500 plus Assumed Mortgages of \$6,000 plus VTB Mortgage of \$1,300 less \$616 in partial repayment of the Revolving Credit Facility.

(4) Includes \$40,535 of Acquisition Properties plus \$1,000 with respect to the partial redevelopment of 370 Connell Street plus estimated transaction costs of \$1,985, less \$330 mark to market adjustment on the Assumed Mortgage.

## New Mortgages

The REIT has received commitments to finance from two lenders to provide a total of approximately \$19.5 million of first mortgage financing to partially fund the Acquisitions (collectively, the “**New Mortgages**”). The first New Mortgage, in the amount of approximately \$12.5 million, for which the REIT has received a commitment to finance, would be secured against the properties located at 209 Carrier Drive, Etobicoke, Ontario and 1870 Albion Road, Etobicoke, Ontario. The second New Mortgage, in the amount of approximately \$7.0 million, for which the REIT has received a commitment to finance, would be secured against the properties located at 3500 Principale Street, Tracadie-Sheila, New Brunswick, 3528 Principale Street, Tracadie-Sheila, New Brunswick and 325 Vanier Boulevard, Bathurst, New Brunswick.

The New Mortgages are expected to have 25 year amortizations with terms ranging between five and ten years. Fixed interest rates on the New Mortgages will be based on the applicable Government of Canada bond rates at the date the interest rate is fixed on the mortgages plus typical lender mortgage spreads or the lenders’ cost of funds. The first New Mortgage, in the amount of approximately \$12.5 million, is expected to have a fixed interest rate between 3.10% and 3.60% depending on the term decided at closing, ranging between five and seven years. The second New Mortgage, in the amount of approximately \$7.0 million, is expected to have a fixed interest rate between 3.50% and 3.90% depending on the term decided at closing, ranging between seven and ten years.

## Assumed Mortgages

Following the closing of the Third Acquisition Agreement, the Fourth Acquisition Agreement and the Offering, the REIT’s aggregate indebtedness is expected to include the assumption of an existing mortgage on each of the following properties: (i) 50 Plaza Boulevard, Moncton, New Brunswick and (ii) 139 Douglstown Boulevard, Miramichi, New Brunswick (collectively, the “**Assumed Mortgages**”). The first Assumed Mortgage on 50 Plaza Boulevard, Moncton, New Brunswick has an outstanding amount of approximately \$3.3 million, matures in 2022, and bears interest at a fixed rate of 5.37% per annum. The REIT will also receive a mark to market adjustment from the vendor of approximately \$0.3 million with respect to the first Assumed Mortgage. The second Assumed

Mortgage on 139 Douglastown Boulevard, Miramichi, New Brunswick has an outstanding amount of approximately \$2.7 million, matures in 2023, and bears interest at a fixed rate of 3.74% per annum.

### **Vendor Take-Back Mortgages**

Following the closing of the Third Acquisition Agreement and the Offering, the REIT's aggregate indebtedness is expected to include the issuance of a vendor take-back mortgage on the property located at 50 Plaza Boulevard, Moncton, New Brunswick (the "VTB Mortgage"). The VTB Mortgage has an outstanding amount of approximately \$1.3 million, matures in 15 months, and bears interest at a fixed rate of 3.5% per annum.

### **Estimated Pro Forma Normalized Annualized AFFO**

Assuming the completion of the Offering and the Acquisitions on the terms proposed (which includes certain assumptions regarding the terms of property-level financing as noted herein), and after taking into account certain normalization items (comprised of adjustments to reflect the disposition of a property prior to March 31, 2015), the REIT's three months ended March 31, 2015 pro forma normalized annualized AFFO per Trust Unit as of March 31, 2015 was \$0.229 per Trust Unit. The following table sets out select financial information of the REIT for the three months ended March 31, 2015 and the normalizing items and adjustments made to calculate pro forma normalized annualized AFFO per Trust Unit.

(in \$000's, including in the notes hereto)

	3 months ended March 31, 2015	3 months ended March 31, 2015, annualized and normalized	Adjustments	Pro forma
NOI .....	2,361	9,383 <sup>(2)</sup>	3,215 <sup>(8)</sup>	12,598
Other Expenses .....	(1,149)	(4,574) <sup>(3)</sup>	(1,004) <sup>(9)</sup>	(5,578)
<b>FFO .....</b>	<b>1,212</b>	<b>4,809</b>	<b>2,211</b>	<b>7,020</b>
AFFO Adjustments .....	118	473 <sup>(4)</sup>	(152) <sup>(10)</sup>	321
<b>AFFO .....</b>	<b>1,330</b>	<b>5,281</b>	<b>2,059</b>	<b>7,341</b>
<b>Net Income .....</b>	<b>41</b>	<b>125<sup>(5)</sup></b>	<b>2,211</b>	<b>2,336</b>
<b>Cash Flow from Operations .....</b>	<b>724</b>	<b>4,021<sup>(6)</sup></b>	<b>2,211</b>	<b>6,232</b>
Trust Units Outstanding <sup>(1)</sup> .....	23,867	23,901 <sup>(7)</sup>	8,155 <sup>(11)</sup>	32,056
<b>AFFO per Trust Unit .....</b>	<b>0.056</b>	<b>0.221</b>		<b>0.229</b>

(1) Includes Trust Units issuable upon exchange of Class B LP Units.

(2) Calculated as the 3 months ended March 31, 2015, less \$15 of net operating income from the disposition of 985 Godin Avenue, Québec City, Québec, which was completed on March 23, 2015, annualized.

(3) Comprised of general & administrative expenses, interest and financing costs, and long-term incentive plan expense for the 3 months ended March 31, 2015, less \$1 of general & administrative expense savings and \$5 of interest expense savings from the disposition of 985 Godin Avenue, Québec City, Québec, annualized.

(4) Comprised of straight-line rent adjustments, amortization of financing costs, long-term incentive plan expense, stabilized leasing costs, and maintenance capital expenditures for the 3 months ended March 31, 2015, less \$0.2 of reserves from the disposition of 985 Godin Avenue, Québec City, Québec, annualized.

(5) Calculated as the 3 months ended March 31, 2015, less \$10 of funds from operations from the disposition of 985 Godin Avenue, Québec City, Québec, annualized.

(6) Calculated as the 3 months ended March 31, 2015, prior to changes in non-cash working capital, less \$10 of funds from operations from the disposition of 985 Godin Avenue, Québec City, Québec, annualized, less changes in non-cash working capital for the 3 months ended March 31, 2015.

(7) Includes Trust Units issued subsequent to March 31, 2015.

(8) Estimated incremental net operating income expected to be generated by the Acquisition Properties and the partial redevelopment of an existing property.

(9) Comprised of estimated incremental annual general & administrative expenses of \$103 and incremental interest expense of \$901 expected to be incurred in connection with the acquisition of the Acquisition Properties, the New Mortgages, the Assumed Mortgages and the VTB Mortgage, net of estimated interest expense savings of \$28 from the expected partial repayment of the Revolving Credit Facility.

(10) Based on management's estimate of incremental annual stabilized leasing costs and maintenance capital expenditures associated with the Acquisition Properties and the redevelopment of an existing property.

(11) Assuming (i) gross proceeds of approximately \$17.5 million pursuant to the Offering at a price of \$2.30 per Trust Unit and approximately \$1.2 million of Class B LP Units are issued to certain property vendors at a price of \$2.30 per Class B LP Unit.

## ASSESSMENT AND VALUATION OF THE ACQUISITION PROPERTIES

### Appraisals

The REIT retained Colliers International (Atlantic) Valuation & Advisory Services (“**Colliers Atlantic**”) and Colliers International Realty Advisors Inc. (“**Colliers Realty**” and, together with Colliers Atlantic, the “**Appraisers**”) to provide an independent estimate of the fair market value of each of the Acquisition Properties (for purposes of this sub-section, the “**Appraisals**”) to support the purchase price of the Acquisition Properties. The Appraisals have effective dates between March 25, 2015 and April 1, 2015. Based on the Appraisals, the aggregate market value of the Acquisition Properties was estimated to be \$43.3 million, excluding any portfolio premium.

The Appraisers were not given any limiting instructions. The Appraisals state that they have been prepared in conformity with one or more of the Canadian Uniform Standards of Professional Appraisal Practice (which have replaced the Uniform Standards of Professional Appraisal Practice in Canada) as adopted by the Appraisal Institute of Canada and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute of Canada. The Appraisal Institute of Canada defines market value as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. According to the Appraisal Institute of Canada, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Income-producing investment properties are typically bought and sold in the market on the basis of in-place net rental income, combined with expectations as to future rental growth and property appreciation. In recognizing the certain nature of in-place cash flows (Direct Capitalization), as well as anticipated income growth (Discounted Cash Flow), the appraiser typically also examines comparative sales in the market (Direct Comparison). These valuation approaches are reconciled to a final value conclusion.

Colliers Atlantic and Colliers Realty, as applicable, visited the properties to assess location and physical characteristics and estimated the highest and best use for such property. The Appraisals state that appropriate valuation parameters were employed, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In determining the approximate market value of the properties that make up the Acquisitions, the Appraisers relied on operating and financial data provided by the REIT (which information the REIT received from the vendor), including leases and projected NOI. Colliers Atlantic and Colliers Realty, as applicable, believe that the Appraisals give appropriate consideration to projected NOI for the property in terms of occupancy, rental rates, operating expenses, and provisions for required capital improvements.

**Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. Each of the Appraisals is based on various assumptions of future expectations and while the relevant appraiser’s internal forecasts of NOI for the relevant property was considered by such appraiser to be reasonable at the time such appraisal was prepared, some of the assumptions may not materialize or may differ materially from actual experience.**

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Trust Units may trade at a premium or a discount to the values implied by the foregoing Appraisals. See “Risk Factors - Risks Related to the Acquisitions - Appraisals”.

### Environmental Site Assessments

Each of the Acquisition Properties has been the subject of a Phase I environmental site assessment report and, for the properties located at 3500 and 3528 Principale Street, Tracadie-Sheila, New Brunswick, Phase II environmental site assessment reports (collectively, the “**Environmental Reports**”). The Environmental Reports were conducted by an independent environmental consultant in April 2015. With respect to all Acquisition Properties, the Environmental Reports concluded that no further action was required.

Management is not aware of any non-compliance with environmental laws at any of the Acquisition Properties 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 Acquisition 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.

## Building Condition Assessments

Each of the Acquisition Properties has been the subject of certain building condition assessment reports prepared by independent engineering firms between April 2015 and May 2015. Building condition assessment reports were prepared for each such property based on a visual examination of the property in order to assess the condition of the major elements; a review of general documentation on the repair/maintenance history of the elements, if available; a cursory review of previous reports pertaining the building(s) on such property, if made available; interviews and discussion with on-site personnel regarding the repair/maintenance conducted on the building(s) on such property.

Based on building condition assessment reports for the Acquisition Properties, each of the Acquisition Properties was determined to be in satisfactory condition commensurate with its age and in comparable standing to other similar commercial properties in its respective area. The building condition assessment reports for the Acquisition Properties identified approximately \$2.2 million in possible capital expenditures relating to deferred maintenance and capital replacements over the next ten years. Of this amount, \$0.9 million is expected to be contributed from the vendor with respect to the property located at 209 Carrier Drive, Etobicoke, Ontario. Management estimates approximately \$0.5 million of the net identified capital expenditures (or 38% of the \$1.3 million net identified capital expenditures) will be either recoverable or paid directly by tenants. On an ongoing basis, the REIT expects to incur approximately \$90,000 in incremental annual maintenance capital expenditures on the Acquisition Properties, which the REIT intends to fund with cash flow from operations.

## USE OF PROCEEDS

The estimated net proceeds to the REIT from the Offering, after deducting the Underwriters' Fee of approximately \$1,052,250 and the expenses of the Offering estimated to be approximately \$700,000, will be approximately \$15,785,250. The net proceeds from the Offering are expected to be used by the REIT, along with cash on hand, the New Mortgages, the Assumed Mortgages, the VTB Mortgage and the Class B LP Units, to fund the purchase of the Acquisition Properties pursuant to the Acquisition Agreements, to fund the partial redevelopment of the property located at 370 Connell Street, Woodstock, New Brunswick and the partial repayment of the Revolving Credit Facility and for general trust and working capital purposes.

The table below summarizes the purchase prices (before closing costs and adjustments), estimated mortgage proceeds and estimated balance of funds required by the REIT to complete the Acquisitions:

	Purchase Price	Class B LP Units	Estimated Mortgage Proceeds	Estimated Proceeds Required to Close
	\$	\$	\$	\$
First Acquisition Agreement.....	8,500,000	—	6,065,000	2,435,000
Second Acquisition Agreement .....	1,385,000	450,000	935,000	0
Third Acquisition Agreement .....	6,670,000 <sup>(1)</sup>	—	4,600,000	2,070,000
Fourth Acquisition Agreement .....	5,650,000	—	2,700,000	2,950,000
Fifth Acquisition Agreement .....	18,000,000	770,000	12,500,000	4,730,000
Sub-total .....	40,205,000	1,220,000	26,800,000	12,185,000
Net closing adjustments <sup>(2)</sup> .....				5,352,500
<b>Total .....</b>				<b>17,537,500</b>

(1) Net of a \$0.3 million mark to market adjustment on the Assumed Mortgage.

(2) Net closing adjustments are comprised of real estate transaction costs (\$2.0 million), estimated expenses of the Offering (\$0.7 million), estimated Underwriters' Fee (\$1.1 million), the partial repayment of the Revolving Credit Facility (\$0.6 million) and the partial redevelopment of the property located at 370 Connell Street, Woodstock, New Brunswick (\$1.0 million).

If the Underwriters exercise the Over-Allotment Option in full, the estimated net proceeds to the REIT from the Offering, after deducting the Underwriters' Fee of approximately \$1,210,088 and the expenses of the Offering estimated to be approximately \$700,000, will be approximately \$18,258,038. The REIT intends to use any additional funds or any proceeds that remain in the event that one or more of the Acquisitions is not completed to fund future acquisitions and for general trust purposes in accordance with its investment guidelines and operating policies. The REIT intends to spend the funds available to the REIT as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. See "Risk Factors".



## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the REIT as at March 31, 2015 and the pro forma consolidated capitalization of the REIT as at March 31, 2015 after giving effect to the Acquisitions and the Offering. The table should be read in conjunction with the financial statements and notes thereto incorporated by reference in this short form prospectus.

	As at March 31, 2015 <sup>(1)</sup>	As adjusted as at March 31, 2015 (after giving effect to the Offering (assuming no exercise of the Over-Allotment Option) and the Acquisitions) <sup>(2)</sup>
	(\$000s – except Trust Units)	(\$000s – except Trust Units)
<b>Indebtedness</b>		
Long-term debt .....	\$ 73,558	\$ 100,358
Class B LP Units.....	\$ 9,766	\$ 10,986
Warrants and Class B Warrants .....	100	100
Revolving Credit Facility .....	\$ 7,429	\$ 6,813
<b>Total indebtedness .....</b>	<b>\$ 90,853</b>	<b>\$ 118,257</b>
<b>Unitholders' equity .....</b>	<b>\$ 45,012</b>	<b>\$ 60,797</b>
<b>Number of outstanding Trust Units.....</b>	<b>19,427,953</b>	<b>27,052,953</b>

(1) On a non-diluted basis.

(2) Adjusted to give effect to the receipt of the net proceeds of this Offering (assuming the Underwriters' Fee of \$1,052,250 and expenses of the Offering of approximately \$700,000 and assuming no exercise of the Over-Allotment Option), the financing of the Acquisitions as described under the heading "The Acquisitions - Financing of the Acquisitions" and including the issuance of 530,436 Class B LP Units as partial satisfaction of the purchase price of certain of the Acquisition Properties as described under "The Acquisitions - Acquisition Agreements".

## PRIOR SALES

During the 12-month period before the date of this short form prospectus, the REIT has completed the following distributions of Trust Units and securities that are convertible into Trust Units:

- (a) on September 25, 2014, the REIT issued to Canaccord warrants to purchase, until September 25, 2015, up to 58,992 Trust Units at an exercise price per Trust Unit of \$2.30;
- (b) on September 30, 2014, the REIT completed (i) a 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 Trust 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, and (ii) a private placement of 2,174,000 units of the REIT, each comprised of one Trust Unit and one-half Warrant, issued to Lotus Crux at a price of \$2.30 per unit, for total gross proceeds of approximately \$5.0 million;
- (c) in connection with the acquisition of the properties located at (i) 9002 20th Street, Edmonton, Alberta, and (ii) 7405 127th Avenue, Edmonton, Alberta, October 14, 2014, 739,130 Class B LP Units were issued to the vendor of the property, a party related to Lotus Crux, at a price of \$2.30 per Class B LP Units in partial satisfaction of the purchase price for the property. One half of one Class B Warrant was issued to the vendor with each Class B LP Unit;
- (d) in connection with the acquisition of 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, on October 17, 2014, 1,108,696 Class B LP Units were issued to the vendor of the property at a price of \$2.30 per Class B LP Units in partial satisfaction of the purchase price for the property. One half of one Class B Warrant was issued to the vendor with each Class B LP Unit;
- (e) the REIT has a LTIP, pursuant to which it grants Deferred Units to its Trustees and senior officers and certain of its employees. Trust Units are issued to participants in the LTIP upon settlement of the Deferred Units in accordance with the terms of the LTIP. During the 12-month period before the date of this prospectus, the REIT has issued 210,625 Deferred Units pursuant to the LTIP, which were all issued on February 17, 2015 at a price of \$2.25 per Deferred Unit. No Trust Units were issued under the LTIP during such period; and

- (f) the REIT also has a DRIP under which Unitholders can choose to automatically reinvest their cash distributions in additional Trust Units. During the 12-month period before the date of this short form prospectus, a total of 114,797 Trust Units were issued or issuable under the DRIP.

### TRADING PRICE AND VOLUME

The outstanding Trust Units are listed on the TSXV and trade under the symbol “PRV.UN”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Trust Units on the TSXV:

Period	High (\$)	Low (\$)	Trading Volume
June 2015 (until June 2, 2015).....	2.24	2.20	30,783
May 2015 .....	2.40	2.21	641,159
April 2015 .....	2.30	2.12	533,507
March 2015.....	2.31	2.05	331,436
February 2015.....	2.25	2.03	357,542
January 2015.....	2.20	1.93	454,205
December 2014.....	2.29	2.00	774,927
November 2014 .....	2.50	2.11	222,018
October 2014 .....	2.20	2.00	323,055
September 2014.....	2.30	2.11	162,328
August 2014 .....	2.30	2.00	63,664
July 2014 .....	2.40	2.07	97,136
June 2014 .....	2.30	2.06	83,199

### DESCRIPTION OF TRUST UNITS

The Offering consists of 7,625,000 Trust Units (in addition to up to 1,143,750 additional Trust Units in the event the Over-Allotment Option is exercised in full).

See the section entitled “Description of the Trust and Description of the Units” in the AIF for a description of the terms and provisions of the Trust Units. As at June 2, 2015, there were 19,461,500 Trust Units issued and outstanding and 4,439,056 Class B LP Units issued and outstanding (as well as 4,439,056 Special Voting Units).

### PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Underwriting Agreement, the REIT has agreed to issue and sell, and the Underwriters have agreed to purchase, on June 9, 2015 or on such other date as the REIT and the Underwriters may agree, but in any event not later than June 29, 2015, an aggregate of 7,625,000 Trust Units at the Offering Price, payable in cash to the REIT against delivery of such Trust Units, for gross proceeds to the REIT of \$17,537,500.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Trust Units if any of the Trust Units are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Trust Units are several (and not joint or joint and several). The terms of the Offering and the prices of the Trust Units have been determined by negotiation between the REIT and the Underwriters.

The Underwriting Agreement provides that the REIT will pay, subject to the exclusions below, on the Closing, the Underwriters’ Fee of \$0.138 per Trust Unit, or 6.0% of the gross proceeds of the Offering, but excluding therefrom proceeds from the sale of Trust Units sold to purchasers on the President’s List, for which the Underwriters will be paid a commission of \$0.069 per Trust Unit, or 3.0% of the gross proceeds of such sales. The aggregate Underwriters’ Fee payable to the Underwriters by the REIT in consideration for their services in connection with the Offering is expected to be \$1,052,250. Subscriptions for Trust Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The REIT has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part from time to time for a period of 30 days from the date of the Closing, to purchase up to 1,143,750 Additional Trust Units at a price of \$2.30 per Additional Trust Unit, to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus qualifies the distribution of the Over-Allotment Option and any Additional Trust Units. A purchaser who acquires securities forming part of the Underwriters’ over allocation position acquires those securities under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Underwriters exercise the Over-Allotment Option in full, the total price

to the public relating to the Offering, the Underwriters' Fee and the net proceeds to the REIT before deducting the expenses of the Offering will be \$20,168,125, \$1,210,088 and \$18,958,037, respectively.

The TSXV has conditionally approved the listing of the Trust Units distributed under this short form prospectus on the TSXV. Listing will be subject to the REIT fulfilling all the listing requirements of the TSXV.

Under the Underwriting Agreement, the REIT has agreed to indemnify and hold harmless the Underwriters and their respective affiliates, subsidiaries and each of their respective officers, directors, employees, agents and shareholders against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

This Offering is being made in each of the provinces and territories of Canada. The Trust Units have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States unless pursuant to an exemption to the registration requirements of such laws. Accordingly, each Underwriter has agreed that it will not offer, sell or deliver the Trust Units within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering, any offer or sale of the Trust Units offered hereby within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act unless made pursuant to an exemption from such registration requirements.

Pursuant to policy statements of certain regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Trust Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Trust Units. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSXV relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Trust Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Trust Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Trust Units at the Offering Price, the offering price for the Trust Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Trust Units is less than the amount paid by the Underwriters to the REIT. Any such reduction will not affect the proceeds received by the REIT.

BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that is among the REIT's principal mortgage holders. As of June 2, 2015, the outstanding indebtedness owed to the Canadian chartered bank of which BMO Nesbitt Burns Inc. is an affiliate was approximately \$4.9 million and is secured by first mortgages on certain of the Properties of the REIT. TD Securities Inc. is an affiliate of a Canadian chartered bank that has provided the Revolving Credit Facility to the REIT. As of June 2, 2015, the outstanding indebtedness owed to the Canadian chartered bank of which TD Securities Inc. is an affiliate was approximately \$8.5 million. The Revolving Credit Facility is secured by a pool of first and second mortgages on certain of the Properties of the REIT. The REIT intends to use a portion of the net proceeds of the Offering to reduce indebtedness outstanding under the Revolving Credit Facility by approximately \$0.6 million. In addition, the REIT is seeking a commitment to finance from a Canadian chartered bank that is an affiliate of National Bank Financial Inc. with respect to one of the New Mortgages, in the amount of approximately of \$7.0 million.

Each of the mortgages with the Canadian chartered bank of which BMO Nesbitt Burns Inc. is an affiliate and the Revolving Credit Facility contain representations, covenants, restrictions and events of default that are customary for such agreements. The REIT is in compliance with the terms of these agreements in all material respects and the lenders have at no time waived any breach during the term of such agreements. The financial position of the REIT has not materially changed since the indebtedness under these agreements was incurred.

Consequently, the REIT may be considered a "connected issuer" of BMO Nesbitt Burns Inc., TD Securities Inc., and National Bank Financial Inc., within the meaning of applicable securities legislation. See "Use of Proceeds". The decision to issue the Trust Units and the determination of the terms of the Offering were made through negotiation between the REIT and the Underwriters. The Canadian chartered banks of which such Underwriters are affiliates did not have any involvement in such decision or determination. As a consequence of the Offering, each of such Underwriters will receive its proportionate share of the Underwriters' Fee.

## RISK FACTORS

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT. In addition to the risks described herein, reference is made to the section entitled “Risk Factors” beginning on page 53 of the AIF and the section entitled “Risks and Uncertainties” beginning at page 22 of the Annual MD&A, each of which is incorporated herein by reference. Prospective investors should carefully consider, in light of their own financial circumstances, the risk factors set forth in the information incorporated by reference herein and all of the other information contained in this short form prospectus (including without limitation the documents incorporated herein by reference) before purchasing any of the securities distributed under this short form prospectus. The risks described herein are not the only risks facing the REIT and Unitholders. Additional risks and uncertainties not currently known to the REIT, or that the REIT currently deems immaterial, may also materially and adversely affect its business. The business, financial condition, revenues or profitability of the REIT could be materially adversely affected by any of the risks set forth in this short form prospectus, in the documents incorporated by reference or such other risks. The trading price of the Trust Units could decline due to any of these risks and investors could lose all or part of their investment. This short form prospectus contains forward-looking statements that involve risks and uncertainties. The REIT’s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the REIT described below and elsewhere in this short form prospectus. See “Notice Regarding Forward-Looking Statements”.

### Risks Related to the Acquisitions

#### *Possible Failure to Complete Any or All of the Acquisitions*

The REIT expects to complete the Acquisitions in June 2015, subject to satisfactory completion of customary closing conditions. However, the REIT has limited control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that all Acquisitions will be consummated. The REIT may proceed to acquire less than all of the Acquisition Properties. There is no assurance that the Acquisitions will be completed or, if completed, will be on terms that are exactly the same as disclosed in this short form prospectus.

Accordingly, if the acquisition of all of the Acquisition Properties does not take place as contemplated, the proceeds of the Offering will not be refunded and the REIT will use such proceeds to fund future acquisitions and for general trust purposes in accordance with its investment guidelines and operating policies. If less than all of the Acquisition Properties are acquired, the REIT may not realize the benefits described in this short form prospectus and could suffer adverse consequences, including loss of investor confidence. The price of the Trust Units may decline to the extent that the relevant current market price reflects a market assumption that the Acquisitions will be completed and certain costs related to the Acquisitions such as legal, accounting and consulting fees must be paid even if all Acquisitions are not completed. The REIT may be unable to identify other investments offering financial returns comparable to those of the Acquisitions.

#### *General Risks Relating to the Acquisitions*

Although the REIT has conducted due diligence in connection with the Acquisitions and the vendors will provide a number of representations and warranties in favour of the REIT in connection with the Acquisitions, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, the Acquisition Properties. Following the closing of the Acquisitions, the REIT may discover that it has acquired substantial undisclosed liabilities or that certain of the representations made by the vendors were untrue. There can be no assurance of recovery by the REIT from the vendors for any breach of the representations, warranties or covenants to be provided by the vendors under the Acquisition Agreements because there can be no assurance that the amount and length of the indemnification obligations will be sufficient to satisfy such obligations or that the vendors will have any assets or continue to exist. The REIT’s inability to claim for full indemnification from the vendors could have a material and adverse effect on the REIT.

The Acquisition Agreements will contain representations and warranties of the vendors of the applicable properties. Such vendors, and/or parties related thereto have, subject to certain qualifications, generally agreed to indemnify the REIT from, among other things: (i) claims or losses relating to the breach of such representations or warranties; and (ii) the failure of the applicable vendor to perform covenants under the applicable Acquisition Agreements. The REIT will have limited recourse against the vendors and other related parties in connection with the Acquisitions, as any claim for breach of a representation and warranty will be subject to the limitations, exceptions and qualifications in the applicable Acquisition Agreement, including that a claim must be made before the expiry of a specified period. There is no assurance that any particular vendor will be sufficiently capitalized or otherwise able to satisfy any particular claim. As a result, the REIT may not be able to collect all or a portion of any indemnity claim it may have against the relevant vendor. While the REIT will put in place insurance to cover indemnity claims, there is no assurance that such insurance will cover a particular claim or that exclusions or limitations would not apply. The sole remedy of the REIT is through any indemnities to be provided to the REIT by the applicable vendors under the Acquisition Agreements in respect of a breach of the representations and warranties in the applicable agreement and the above mentioned insurance, which, even in the aggregate, may be insufficient to cover all costs and as such, could materially adversely affect the business, results of operations and financial condition of the REIT. The Acquisition

Agreements will also be subject to a number of closing conditions. See “Risk Factors - Risks Related to the Acquisitions - Possible Failure to Complete Any or All of the Acquisitions”.

### ***Financing Risks Relating to the Acquisitions***

The REIT intends to finance a portion of the Acquisitions through the New Mortgages, the Assumed Mortgages and the VTB Mortgage. While the REIT is currently in negotiations with lenders for approximately \$19.5 million of first mortgage financings as described in more detail in the section entitled “The Acquisitions - Financing of the Acquisitions”, there can be no assurance that the REIT’s borrowing ability will be sufficient to close the Acquisitions. Should sufficient funds not be available to the REIT at or prior to closing of an Acquisition, the REIT may not have sufficient funds to close one or more of the Acquisitions, which could have a material adverse impact on the REIT.

### ***Possible Failure to Realize Expected Returns on the Acquisition***

Acquisitions involve risks, including the failure of the Acquisition Properties to realize the results the REIT expects. If any of the Acquisition Properties fails to realize the results that the REIT expects, such failure could materially and adversely affect the REIT’s business plan and could have a material adverse effect on the REIT and its financial results.

### ***Risks Related to the Integration of the Acquisition Properties into the REIT’s Existing Portfolio***

In order to achieve the benefits of the Acquisitions described in this short form prospectus, the REIT will rely upon the Manager’s ability to successfully retain staff, consolidate functions and integrate operations, procedures and personnel in a timely and efficient manner and to realize the anticipated growth opportunities from combining the Acquisition Properties and related operations with those of the REIT. The integration of the properties and related operations requires the dedication of the Manager’s management effort, time and resources, which may divert such management’s focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer relationships that may adversely affect the Manager’s ability to achieve the anticipated benefits of the Acquisitions for the REIT and its Unitholders.

### ***Appraisals***

The REIT retained the Appraisers to provide an independent estimate of the fair market value of each of the Acquisition Properties (see “Assessment and Valuation of the Acquisition Properties - Appraisals”). Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. Each of the Appraisals are based on various assumptions of future expectations and while the relevant appraiser’s internal forecasts of NOI for the property is considered by such appraiser to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Trust Units may trade at a premium or a discount to the values implied by the Appraisals.

### ***Changes to Fair Values of Properties***

The REIT has chosen the fair value method of presenting its investment properties in its consolidated financial statements. For financial reporting purposes, fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of investment properties shall reflect market conditions at the end of the reporting period. Fair value is determined on the basis of valuations made by independent external appraisers which require certain key assumptions including rental income, market rents, operating expenses, vacancies, inflation rate, capitalization rates, terminal capitalization rates and discount rates. These rates are determined for each property based on available market information related to the sale of similar buildings within the same geographical locations. Any changes in fair values of the REIT’s investment properties will impact its financial results.

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

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

The market price for Trust 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 Trust Units; (vi) sales or perceived sales of additional Trust 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.

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

The REIT does not have a fixed obligation to make payments to holders of Trust Units and does not promise to return the initial purchase price of a Trust 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 Trust 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 Trust 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 Trust 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 in the AIF under "Description of the Trust and Description of the Units - 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 Trust Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Trust Units and all other Trust 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); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust 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 Trust Units; (iii) the trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust 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 (iv) the redemption of all of the Trust Units shall not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

### ***Subordination of the Trust 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. Upon completion of the Offering, the Trust Units will be 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.

### ***Tax Related Risk Factors***

Under the SIFT Rules, a publicly traded income trust will be considered a SIFT unless it qualifies for the REIT Exception. As discussed under "Certain Canadian Federal Income Tax Considerations" a publicly traded income trust will only qualify for the REIT Exception if assets held by the REIT qualify under specific provisions of the REIT Exception, which rules generally require that each intermediate entity (including partnerships) through which the REIT owns property satisfies the REIT Exception on a stand-alone continuous basis. If each relevant entity (including partnerships) does not qualify continuously for the REIT Exception, the SIFT Rules may have an adverse impact on the REIT and the Unitholders, on the value of the Trust Units and the ability of the REIT to undertake financings and acquisitions, and if the SIFT Rules were to apply, distributable cash of the REIT may be materially reduced.

The REIT has been structured to satisfy the REIT Exception and management is confident that it has mechanisms in place to ensure that the REIT (and each intermediate entity (including partnerships) through which it owns property) will continue to satisfy the REIT Exception going forward; however, no assurances can be made in this regard.

The SIFT Rules may also apply to a Subsidiary of the REIT that would otherwise qualify as a SIFT unless such Subsidiary qualifies as an "excluded subsidiary entity" as defined in the Tax Act. The REIT expects that each Subsidiary of the REIT that might otherwise qualify as a SIFT will qualify as an "excluded subsidiary entity" and therefore will not be subject to tax under the SIFT Rules going forward; however, no assurances can be made in this regard.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust (including a real estate investment trust such as the REIT) may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. If the CRA view were to apply to a Unitholder who borrowed money to invest in Trust Units of the REIT, part of the interest payable by such Unitholder in connection with money borrowed to acquire such Trust Units could be non-deductible.

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

A holder of a Trust Unit or a Class B LP Unit does not hold a share of a body corporate. Unitholders or holders 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 Trust Units and Class B LP Units are based primarily on the Declaration of Trust and the PRO REIT LP Agreement, respectively. There is no statute governing the affairs of the REIT or PRO REIT LP equivalent to the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances.

Neither the Trust Units nor the Class B LP Units are "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada), 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 Trust 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, a tax-free savings account or a deferred profit sharing plan, each as defined in the Tax Act, or of any plan of which a holder of Trust 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 Trust 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 Trust 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 Trust 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 Trust 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 Trust Units, any material risk of liability on the holders of Trust 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 Trust 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 Trust 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 Trust 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 PRO REIT 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 PRO REIT LP in the event of judgment on a claim in an amount exceeding the sum of the net assets of PRO REIT GP and the net assets of PRO REIT LP. Holders of Class B LP Units remain liable to return to PRO REIT LP for such part of any amount distributed to them as may be necessary to restore the capital of PRO REIT LP to the amount existing before such distribution if, as a result of any such distribution, the capital of PRO REIT LP is reduced and PRO REIT LP is unable to pay its debts as they become due.

### *Dilution*

The number of Trust Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Trust Units from time to time. Any issuance of Trust Units, including Trust 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.



## *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.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the REIT, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Trust Units by a purchaser who acquires Trust Units pursuant to this prospectus and who, for purposes of the Tax Act and at all relevant times, (i) is, or is deemed to be, resident in Canada, (ii) deals at arm's length with and is not affiliated with the REIT and each of the Underwriters, and (iii) holds Trust Units as capital property ("**Holder**"). Generally, Trust Units will be considered to be capital property to a Holder provided that the Holder does not hold such Trust Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to make an irrevocable election under subsection 39(4) of the Tax Act to have their Trust Units, and every other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and each subsequent taxation year, deemed to be capital property. Holders who do not hold their Trust Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the "mark-to-market" rules (within the meaning of the Tax Act); (ii) that is a "specified financial institution" (within the meaning of the Tax Act); (iii) an interest in which would be a "tax shelter investment" (within the meaning of the Tax Act); (iv) to whom the functional currency reporting rules apply; (v) that has entered or will enter into a "derivative forward arrangement" (within the meaning of the Tax Act), (vi) that is a partnership or another flow-through entity; trust and estate; government (or instrumentality or agency thereof); tax-exempt entity; insurance company; mutual fund; "real estate investment trust" (within the meaning of the Tax Act); or (vii) that is holding Trust Units as part of a hedging or similar transaction. This summary is also not applicable to a Holder that holds Trust Units acquired upon the exercise of rights to acquire such Trust Units received in respect of, in the course of, or by virtue of employment with the REIT or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the REIT (all within the meaning of the Tax Act). Such Holders should consult their own tax advisors. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire the Trust Units.

This summary is based on certain representations as to factual matters made in a certificate signed by an officer of the REIT and provided to counsel (the "**Officer's Certificate**"). This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations: (i) that would ensure that the REIT qualifies and will continue to qualify as a "mutual fund trust" (within the meaning of the Tax Act); (ii) that the REIT has and will at all times comply with the Declaration of Trust (including continuing to qualify as a real estate investment trust (within the meaning of the Tax Act); (iii) that the REIT filed within prescribed time an election under subsection 132(6.1) of the Tax Act to be deemed to have been a "mutual fund trust" from the time of its establishment; and (iv) that the REIT does and will continue to qualify as a "mutual fund trust" under the provisions of the Tax Act while the Trust Units remain outstanding.

This summary is based on the current provisions of the Tax Act, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the CRA published by it, all in effect as of the date of this Prospectus. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus. No assurance can be given that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Trust Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Trust Units will vary depending on the holder's particular circumstances, including the province(s) in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be nor should it be construed to be legal or tax advice or representations to any prospective purchaser of Trust Units. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Trust Units based on their particular circumstances.

For the purposes of this summary and the opinion given under the heading “Certain Canadian Federal Income Tax Considerations”, a reference to (i) the “REIT” is a reference to PRO Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors, and (ii) a reference to a “Holder” is a reference to a holder of Trust Units and not a holder of Special Voting Units.

## **Status of the REIT**

### ***Qualification as a Mutual Fund Trust***

Based on the representations as to factual matters set out in the Officer’s Certificate, the REIT qualifies as a “mutual fund trust” as defined in the Tax Act, and will continue to qualify as a mutual fund trust at all relevant times. The balance of this summary assumes this to be the case. If the REIT were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially and adversely different.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless restrictions in respect of its assets are followed. This summary assumes that the REIT was not established and is not maintained primarily for the benefit of non-residents and counsel is of the view that this assumption is reasonable in light of the restrictions on the ownership of Trust Units by non-residents which are contained in the Declaration of Trust.

### ***SIFT Rules***

The SIFT Rules apply to “specified investment flow-through” trusts or partnerships (“SIFTs”), including publicly traded trusts, and their unitholders, and modify the tax treatment of SIFTs and of their unitholders, as more particularly described below under the heading “Application of the SIFT Rules”. However, the SIFT Rules are not applicable to a trust if such trust qualifies as a “real estate investment trust” for the year (the “REIT Exception”). Therefore, if the REIT does not satisfy the REIT Exception throughout the year, the SIFT Rules will be applicable to the REIT. Furthermore, in order for the REIT to satisfy the REIT Exception, PRO REIT LP must satisfy all of the tests comprising the REIT Exception apart from the “Publicly Listed or Traded Test” (as described below) on a stand-alone continuous basis. Management of the REIT is of the view that it has implemented internal controls to ensure that PRO REIT LP satisfies the necessary tests.

The REIT Exception in the SIFT Rules contains 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. Based on representations as to certain factual matters made in the Officer’s Certificate and on the advice of its external tax advisor, management has advised counsel that the REIT will qualify for the REIT Exception at the time of closing of the Offering and that management expects the REIT to qualify for the REIT Exception throughout 2015 and subsequent taxation years. However, there can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception. If the REIT fails to qualify for the REIT Exception, the REIT will be subject to the SIFT Rules and certain of the income tax considerations described below would, in some respects, be materially and adversely different.

The REIT Exception is applied on a taxation year basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

### ***REIT Exception***

Trusts that satisfy the REIT Exception are excluded from the definition of SIFT trusts and are therefore not subject to the SIFT Rules. Under the current rules, the following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception:

- (a) at each time in the taxation year, the total fair market value at that time of all “non-portfolio properties” that are “qualified REIT properties” held by the trust is at least 90% of the fair market value at that time of all “non-portfolio properties” held by the trust;
- (b) not less than 90% of the trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties”, interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- (c) not less than 75% of the trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties”, interest from mortgages or hypothecs on “real or immovable properties”, and dispositions of “real or immovable properties” that are capital properties;

- (d) at each time in the taxation year an amount, that is equal to 75% or more of the “equity value” (as defined in the Tax Act) of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a “real or immovable property” that is capital property, an “eligible resale property”, an indebtedness of a Canadian corporation represented by a banker’s acceptance, cash, a deposit in a bank or credit union, or debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions; and
- (e) “investments” (as defined in the Tax Act) in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market (the “**Publicly Listed or Traded Test**”).

The SIFT Rules contain specific rules generally permitting a trust to qualify for the REIT Exception where it holds properties indirectly through intermediate entities if each intermediate entity would satisfy the criteria (a) throughout (d) of the REIT Exception in its own right.

For the purpose of the SIFT Rules and the REIT Exception:

- (a) “eligible resale property”, of an entity, means “real or immovable property” (other than capital property) of the entity, (i) that is contiguous to a particular “real or immovable property” that is capital property or “eligible resale property”, held by the entity or another entity affiliated with the entity, and (ii) the holding of which is ancillary to the holding of the particular property;
- (b) “gross REIT revenue” of an entity for a taxation year means the amount, if any, by which the total of all amounts received or receivable in the year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the year;
- (c) “qualified REIT property” of a trust at any time means a property held by the trust that at that time is held by the trust and is:
  - (i) a “real or immovable property” (as described below) that is capital property, an “eligible resale property”, an indebtedness of a Canadian corporation represented by a banker’s acceptance, cash, a deposit in a bank or credit union, or debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions;
  - (ii) a security of a “subject entity” (as described below) all or substantially all of the “gross REIT revenue” of which for its taxation year that includes that time, is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or an interest, including “real or immovable properties” that the trust, or an entity of which the trust holds a share or an interest, holds together with one or more other persons or partnerships;
  - (iii) a security of a “subject entity” if the entity holds no property other than (A) legal title to “real or immovable properties” of the trust or of another subject entity all of the securities of which are held by the trust (including real or immovable property that the trust or the other subject entity holds together with one or more other persons or partnerships), and (B) property described in (iv) below;
  - (iv) ancillary to the earning by the trust of “gross REIT revenues” from rents or dispositions of “real or immovable properties” that are capital properties, other than (A) an equity of an entity, or (B) a mortgage, hypothecary claim, mezzanine loan or similar obligation.
- (d) “real or immovable property” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria (a), (b), (c) and (d) of the REIT Exception (as discussed above) and an interest in certain real property or a real right in certain immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by election) in capital cost allowance (“CCA”) Class 1, 3 or 31, property ancillary to the ownership or utilization of such depreciable property or a lease or leasehold interest in respect of land or such depreciable property;
- (e) “rent from real or immovable properties” includes (A) rent or similar payments for the use of or right to use real or immovable properties and (B) payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include (C) any other payment for services

supplied or rendered to the tenants of such properties, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and

- (f) “subject entity” means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership, or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception.

### **Application of the SIFT Rules**

The SIFT Rules apply to trusts, unless (among other exceptions not applicable here) the trusts satisfy the REIT Exception. If the REIT does not meet the REIT Exception, the REIT will be subject to the SIFT Rules and as a result the tax status of the REIT and the tax consequences of investing in Trust Units described above could be materially and adversely different. Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amount payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the trust) from its “non-portfolio properties”; and (iii) aggregate net taxable capital gains from its dispositions of non-portfolio properties. “Non-portfolio properties” are Canadian real, immovable or resource properties (if at any time in the taxation year the total fair market value of the SIFT’s Canadian real, immovable or resource properties is greater than 50% of the equity value of the SIFT), properties that the SIFT (or persons or partnerships which do not deal at arm’s length with the SIFT) uses in the course of carrying on business in Canada and securities of a “subject entity” if the subject entity holds any “non-portfolio property” and the SIFT either holds securities of the subject entity that have a fair market value greater than 10% of the subject entity’s equity value, or holds securities of the subject entity that, together with securities held by the SIFT in entities affiliated with the subject entity have a total fair market value greater than 50% of the equity value of the SIFT. Amounts distributed which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax designed to emulate the combined federal and provincial corporate tax rates.

Distributions of income of SIFTs received by unitholders that are not deductible to the SIFT will be deemed to be dividends received by unitholders. Under the SIFT Rules, such deemed dividends from a SIFT will be taxed as a taxable dividend from a taxable Canadian corporation. Under the Tax Act such dividends deemed to be received by an individual will be included in computing the individual’s income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a holder that is a corporation generally will be deductible in computing the corporation’s taxable income. Certain corporations, including “private corporations” or “subject corporations” (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

Depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, the SIFT Rules, if applicable, would have a material adverse effect on the after-tax returns of certain Holders. Generally, distributions that are characterized as returns of capital are not taxable to Holders but serve to reduce the adjusted cost base of a Holder’s Trust Units.

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

### **Taxation of the REIT**

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT will generally include, among other things, net realized taxable capital gains for that year and its allocated share of the income of PRO REIT LP for its fiscal period ending on or before the year-end of the REIT, less the portion thereof that the REIT deducts in respect of the amounts paid or payable, or deemed to be paid or payable, in the year to Holders. An amount will be considered to be payable to a Holder in a taxation year if it is paid to the Holder in the year by the REIT or if the Holder is entitled in that year to enforce payment of the amount. The Trustees’ current intention is to make payable to Holder each year sufficient amounts such that the REIT generally will not be liable to pay non-refundable tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts, the REIT will make one or more in-kind distributions in the form of additional Trust Units. Income of the REIT payable to Holders will generally be deductible by the REIT in computing its taxable income, whether payable in cash, additional Trust Units or otherwise.

A distribution by the REIT of its property upon a redemption of Trust Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

The REIT will generally not be subject to tax on any amounts received as distributions from PRO REIT LP. Generally, distributions to the REIT in excess of its allocated share of the income of PRO REIT LP will result in a reduction of the adjusted cost base of the REIT's Class A LP Units in PRO REIT LP by the amount of such excess. If, as a result, the REIT's adjusted cost base at the end of a taxation year of its Class A LP Units in PRO REIT LP would otherwise be a negative amount, the REIT would be deemed to realize a capital gain in such amount for that year and the REIT's adjusted cost base at the beginning of the next taxation year of its Class A LP Units in PRO REIT LP would then be nil.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. Reasonable expenses incurred in respect of the issuance of Trust Units generally may be deducted by the REIT on a five-year, straight-line basis.

Losses incurred by the REIT cannot be allocated to Holders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net taxable capital gains realized by the REIT for a taxation year, it will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for such tax by an amount determined under the Tax Act based on the redemption of Trust Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not offset completely the REIT's tax liability for the taxation year arising in connection with the transfer of property in specie to redeeming Holders on the redemption of Trust Units.

#### **Taxation of subsidiaries of the REIT**

The SIFT Rules will apply to a Subsidiary of the REIT that would otherwise qualify as a SIFT unless such Subsidiary qualifies as an "excluded subsidiary entity" (as defined in the Tax Act). Under the Tax Act, an entity will generally be an "excluded subsidiary entity" for a taxation year if none of the "equity" of such entity is at any time in the taxation year (A) listed or traded on a stock exchange or other public market, nor (B) held by any person or partnership other than (i) a "real estate investment trust", (ii) a "taxable Canadian corporation", (iii) a "SIFT trust", (iv) a "SIFT partnership", (v) a person or partnership that does not have, in connection with the holding of a security of the entity, property the value of which is determined, all or in part, by reference to a security that is listed or traded on a stock exchange or other public market, or (vi) an "excluded subsidiary entity" (all within the meaning of the Tax Act) for the taxation year.

Based on representations as to certain factual matters made in the Officer's Certificate, Management has advised counsel that it expects that each direct or indirect subsidiary of the REIT that might otherwise qualify as a SIFT will qualify as an "excluded subsidiary entity" at all relevant times and therefore will not be subject to tax under the SIFT Rules. If PRO REIT LP or any other Subsidiary of the REIT does not qualify as an "excluded subsidiary entity" the income tax consequences described herein would in some respects be materially and adversely different.

#### **Taxation of PRO REIT LP**

Based on representations as to certain factual matters made in the Officer's Certificate, Management has advised counsel that it expects that PRO REIT LP qualifies and will continue to qualify as an "excluded subsidiary entity" throughout 2015 and subsequent taxation years. As a result, PRO REIT LP will not be subject to tax under the SIFT Rules. If PRO REIT LP does not qualify as an "excluded subsidiary entity," the income tax consequences described herein would in some respects be materially and adversely different.

Generally, each partner of PRO REIT LP, including the REIT, is required to include in computing the partner's income, the partner's share of the income (or loss) of PRO REIT LP for PRO REIT LP's fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of PRO REIT LP will be computed for each fiscal year as if PRO REIT LP were a separate person resident in Canada. In computing the income or loss of PRO REIT LP, deductions generally may be claimed in respect of available capital cost allowances, its reasonable administrative and other expenses (including interest in respect of debt of PRO REIT LP) incurred for the purpose of earning income from business or property to the extent permitted under the Tax Act. The income or loss of PRO REIT LP for a fiscal year will be allocated to the partners of PRO REIT LP, including the REIT, on the basis of their respective share of such income or loss as provided in the PRO REIT LP, subject to the detailed rules in the Tax Act.

If PRO REIT LP were to incur losses for purposes of the Tax Act, the ability of each partner (including the REIT) to deduct the partner's share of such losses may be limited by certain rules under the Tax Act, including "at-risk" rules. Certain losses allocated to PRO REIT LP from a subsidiary partnership that are limited by the "at risk" rules may not be available to PRO REIT LP and, therefore, may not be allocable to the partners (including the REIT), subject to the detailed rules in the Tax Act.

## **Taxation of Holders**

### ***Distributions by the REIT***

A Holder will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for the taxation year ending on or before the particular taxation year-end of the Holder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Holder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional Trust Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. See below under the subheading "Taxation of Holders – Capital Gains and Capital Losses". The non-taxable portion of any net capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Holder in a taxation year will not generally be included in the Holder's income for the year. However, such an amount which becomes payable to a Holder (other than proceeds of disposition of Trust Units or any part thereof) will reduce the adjusted cost base of the Trust Units held by such Holder. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Trust Unit and will be added to the adjusted cost base of the Trust Unit so that the adjusted cost base will be reset to zero.

The composition of distributions paid by the REIT, portions of which may be fully or partially taxable or non-taxable, may change over time, affecting the after-tax return to Holders. To the extent that amounts are designated as having been paid to Holders out of taxable dividends received or deemed to have been received by the REIT on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and dividend tax credit rules in respect of dividends designated by the corporation as "eligible dividends" will apply to Holders who are individuals (other than certain trusts). A Holder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and will generally be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including "private corporations" or "subject corporations" (as defined in the Tax Act) may be liable to pay a refundable tax at the rate of 33 $\frac{1}{3}$ % of such dividends to the extent that such dividends are deductible in computing taxable income.

The REIT estimates that, of the monthly cash distributions to be made by the REIT to Unitholders, approximately 100% in 2014 and 2015 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 short form prospectus, the pro forma related assumptions, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of the 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 of REIT distributions for tax purposes may change over time thus affecting the after-tax return to a Unitholder. See "Certain Canadian Federal Income Tax Considerations".

### ***Dispositions of Trust Units***

On a disposition or deemed disposition of a Trust Unit (including a redemption), a Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the Holder's proceeds of disposition (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less than) the aggregate of the Holder's adjusted cost base of the Trust Unit immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Trust Unit generally will include all amounts paid by the Holder for the Trust Unit subject to certain adjustments. The cost to a Holder of Trust Units received in lieu of a cash distribution will be equal to the amount of income distributed by the issuance of such Trust Units. For the purpose of determining the adjusted cost base to a Holder, when a Trust Unit is acquired, the cost of the newly-acquired Trust Unit will be averaged with the adjusted cost base of all of the Trust Units owned by the Holder as capital property immediately before that acquisition. The cost of Trust Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of

all of a Holder's Trust Units as a result of the receipt of the further distribution under the DRIP; however, the adjusted cost base per Trust Unit will be reduced.

A redemption of Trust Units in consideration for cash will be a disposition of such Trust Units for proceeds of disposition equal to such cash less any income or capital gain realized by the REIT in connection with the redemption of those Trust Units. A redemption of Trust Units in consideration for assets of the REIT, such as Subsidiary Securities, will be a disposition of such Trust Units for proceeds of disposition generally equal to the aggregate of the fair market value of such assets, less any income or capital gain realized by the REIT on the disposition of such assets and any other income or capital gain realized by the REIT in connection with the redemption of those Trust Units to the extent that such income or capital gain is designated to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether the proceeds of disposition received exceed, or are less than, the aggregate of the adjusted cost base of the Trust Units redeemed and any reasonable costs of disposition. Where income or capital gain realized by the REIT in connection with the distribution of property *in specie* on the redemption of Trust Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the REIT to a Holder upon redemption of Trust Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

### ***Capital Gains and Capital Losses***

One-half of any capital gain (a “**taxable capital gain**”) realized by a Holder on a disposition or deemed disposition of Trust Units and the amount of any net taxable capital gains designated by the REIT in respect of a Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss (an “**allowable capital loss**”) realized by a Holder on a disposition or deemed disposition of Trust Units must generally be deducted from taxable capital gains of the Holder in the year of disposition as an allowable capital loss. Allowable capital losses realized in excess of taxable capital gains in a particular taxation year may generally be deducted against taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, subject to and in accordance with the provisions of the Tax Act.

Where a Holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Trust Unit, the Holder's capital loss from the disposition generally will be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the Holder, to the extent and under the circumstances prescribed in the Tax Act. Similar rules may apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Trust Units.

A Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6<sup>2</sup>/<sub>3</sub>% on certain types of income, including taxable capital gains.

### **INTEREST OF EXPERTS**

Certain legal matters in connection with the issuance of the Trust Units offered by this short form prospectus, including matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of the Trust Units, will be passed on behalf of the REIT by Osler, Hoskin & Harcourt LLP and on behalf of the Underwriters by Cassels Brock & Blackwell LLP. Further, each of Osler, Hoskin & Harcourt LLP and Cassels Brock & Blackwell LLP are named as having provided certain legal opinions included in this short form prospectus.

Certain information relating to the Appraisals has been based upon reports prepared by Colliers Atlantic and Colliers Realty.

As of the date of this short form prospectus, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the REIT.

As of the date of this short form prospectus, the partners and associates of Cassels Brock & Blackwell LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the REIT.

As of the date of this short form prospectus, the designated professionals of each of Colliers Atlantic and Colliers Realty, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the REIT.

The REIT's auditors, MNP S.E.N.C.R.L, s.r.l., Chartered Professional Accountants, has advised that it is independent within the rules of the Code of Ethics of the Chartered Professional Accountants of Québec.

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

The independent auditor of the REIT is MNP S.E.N.C.R.L, s.r.l., 1155 René-Lévesque Boulevard West, Montréal, Québec, H3B 2J8.

The Transfer Agent and Registrar of the REIT is TMX Equity Transfer Services, 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.



## **CERTIFICATE OF THE REIT**

Dated: June 3, 2015

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

### **PRO REAL ESTATE INVESTMENT TRUST**

(signed) James W. Beckerleg  
Chief Executive Officer

(signed) Gordon G. Lawlor  
Chief Financial Officer

On behalf of the Board of Trustees

(signed) John Levitt  
Trustee

(signed) Gérard A. Limoges  
Trustee

## **CERTIFICATE OF THE UNDERWRITERS**

Dated: June 3, 2015

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

### **CANACCORD GENUITY CORP.**

By: (signed) Justin Bosa

### **NATIONAL BANK FINANCIAL INC.**

By: (signed) Benoit Veronneau

### **SCOTIA CAPITAL INC.**

By: (signed) Stephen Sender

### **TD SECURITIES INC.**

By: (signed) David Barnes

### **BMO NESBITT BURNS INC.**

By: (signed) Onorio Lucchese

### **HAYWOOD SECURITIES INC.**

By: (signed) David Rentz

### **INDUSTRIAL ALLIANCE SECURITIES INC.**

By: (signed) Richard Legault

