



PRO REAL ESTATE INVESTMENT TRUST

Annual Information Form

April 29, 2014

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GLOSSARY OF TERMS

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

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

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

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

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

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

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

“**Arrangement**” means the arrangement under section 182 of the OBCA involving, among other things, the transfer by shareholders of Taggart of all of the issued and outstanding common shares of Taggart to PROREIT LP in exchange for either Units or Class B LP Units.

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

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

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

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

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

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

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

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

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

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

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

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

“**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.

“**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 and as adopted by the Canadian Institute of Chartered Accountants.

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

“**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 Subsidiary, Taggart, and the Manager pursuant to which the Manager provides property and asset management, administrative and other services to the REIT and its Subsidiaries, including the services of certain management individuals, as such agreement may be amended and restated from time to time, as described under “Arrangements with the Manager”.

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

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

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended.

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

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

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

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

“**Qualifying Transaction**” means the qualifying transaction comprising the acquisition of the property located at 135 Main Street, Moncton, New Brunswick completed on January 29, 2013, in accordance with TSXV Policy 2.4 – *Capital Pool Companies*.

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

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

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

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

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

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

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

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

“**Taggart**” means PROREIT Management Inc., formerly known as Taggart Capital Corp., now a wholly-owned Subsidiary of PROREIT LP incorporated under the OBCA.

“**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.

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

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

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

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

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

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

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

EXPLANATORY NOTES

The information in this AIF is stated as at December 31, 2013, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the beginning of this AIF.

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

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

FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking 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 AIF include, but are not limited to, statements with respect to the following:

- the ability of the REIT to execute its growth strategies;
- the expected tax treatment of the REIT's distributions to Unitholders;
- the REIT's capital expenditure requirements for its properties;
- the ability of the REIT to qualify for the REIT Exception; and
- the debt maturity profile of the REIT.

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

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

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

NON-IFRS FINANCIAL MEASURES

Net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") 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, while AFFO is an important measure of economic performance and is indicative of the REIT's ability to pay distributions. NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS.

“NOI” is defined as revenues from income-producing properties less property operating expenses such as taxes, utilities, property level general administrative costs, 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 Units. 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 seasonal 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.

NOI, FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Management’s method of calculating NOI, FFO and AFFO may differ from other issuers’ methods of calculating NOI, FFO and AFFO, and accordingly, may not be comparable to the NOI, FFO or AFFO reported by other issuers.

LEGAL STRUCTURE OF THE REIT

The REIT

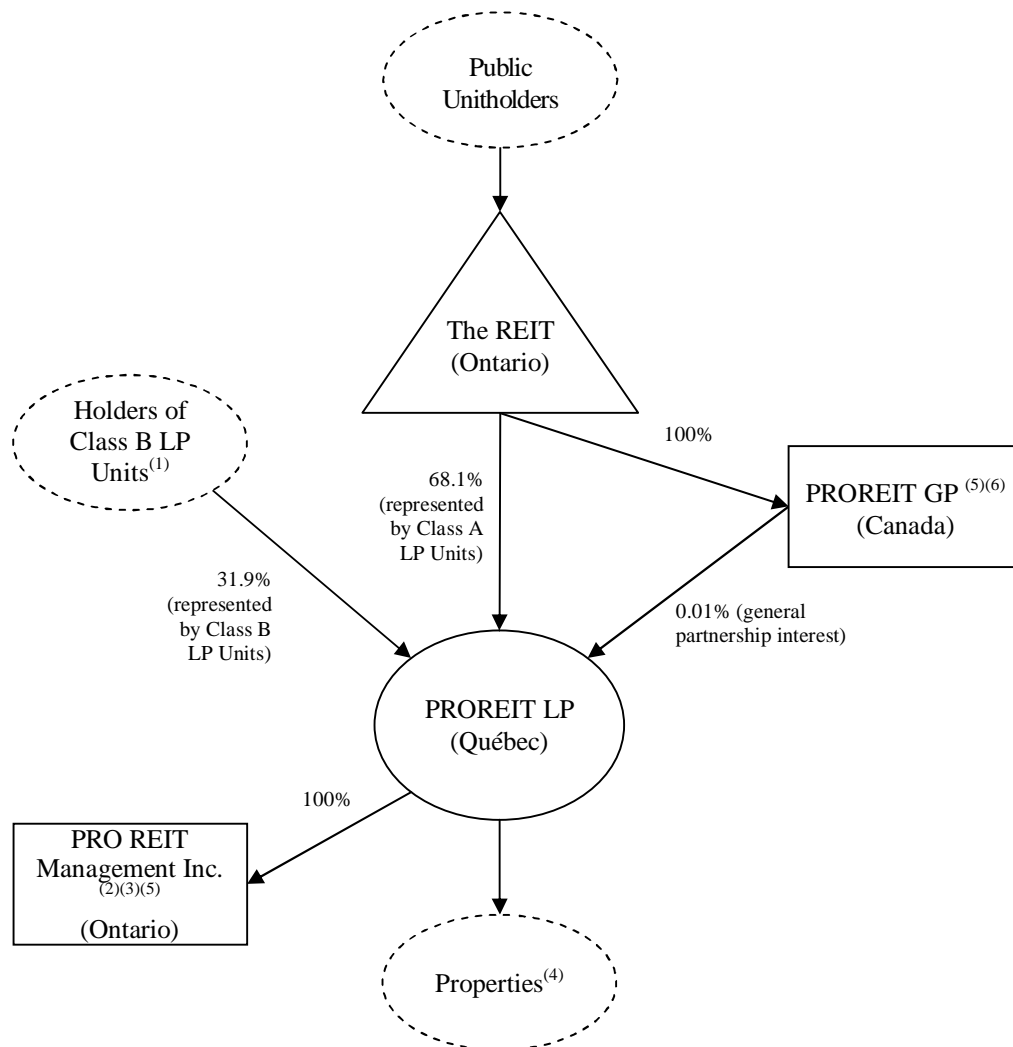
The REIT is an unincorporated, open-ended real estate investment trust established by the Declaration of Trust and governed by the laws of the Province of Ontario. The REIT is a “mutual fund trust” as defined in the Tax Act, but is not a “mutual fund” within the meaning of applicable Canadian securities legislation. The principal, registered and head office of the REIT is located at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5. A copy of the Declaration of Trust is available on SEDAR at www.sedar.com.

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

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

Organizational Structure

The following chart is a simplified illustration of the organizational structure of the REIT:



Notes:

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

GENERAL DEVELOPMENT OF THE BUSINESS

Predecessor of the REIT

As indicated above, the original predecessor company to the REIT was Taggart, a capital pool company which became a public company when it was listed on the TSXV on October 26, 2011. Taggart's business was initially restricted to the identification and evaluation of potential opportunities with a view to completing a Qualifying Transaction.

On January 29, 2013, Taggart completed its Qualifying Transaction, which involved three primary components: (i) the acquisition of the property located at 135 Main Street, Moncton, New Brunswick for a purchase price of approximately \$5.98 million, excluding closing and transaction costs, (ii) a change in management through the resignation of the directors and officers of Taggart upon closing of the Qualifying Transaction and the replacement thereof by a new management team and a new Board, and (iii) the completion of private placements for aggregate gross proceeds of approximately \$6,583,000. A business acquisition report dated May 29, 2013 was filed on SEDAR in respect of the acquisition of the property. Further details regarding the Qualifying Transaction can be found in Taggart's filing statement dated January 18, 2013, available on SEDAR at www.sedar.com.

REIT Conversion

On March 8, 2013, the shareholders of Taggart approved the conversion of Taggart into a real estate investment trust, which closed on March 11, 2013. The shareholders of Taggart became Unitholders of the REIT as part of that conversion by receiving Units or Class B LP Units, as applicable. In connection with the conversion, the Units were listed for trading on the TSXV under the symbol "PRV.UN", and the common shares of Taggart were delisted, on March 13, 2013.

Property Acquisitions

On March 27, 2013, the REIT completed the acquisition of the property located at 2 Lawrence Street, Amherst, Nova Scotia for a purchase price of approximately \$3.50 million, excluding closing and transaction costs.

On April 30, 2013, the REIT completed the acquisition of the property located at 1670 Notre Dame Street, L'Ancienne-Lorette, Québec for a purchase price of approximately \$7.01 million, excluding closing and transaction costs. A business acquisition report dated June 13, 2013 was filed on SEDAR in respect of the acquisition of the property.

Also on April 30, 2013, the REIT completed the acquisition of the property located at 449 Principale Street, Daveluyville, Québec for a purchase price of approximately \$1.45 million, excluding closing and transaction costs.

Public Offering of the REIT and Property Acquisitions

On November 19, 2013, the REIT completed a public offering of 4,622,417 Units at a price of \$2.40 per Unit, for total gross proceeds of approximately \$11.1 million. On December 31, 2013, pursuant to the exercise of an over-allotment option granted to the syndicate of underwriters, 125,000 additional Units were sold at the same price per Unit, bringing the total gross proceeds raised pursuant to the public offering to approximately \$11.4 million.

A portion of the net proceeds from the public offering were used by the REIT, along with cash on hand, certain assumed mortgages, new mortgages and a revolving credit facility, to fund the purchase of four properties. A portion of the net proceeds was also used by the REIT to repay approximately \$5.0 million owed by the REIT under an operating facility. The acquisition of the four properties was completed in December 2013.

The aggregate purchase price for the four properties was approximately \$39.0 million, excluding closing and transaction costs. Approximately \$5.8 million of the purchase price for the properties was satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the offering price of the Units of the REIT under its public offering. The properties were acquired from four separate and unrelated vendors.

The property located at 26-32 Prince Arthur Street and 11-15 Princess Street, Amherst, Nova Scotia was acquired on December 2, 2013 for a purchase price of approximately \$3.2 million, excluding closing and transaction costs.

The property located at 55 Technology Drive, Saint John, New Brunswick was acquired on December 2, 2013 for a purchase price of approximately \$6.6 million, excluding closing and transaction costs, of which approximately \$0.4 million was satisfied through the issuance of Class B LP Units.

The property located at 370 Connell Street, Woodstock, New Brunswick was acquired on December 10, 2013 for a purchase price of approximately \$13.95 million, excluding closing and transaction costs, of which approximately \$1.4 million was satisfied through the issuance of Class B LP Units. A business acquisition report dated February 13, 2014 was filed on SEDAR in respect of the acquisition of the property.

The property located at 3200-3260 Guénette Street, St-Laurent, Québec was acquired on December 10, 2013 for a purchase price of approximately \$15.25 million, excluding closing and transaction costs, of which approximately \$4.0 million was satisfied through the issuance of Class B LP Units. A business acquisition report dated February 13, 2014 was filed on SEDAR in respect of the acquisition of the property.

Subsequent Acquisition

On December 16, 2013, the REIT completed the acquisition of the property located at 325 Hymus Boulevard, Pointe-Claire, Québec for a purchase price of approximately \$3.38 million, excluding closing and transaction costs, of which approximately \$1.01 million was satisfied through the issuance of Class B LP Units at a price per unit of \$2.40. The balance of the purchase price was satisfied through the use of the REIT's revolving credit facility which was expanded to a maximum availability of \$9.0 million from its original \$6.9 million with the inclusion of this property as additional security.

BUSINESS OF THE REIT

General

The REIT has been established to own a portfolio of diversified commercial real estate properties in Canada, with a focus on primary and secondary markets in Québec, Atlantic Canada (New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador) and Ontario. These markets consist of large and stable economies, which currently exhibit strong real estate fundamentals. As these are collectively amongst the largest commercial real estate markets in Canada with highly fragmented ownership, management believes there is a significant opportunity for consolidation. In addition, management believes that commercial real estate in these markets represents compelling valuations relative to similar properties in other Canadian geographies. The REIT currently owns nine commercial properties located in Québec, New Brunswick and Nova Scotia, comprising approximately 400,000 square feet of GLA.

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

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

In aggregate, the REIT's executive officers and Trustees have over 100 years of operating, acquisitions, and financing experience in the Canadian real estate industry. They have extensive relationships with a broad network of

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

Objectives

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

The REIT intends to grow and diversify its portfolio in order to increase its stability and to reduce its exposure to any particular property, location, tenant or industry. The REIT seeks to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for increased rents, potential for capital appreciation, potential for operating efficiencies and ability to finance on attractive terms. The REIT's acquisition strategy is dynamic, and is intended to enable the REIT to adapt to changes in the economy, the real estate industry and capital markets conditions. The REIT seeks to identify undervalued opportunities in all market cycles in the commercial real estate industry.

Growth Strategies

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

Internal Growth

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

additional properties on excess land within the REIT's portfolio, including opportunities at 135 Main Street, 55 Technology Drive and 325 Hymus Boulevard. Management believes that there are development and expansion opportunities on approximately 12.2 acres of land at these properties, representing approximately 68,000 square feet of GLA. In addition, as local market conditions for a specific property change, the REIT will consider alternative strategies such as changing or adding anchor tenants, repositioning the property, or altering the mix of tenants.

External Growth

The REIT's external growth strategy includes the following:

- *Accretive acquisitions of income-producing commercial properties:* The REIT benefits from the experience and expertise of management and its acquisition and leasing knowledge to identify accretive acquisitions of office, retail and industrial properties across Canada, with an emphasis on markets in Eastern Canada, where the REIT's senior management team has a particular depth of experience. The REIT seeks to identify property acquisitions using investment criteria that focus on the quality of the tenants, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning. The REIT's acquisition focus is on buildings with minimal capital requirements, including new buildings or well-maintained older buildings. Consistent with the REIT's strategy and in the normal course, the REIT is engaged in discussions with respect to possible acquisitions of properties. See "Risk Factors - Acquisition and Development".
- *Minimizing risk through portfolio diversification:* As part of its growth strategy, the REIT intends to acquire a broad range of commercial properties in its target markets, and will seek to maximize diversification within its portfolio. The REIT's portfolio is diversified (i) by asset class among office properties, retail properties, and commercial mixed use properties; and (ii) by geography among markets in Québec and Atlantic Canada. Within each of the office, retail and industrial asset classes, the REIT intends to target class A and B, single and multi-tenant properties. A class A property is a property with high quality finishes well located in a prominent area, sought by investors and strong tenants and a class B property is a well designed and well maintained property that offers useful space in a functional layout. As mentioned, the REIT's target markets include Ontario, which will further enhance diversification as properties are acquired. Ontario is Canada's largest provincial economy, with the largest market for commercial real estate.
- *Selective development and expansion of properties:* To complement the REIT's acquisition strategy, selective development and expansion opportunities will be undertaken based on tenant demand. If development opportunities are pursued, the REIT initially intends to carry out any such projects externally, through third party developers. These projects will be aimed at improving the overall age and quality of the REIT's portfolio, while generating strong returns on investment. Many of the key elements and criteria of the REIT's acquisition strategy will also apply to the REIT's development and expansion strategy.

Competitive Conditions

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

REAL ESTATE PORTFOLIO

Overview of the Properties

The REIT owns a portfolio of nine income-producing commercial properties representing an aggregate of 396,737 square feet of GLA located in Eastern Canada. The following table provides information regarding the REIT's Portfolio. Unless otherwise indicated, the information in the table is presented as at December 31, 2013.

Property	Location	Year Built/ Renovated	# of Tenants	GLA (square feet)	Occupancy
Office					
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%
Retail					
370 Connell Street	Woodstock, NB	1972/2001	8 ⁽¹⁾	114,247	84.3%
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%
135 Main Street	Moncton, NB	2012	1	10,574	100.0%
449 Principale Street	Daveluyville, QC	1987/2011	1	6,762	100.0%
			12	171,795	86.6%
Commercial Mixed Use					
3200-3260 Guénette Street	St. Laurent, QC	2007	4 ⁽¹⁾	99,535	100.0%
			4	99,535	100.0%
Total			24⁽²⁾	396,737	89.5%

Notes:

(1) Includes a vendor lease.

(2) 22 separate and discreet tenants, after accounting for tenants that occupy space in more than one property.

As at December 31, 2013, the 10 largest tenants in the REIT's portfolio of properties, had a weighted average remaining lease term of 7.1 years. Eight of the portfolio's top ten tenants have been assigned investment grade credit ratings. An investment grade credit rated company is a company with bonds that carry ratings at or above Baa (Moody's) / BBB- (S&P) / BBB low (DBRS).

Tenant	% of Base Rent ¹	GLA (Square Feet)	% of GLA	Weighted Average Remaining Lease Term (years)	Credit Rating ²
Shoppers Drug Mart	16.2%	35,709	9.0%	10.2	BBB/BBB
CAE Inc.	11.9%	45,040	11.4%	1.2	
Sobeys Inc.	11.7%	42,737	10.8%	12.9	BBB-/BBB
Xerox Canada Inc.	11.3%	50,732	12.8%	1.0	Baa2/BBB-
Canadian Schedule I Chartered Bank	9.1%	14,589	3.7%	8.5	Aa3/A+/AA
VF Northface	6.8%	28,490	7.2%	4.0	A3/A-
Lawtons Drug Stores	5.8%	16,166	4.1%	15.3	
CRDITED	4.9%	17,222	4.3%	7.7	Aa2/A+/A
Cumberland Health Authority	3.5%	9,125	2.3%	3.8	Aa2/A+/A
Province of Nova Scotia	3.1%	12,785	3.2%	4.3	Aa2/A+/A

Top 10 tenants sub-total	84.2%	272,595	68.7%	7.1
Other tenants	15.8%	82,388	20.8%	5.8
Vacant	—	41,754	10.5%	
Total	100.0%	396,737	100.0%	6.9

Notes:

(1) Based on annualized base rent

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

The following information relating to the ten largest tenants has been obtained from third party sources and publicly available information. The REIT has not independently verified any of such information.

Shoppers Drug Mart Corporation

Shoppers Drug Mart Corporation (“**Shoppers Drug Mart**”) operates retail drug stores operating under the Shoppers Drug Mart and Pharmaprix brand names in Canada. The company’s stores offer over-the-counter medication, health and beauty aids, cosmetics and fragrances, seasonal products, and everyday household essentials. In addition, the company offers patient counseling and advice on medications, disease management, and health and wellness services, and a retail loyalty card program. Shoppers Drug Mart operates over 1,240 stores across Canada and licenses or owns 55 medical clinic pharmacies. Shoppers Drug Mart was founded in 1962 and is headquartered in Toronto, Ontario. Shoppers Drug Mart has approximately \$12 billion in annual sales. In June 2013, Shoppers Drug Mart announced that it had entered into an agreement to be acquired by Loblaw Companies Limited, Canada’s largest food retailer and a leading provider of drugstore, general merchandise, and financial products and services. The firm's shareholders voted in favour of a buy out bid from Loblaw Companies Limited in September 2013 for \$12.02 billion. The Competition Bureau of Canada approved the merger between the two companies on March 21, 2014 and the acquisition was completed on March 28, 2014. Loblaw Companies Limited is rated BBB (S&P and DBRS). Shoppers Drug Mart occupies 35,709 square feet of GLA, which represents 9.0% of the portfolio’s total GLA.

CAE Inc.

CAE Inc. (“**CAE**”) designs, manufactures, and supplies simulation equipment services, and develops integrated training solutions for the military, commercial airlines, business aircraft operators, aircraft manufacturers, healthcare education and service providers, and the mining industry worldwide. CAE was founded in 1947 and is headquartered in Montréal, Québec. CAE has annual sales of approximately \$2 billion, trades on the TSX under the trading symbol “CAE” and has a market capitalization of approximately \$3 billion. CAE occupies 45,040 square feet of GLA, which represents 11.4% of the portfolio’s total GLA.

Sobeys Inc.

Sobeys Inc. (“**Sobeys**”) is a Canadian food and grocery retailer. The company operates full service, fresh service, community service, price service, and convenience service format stores that primarily offer food products, as well as other stores that provide healthcare, beauty, cosmetics, convenience, and giftware products. Sobeys operates approximately 1,300 stores across 10 provinces with retail banners that include Sobeys, IGA, Foodland, FreshCo, Price Chopper, and Thrifty Foods, as well as Lawton’s Drug Stores. Sobeys was founded in 1907 and is headquartered in Stellarton, Nova Scotia. In June 2013, Empire and Sobeys announced that Sobeys had reached an agreement with Safeway Inc. to acquire Canada Safeway Limited for \$5.8 billion. The assets to be purchased by Sobeys include 213 full service grocery stores under the Safeway banner in Western Canada, 199 in-store pharmacies, 62 co-located fuel stations, 10 liquor stores, 4 primary distribution centres, and 12 manufacturing facilities. Sobeys is rated BBB- (S&P) and BBB (DBRS) and is a subsidiary of Empire Company Ltd. (“**Empire**”), which has annual sales of approximately \$17 billion. Empire trades on the TSX under the trading symbol “EMP.A” and has a market capitalization of approximately \$5 billion. Sobeys occupies 42,737 square feet of GLA, which represents 10.8 % of the portfolio’s total GLA.

Xerox Canada Inc.

Xerox Canada Inc. (“**Xerox Canada**”) manufactures and sells office electronics and related software. The company’s office products comprise multifunction printers, copiers, software tools, digital printing presses, production printers and copiers, continuous feed printers, and workflow software, as well as large format printers, copiers, scanners, and supplies. It also provides document outsourcing services, such as enterprise print services, document transaction processing services, enterprise marketing services, and product lifecycle communication services. The company was founded in 1953 and is based in Toronto, Ontario. Xerox Canada operates as a subsidiary of Xerox Corp. (“**Xerox**”), which has annual sales of approximately US\$22 billion. Xerox trades on the NYSE under the trading symbol “**XRX**”, has a market capitalization of approximately US\$13 billion and is rated Baa2 (Moody’s) and BBB- (S&P). Xerox Canada occupies 50,732 square feet of GLA, which represents 12.8% of the portfolio’s total GLA.

Canadian Schedule I Chartered Bank

This Canadian Schedule I Chartered Bank provides various financial products and services to individual, small business, commercial, corporate, and institutional customers in Canada and internationally. The company offers retail and business banking products and services; and wealth management services, including asset management, retail brokerage, and private wealth management services. It also provides wholesale banking services comprising corporate credit, capital markets, investment banking, merchant banking, and research products and services to government, institutional, corporate, and retail investment clients. The company offers retail and business banking services through approximately 1,100 branches, as well as through its ABMs, mobile sales force, telephone banking, and online and mobile banking. The company was founded in 1867, is headquartered in Toronto, Ontario and trades on the TSX with a market capitalization of approximately \$33 billion and is rated Aa3 (Moody’s), A+ (S&P) and AA (DBRS). This Canadian Schedule I Chartered Bank occupies 14,589 square feet of GLA, which represents 3.7% of the portfolio’s total GLA.

VF Outdoor (Canada) Inc.

VF Outdoor (Canada) Inc. (“**VF Northface**”) engages in designing, manufacturing, supplying, and retailing outdoor apparel, equipment, footwear, and others for climbers, mountaineers, snow sport athletes, extreme skiers, snowboarders, endurance runners, and explorers in the United States and Canada. It offers jackets and vests, shirts and sweaters, pants and shorts, accessories, footwear, and other collection for men and women; apparel for boys, girls, infants, and toddlers; equipment that includes daypacks, technical packs, luggage/duffels, tents, and sleeping bags; and various products for climbing and hiking, skiing and snowboarding, biking, running and yoga, athletes, and expeditions. The company sells its products through specialty mountaineering, backpacking, running, and snowsport retailers; premium-sporting goods retailers; outdoor specialty retail chains; and online retailers. The company was founded in 1966 and is based in San Leandro, California. VF Northface occupies 28,490 square feet of GLA, which represents 7.2% of the portfolio’s total GLA.

Lawton’s Drug Stores Limited

Lawton’s Drug Stores Limited (“**Lawton’s Drug Stores**”) operates pharmacy stores in Atlantic Canada. The company offers home health care, beauty, convenience, and giftware products. It sells, installs, and services home health care products that include bathroom safety, convalescent care, daily living, diabetes self care, diagnostics, foot care, incontinence management, mastectomy, maternity, ostomy, pain therapy, respiratory, sports medicine, and wound care products, as well as support stockings, walking aids, wheelchairs and accessories, and orthopedic supports. The company is also involved in the rental of home health care products, such as aerosol compressors, electric breast pumps and hospital beds, IV poles, over bed tables, phototherapy desk lamps, rollators, TENS devices, walkers, and wheelchairs. The company was founded in 1907 and is based in Dartmouth, Nova Scotia. Lawton’s Drug Stores occupies 16,166 square feet of GLA, which represents 4.1 % of the portfolio’s total GLA.

CRDITED

CRDITED is a network of health and social services providing specialized habilitation and rehabilitation to more than 4,500 people with intellectual disabilities or a pervasive developmental disorder. CRDITED of Montreal also offers assistance to the family and friends and support partners of such patients. In addition, it manages nearly 1,900 places in residential contractual resources such as intermediate resources or family-type resources on the Island of

Montreal. CRDITED occupies 17,222 square feet of GLA, which represents 4.3% of the the portfolio's total GLA, and is rated Aa2 (Moody's), A+ (S&P) and A (DBRS).

Cumberland Health Authority

The Cumberland Health Authority, a governmental unit of the Province of Nova Scotia, provides health care services in Nova Scotia. The District's services range from acute to long-term care and include public health, addiction and mental health programs. From five health care facilities and several community-based sites, a total staffing complement of nearly 800 health professionals and support staff provide care to Cumberland County's citizens. The Cumberland Health Authority occupies 9,125 square feet of GLA, which represents 2.3 % of the portfolio's total GLA.

Province of Nova Scotia

The Province of Nova Scotia operates as a parliamentary institution that provides administrative services to the constituents of Nova Scotia. The government, through its departments provides services such as economic development, education, payroll administration, accounting and tax policy development, highway construction and public works, heritage protection and preservation, community justice administration, and crime prevention. The Province of Nova Scotia, specifically the Department of Community Services for that region, occupies 12,785 square feet of GLA, which represents 3.2% of the portfolio's total GLA.

Lease Maturities

As at December 31, 2013, the Portfolio had an overall weighted average occupancy rate of 89.5% and a weighted average remaining lease term of approximately 6.9 years.

Property Descriptions

Office Properties

55 Technology Drive, Saint John, New Brunswick

This property is a modern three-storey office building located at 55 Technology Drive in Saint John, New Brunswick, with approximately 50,700 square feet of GLA on approximately 7.7 acres of land. It was built in 1999 and is 100.0% leased to a single tenant (Xerox Canada) until December 2014. The property has 285 outdoor parking spaces. The REIT has an option to purchase approximately 10.7 acres of vacant land adjacent to the property for a purchase price of \$778,000.

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

This property is an office complex located at 26-32 Prince Arthur Street and 11-15 Princess Street in Amherst, Nova Scotia, with approximately 50,700 square feet of GLA. It is situated on approximately 1.9 acres of land and has 130 outdoor parking spaces. The building was built in 1957, with renovations over time including 2008. The complex is 76.3% occupied by seven tenants, including the Province of Nova Scotia, the Cumberland Health Authority, the Government of Canada, and Hicks Lemoine Law Office. The vendor of the property has agreed to provide a guarantee and indemnity agreement in favour of the REIT for a term commencing on May 1, 2014 and expiring on April 30, 2018 whereby the vendor will guarantee, if required, the payment of all rent and other amounts payable by one of the tenants of the property representing 12,785 square feet, under its lease as if its lease, which expires on April 30, 2014, had been extended to April 30, 2018. The tenant has since extended its lease for an additional 18 months from April 30, 2014.

325 Hymus Boulevard in Pointe-Claire, Québec

This property is a medical office building located at 325 Hymus Boulevard in Pointe-Claire, Québec, with approximately 23,994 square feet of GLA and potential expansion of 15,000 square feet. The property was built in 1977, renovated in 2011, and is 71.8% occupied by Centre de Réadaptation Lisette Dupras under a long-term lease until August 2021. The property is situated on approximately 2.0 acres of land and has 23 outdoor parking spaces.

Retail Properties

370 Connell Street, Woodstock, New Brunswick

This property is located at 370 Connell Street in Woodstock, New Brunswick. The property is an enclosed community mall and one free-standing building, with an aggregate of approximately 114,200 square feet of GLA. It is situated on a 26.8 acre site and has open-air parking for 681 vehicles. The property was built in 1972 and renovated in 2001. There is potential for an additional 12,000 square foot free-standing pad development at this site. The property is 84.3% occupied by eight tenants, including Sobeys, The Brick, and Shoppers Drug Mart, and is shadow anchored by a Canadian Tire store.

2 Lawrence Street, Amherst, Nova Scotia

This property is a two-storey free-standing retail property located at 2 Lawrence Street in Amherst, Nova Scotia, with approximately 21,200 square feet of GLA situated on approximately 1.2 acres of land and has open-air parking for 60 vehicles. The property was built in 2009 and is 76.2% occupied by Lawton's Drug Store on a long-term lease until April 2029, with a pharmacy on the main level and subleases to medical/office tenants on the second floor.

1670 Notre Dame Street, L'Ancienne Lorette, Québec

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

135 Main Street, Moncton, New Brunswick

This property is a two-storey free-standing retail property located at 135 Main Street in Moncton, New Brunswick, with approximately 10,600 square feet of GLA. The property was built in 2012 on approximately 2.2 acres of land in Moncton in an expanding retail node and has 30 outdoor parking spaces. It is 100.0% occupied by a Canadian Schedule I Chartered Bank under a long-term lease until April 2022, and the property includes 0.8 acres of adjacent land that may be used for a future retail development.

449 Principale Street, Daveluyville, Québec

This property is a one-storey free-standing retail property located at 449 Principale Street in Daveluyville, Québec, with approximately 6,800 square feet of GLA. The property was built in 1987, substantially renovated in 2011, and is 100.0% occupied by Familiprix under a long-term lease until January 2026. It is situated on approximately 0.8 acres of land and has 53 outdoor parking spaces.

Commercial Mixed Use Properties

3200-3260 Guénette Street, St. Laurent, Québec

This property is a flex office/industrial property located at 3200-3260 Guénette Street, in St. Laurent, Québec, with approximately 99,600 square feet of GLA. The vendor of the property has committed to a vendor lease with respect to 10,310 square feet of GLA for a term expiring December 2015. The property was built in 2007 and is 100.0% occupied by CAE, VF Northface, Kia and the vendor lease. The property is situated on approximately 4.6 acres of land and has 170 outdoor parking spaces.

ENVIRONMENTAL SITE ASSESSMENTS

A Phase I Environmental Site Assessment (“**Phase I ESA**”) was prepared for each of the properties of the REIT at the request of the REIT by an independent environmental consultant between December 2012 and May 2013.

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

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

INDEBTEDNESS

General

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

As at December 31, 2013, the REIT’s total consolidated indebtedness was \$41.3 million, representing approximately 58.9 % of Gross Book Value.

The REIT intends to satisfy principal repayments on its debt in future years through a combination of the re-financing of the REIT’s mortgages, the REIT’s working capital and the Revolving Credit Facility. As at December 31, 2013, the REIT was compliant with all financial covenants with respect to its indebtedness.

Composition of Indebtedness

Existing Mortgages, Term Loan and Promissory Note

As at December 31, 2013, the REIT had outstanding mortgages with an aggregate principal amount of \$29.7 million, bearing interest at a weighted average rate of 4.14% per annum, maturing between March 2015 and March 2023. The mortgages are secured by first charges against specific properties of the REIT.

As at December 31, 2013, the REIT also had a term loan, which is used by the REIT to finance acquisitions and fund deposits on future acquisitions, with a maximum available of \$4.0 million. The term loan bears interest at the rate greater of 8.5% or the financial institution prime rate plus 5.0% per annum and matures in April 2016. As at December 31, 2013, advances under the term loan amounted to \$2.0 million. The term loan is secured by first or second charges on certain properties of the REIT.

The REIT also had a \$250,000 promissory note outstanding as of December 31, 2013, which bears interest at a rate of 8.5% per annum. The promissory note matures in July 2014 and is not secured.

Revolving Credit Facility

The REIT has a floating rate revolving credit facility of \$9.0 million, with an initial term of 24 months expiring in December 2015 (the “**Revolving Credit Facility**”). The Revolving Credit Facility bears interest at prime rate plus 162.5 basis points or banker’s acceptance rate plus 262.5 basis points and is secured by a pool of first and second mortgages on certain investment properties totaling approximately \$31.1 million (the “**Borrowing Base**”). The REIT is entitled to borrow a maximum of 65% of the lesser of the purchase price and fair market value of properties comprising the Borrowing Base subject to a first security position, and 60% of the lesser of the purchase price and fair market value of properties comprising the Borrowing Base subject to a second security position, subject to the limitations on the ability of the REIT to incur indebtedness contained in the Declaration of Trust. The Revolving Credit Facility provides the REIT with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions.

The Revolving Credit Facility includes conditions precedent, financial and non-financial covenants, and events of default customary for a credit facility of this nature. In addition, the Revolving Credit Facility includes certain restrictions regarding properties to qualify for inclusion in the Borrowing Base under such facility. As at December 31, 2013, \$8.9 million was drawn under the Revolving Credit Facility.

Debt Maturities

The following table sets out, as at December 31, 2013, the principal instalments, debt maturity and weighted average interest rate of maturing debt of the REIT that are in place as at December 31, 2013 and paid over the periods indicated (dollar amounts in thousands).

Year	Payments of Principal	Debt Maturing During Year	Total Principal Payments	Percentage of Total Debt
Within one year	\$753	\$9,131	\$9,884	23.9%
One to two years	\$748	\$3,551	\$4,299	10.4%
Two to three years	\$752	\$2,000	\$2,752	6.7%
Three to four years	\$725	\$1,340	\$2,065	5.0%
Four to five years	\$475	\$17,510	\$17,985	43.5%
After five years (no later than 2023)	\$636	\$3,717	\$4,353	10.5%
	\$4,089	\$37,249	\$41,338	100.0%

Additional Financing

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

ARRANGEMENTS WITH THE MANAGER

On March 11, 2013, the REIT entered into a management agreement (the “**Management Agreement**”) with the Manager. Pursuant to the terms of the Management Agreement, the Manager provides the REIT with the services necessary to manage its day-to-day operations.

General

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

Duties of the Manager

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

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

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

Fees

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

- an annual advisory fee (the “**Advisory Fee**”) equal to 0.25% of the Adjusted Cost Base of the REIT’s assets, payable quarterly and prorated to take into account any acquisitions or dispositions during any monthly period, where “**Adjusted Cost Base**” means the book value of the assets of the REIT, as shown on its most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization shown thereon, less excess cash that is not yet invested in properties or other assets; and
- an acquisition fee (the “**Acquisition Fee**”) equal to (i) 1.00% of the purchase price paid by the REIT for the purchase of a property, on the first \$100,000,000 of properties acquired in each fiscal year; (ii) 0.75% of the purchase price paid by the REIT for the purchase price of a property on the next \$100,000,000 of properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT for the purchase of a property, on properties in excess of \$200,000,000 acquired in each fiscal year. For the purposes of calculating

the Acquisition Fee, the purchase price of a property will be the initial cost (for greater certainty, whether paid in cash, by the assumption of any mortgage or other indebtedness, the issuance of debt or equity, or in any other manner) including, without limitation, real estate commissions, finder's fees and any other acquisition costs payable by the REIT (excluding the fees payable to the Manager pursuant to this provision and all out-of-pocket costs incurred by the REIT in connection with the acquisition including legal fees and disbursements, registration and filing fees, land transfer and sales taxes) all calculated in accordance with IFRS.

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

Under the Management Agreement, the REIT shall reimburse to the Manager all out-of-pocket expenses directly incurred by the Manager in performing its services under the Management Agreement and shall reimburse the Manager for all other costs, salaries and certain expenses relating to the Manager's operations as a company providing management services generally, provided that to the extent the Manager provides management services to persons other than the REIT, the aggregate amount of such costs shall be allocated by the Manager between all of its clients so that the REIT is only responsible for its pro rata share of such costs calculated by reference to the floor area of the properties relative to all properties under management by the Manager. Notwithstanding the foregoing, the Manager has agreed that the REIT will not bear the employment expenses of the Manager's personnel and certain other miscellaneous expenses during the period ending September 30, 2014 in respect of certain properties. The Manager and the REIT will then revisit this reimbursement arrangement, with the intent of maintaining the sustainability of the REIT's cash flows.

Delegation and Subcontracting

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

The Manager may delegate and/or subcontract any of its property management functions to a duly qualified property manager. The Manager is currently managing two properties owned by the REIT that are located in Québec, and Broccolini Property Management Inc., a third party property manager, is managing the two other properties that are located in Québec. Another third party property manager, Compass Commercial Realty, is currently managing the properties that are located in the Maritimes. The market rates for property management usually range between 2%-4% of gross rent, depending on the property type (retail/office/industrial), number of tenants and the geographical location. All fees of such third party property manager are solely borne by the REIT. The out-of-pocket costs and expenses of such third party property manager, to the extent that they are costs and expenses that would otherwise be paid to the Manager, will be solely borne by the REIT.

Non-Competition

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

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

Term and Termination

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

The Management Agreement may be terminated in the following circumstances:

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

In the event the Management Agreement is terminated in accordance with (b) above, the REIT shall pay the Manager a termination fee equal to the management fees and expenses paid to the Manager in the then most recent fiscal year, plus any severance costs related to the employees of the Manager. The REIT shall also reimburse the Manager for any and all costs and expenses incurred or payable by the Manager as a result of or in connection with its ceasing to provide services pursuant to the Management Agreement, including, without limitation, (i) lease termination penalties, (ii) penalties/costs relating to the buyout or wind-up cost of any other commitment, and (iii) any other costs and expenses payable by the Manager due to having relied on the expected subsistence of the Management Agreement.

In the event the Management Agreement is terminated in accordance with (c), (d) or (e) above, the REIT shall pay the Manager a termination fee equal to: (i) in the event the Management Agreement is terminated during the initial term, the anticipated fees which would have been payable to the Manager in respect of such services during the balance of the initial term, plus any severance costs related to the employees of the Manager and any lease termination penalties payable by the Manager; provided that if there remained less than two years on the initial term of the Management Agreement, the REIT shall pay to the Manager a termination fee equal to the anticipated fees which would have been payable to the Manager in respect of such services during the following two years (assuming that there would have been a renewal term), plus any severance costs related to employees of the Manager and any lease termination penalties payable by the Manager; or (ii) in the event the Management Agreement is terminated during a renewal term, the anticipated fees which would have been payable to the Manager in respect of such services during the following two years (assuming, if so required for the purposes of this

calculation, that there would have been an additional renewal term), plus any severance costs related to the employees of the Manager and any lease termination penalties payable by the Manager. In the event that following a termination of the Management Agreement the Manager is entitled to receive anticipated fees as described above, a committee of independent trustees will be formed by the REIT to direct the process related to the calculation of the anticipated fees. After considering all facts and circumstances deemed by the members of the independent committee to be relevant, the committee will make a recommendation to the board of trustees regarding the amount of the termination fee.

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

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

TRUSTEES AND EXECUTIVE OFFICERS OF THE REIT AND THE MANAGER

Trustees and Executive Officers

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

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

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

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

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

Name and Municipality of Residence	Age	Position with the REIT	Position held with the REIT since	Principal Occupation During the Past Five Years	# of Voting Units Beneficially Owned, directly or indirectly or over which Control or Direction is Exercised (and %)
John Levitt ⁽¹⁾ Toronto, Ontario, Canada	65	Independent Trustee and Chairman of the Board of Trustees	2013	Partner at EDEV Real Estate Advisors, Trustee of CANMARC Real Estate Investment Trust	87,499
G�rard A. Limoges ⁽²⁾ Montr�al, Qu�bec, Canada	74	Independent Trustee	2013	Corporate Director, Trustee of CANMARC Real Estate Investment Trust	37,333
Vitale A. Santoro ⁽³⁾ Montr�al, Qu�bec, Canada	46	Trustee and Corporate Secretary	2013	Partner at Osler, Hoskin & Harcourt LLP	16,250
Ronald E. Smith ⁽⁴⁾ Yarmouth, Nova Scotia, Canada	63	Independent Trustee	2013	Corporate Director	37,499
James W. Beckerleg ⁽⁵⁾ Montr�al, Qu�bec, Canada	67	Trustee, President and Chief Executive Officer	2013	Principal of Labec Realty Advisors Inc., President and Chief Executive Officer of CANMARC Real Estate Investment Trust, President of Belwest Capital Management Corp.	306,238
Gordon G. Lawlor Halifax, Nova Scotia, Canada	46	Chief Financial Officer	2013	Principal of Labec Realty Advisors Inc., Chief Financial Officer of Investment Trust, Chief Financial Officer of CANMARC Real Estate Homburg Canada Inc.	232,742

Notes:

- (1) Member of the Audit Committee, the Governance and Compensation Committee, the Nominating Committee and the Investment Committee.
- (2) Chair of the Audit Committee and member of the Governance and Compensation Committee, the Nominating Committee and the Investment Committee.
- (3) Chair of the Governance and Compensation Committee.
- (4) Member of the Audit Committee and the Investment Committee.
- (5) Chair of the Nominating Committee and the Investment Committee.

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

As a group, as at April 29, 2013, the Trustees and executive officers of the REIT beneficially own, or control or direct, directly or indirectly, 717,561 Units or Class B LP Units, representing approximately 6.85% of the issued and outstanding Units or Class B LP Units.

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

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

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

G rard A. Limoges, CM, FCPA, FCA – Independent Trustee

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

Vitale A. Santoro, LL.B. – Trustee and Corporate Secretary

Vitale A. Santoro is a partner in the corporate department of the Montr al office of Osler, Hoskin & Harcourt LLP. Mr. Santoro practices corporate law, with an emphasis on corporate finance and mergers and acquisitions. Mr. Santoro obtained an LL.B. from Universit  de Montr al (Montr al, Qu bec) and a B.A. (Economics) from Concordia University (Montr al, Qu bec).

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

Ronald E. Smith is a corporate director and highly experienced Board Member with an extensive background in finance, human resources and management consulting across a wide spectrum of industries and enterprises. He currently is the Chair of the Nova Scotia Public Service Superannuation Fund and serves on the Board of AuRico Gold Inc. (formerly Gammon Gold Inc.), a TSX listed entity. For 10 years, from 2002 to 2012, he was also a member of the Canada Pension Plan Investment Board, which manages over \$170 billion of assets. Over the last 30 years, he has served on boards and audit committees of six Canadian public companies and was a member of the Advisory Board of Southwest Properties Ltd. He also serves on various not-for-profit boards and committees. From 2000 to 2004, he was Senior Vice President and Chief Financial Officer of Emera Inc., a publicly-traded energy company. From 1987 to 1999, Ron was Chief Financial Officer of MTT, a publicly-traded telecommunications company, and Maritime Telegraph and Telephone Company Limited, a predecessor of Aliant Inc. Prior to MTT, he had a 16 year career at Ernst & Young including as a Partner in financial recovery and insolvency consulting in real estate, construction, financial services, and a variety of other industries. He is a member of the Institute of Corporate Directors and is a Fellow of the Institute of Chartered Accountants of Nova Scotia.

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

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

Gordon G. Lawlor, CA – Chief Financial Officer

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

Governance and Board of Trustees

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

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

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

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

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

The standard of care and duties of the Trustees provided in the Declaration of Trust is similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and the holders of Units and Special Voting Units and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and the holders of Units and Special Voting Units or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Committees of the Board of Trustees

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

Audit Committee

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

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

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

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

Pre-Approval Policies and Procedures

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

Auditors' Fees

The aggregate fees billed by MNP S.E.N.C.R.L., srl, Chartered Accountants, the REIT's external auditor, or fees accrued by the REIT in 2013 for professional services are presented below:

	Year ended December 31, 2013
Audit Fees	\$ 55,158
Audit-Related Fees ⁽¹⁾	\$ 46,960
Tax Fees ⁽²⁾	\$ 29,004
All Other Fees ⁽³⁾	\$ 243,237
Total	\$ 374,359

Notes:

- (1) Audit-related fees are aggregate fees billed by the REIT's external auditor in 2013 for assurance and related services that are reasonably related to the performance of the audit or review of the REIT's financial statements and are not reported under "Audit Fees" in the table above.
- (2) Tax fees are aggregate fees billed in 2013 for professional services rendered with respect to tax compliance, tax advice and tax planning.
- (3) All other fees are aggregate fees billed in 2013 for products and services provided by the REIT's external auditor, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees" in the table above. These include services rendered in connection with the conversion of Taggart into the REIT, public offering of the REIT completed in December 2013 as well as related services.

Governance and Compensation Committee

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

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

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

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

The Governance and Compensation Committee is comprised of Vitale A. Santoro, who acts as Chair of the Committee, John Levitt and Gérard A. Limoges. For the education and experience of each member of the Governance and Compensation Committee, see “Trustees and Executive Officers of the REIT and the Manager – Trustees and Executive Officers”.

Nominating Committee

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

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

Investment Committee

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

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

Remuneration of Trustees

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

The aggregate number of Units that may be issued pursuant to the LTIP is 571,388. No Restricted Units and Deferred Units may be granted if the result would cause the total number of Units potentially issuable under the LTIP to exceed the aggregate number of Units issuable under the LTIP. Trustees eligible to receive cash remuneration from the REIT may also elect to receive up to 50% of their cash remuneration in the form of Deferred Units. The remuneration of the Trustees is subject to periodic review by the Board of Trustees, in consultation with the Governance and Compensation Committee.

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

Conflicts of Interest

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

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

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

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

Independent Trustee Matters

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

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

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

Mr. Gérard A. Limoges, a trustee of the REIT, was a director of Supratek Pharma Inc. when it made an application under the CCAA in January 2009. Supratek Pharma Inc. completed its statutory plan of arrangement under the CCAA in October 2009. Since 2003, he is also a director of Hart Stores Inc., a company which sought protection under the CCAA in August 2011. Hart Stores Inc. is subject to a cease trade order issued on August 6, 2012 by the Canadian securities regulatory authorities for failure to file annual and interim financial statements as well as the related management's discussion and analysis and Chief Executive Officer and Chief Financial Officer certifications within the prescribed periods.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

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

- (a) the REIT may only invest, directly or indirectly, in interests in income-producing real estate located primarily in Canada and assets ancillary thereto necessary for the ownership or utilization of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything else contained in the Declaration of Trust or these investment guidelines or the operating policies of the REIT, the REIT will not make investments, including direct or indirect investments in operating businesses, or take or omit to take any action that could result in: (i) the Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, tax-free savings accounts or deferred profit-sharing plans; (ii) the REIT or any Subsidiary being liable under the Tax Act to pay a tax imposed under

paragraph 122(1)(b) or the REIT being liable to pay tax under Part XII.2 of the Tax Act; or (iii) the REIT ceasing to qualify as a “mutual fund trust”, “real estate investment trust” or a “registered investment” for purposes of the Tax Act or a Subsidiary ceasing to meet the conditions in paragraphs (a) to (d) of the definition of “real estate investment trust”;

- (c) the REIT may invest in units of PROREIT LP and shares of PROREIT GP, amounts receivable in respect of such units and shares, in cash and similar deposits in a Canadian chartered bank or trust company and, subject to paragraph (b) above, such other investments as the Trustees deem advisable from time to time;
- (d) the REIT may, directly or indirectly, invest in a joint venture arrangement for purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that the terms and conditions of any such joint venture arrangement are commercially reasonable;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies, the REIT may not hold securities of a Person other than to the extent such securities would constitute an investment or an interest in real or immovable property and provided that, notwithstanding the Declaration of Trust, the REIT may acquire securities of other real estate investment trusts or real estate operating companies;
- (f) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) the REIT shall not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction: (i) where revenue will be derived, directly or indirectly, principally from real property; or (ii) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of real or immovable property (in each case as determined by the Trustees);
- (h) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to properties of the Trust for the purpose of renovation or expansion of properties, or (ii) in connection with the development of new properties which will be capital property of the REIT, provided the aggregate value of investments in raw land, excluding raw land under development and after giving effect to the proposed investment, will not exceed 5% of Gross Book Value;
- (i) the REIT may invest in mortgages and mortgage bonds and similar instruments where: (i) the real property which is security therefor is income producing and meets the Investment Guidelines; and (ii) the aggregate book value of the investments in such mortgages, mortgage bonds and similar investments after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and
- (j) subject to paragraph (b), the REIT may invest an amount (which, in the case of an amount invested to acquire real property is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of Gross Book Value in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h).

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

Operating Policies

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

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes;

- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and (ii) to the extent the Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the holders of Voting Units, any written instrument which is a material obligation, shall contain a provision that the obligation created is not personally binding upon the Trustees, the holders of Voting Units or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound;
- (c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve their income producing potential of properties in which the REIT has an interest and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of investments in properties under development, after giving effect to the proposed investment in the construction or development, will not exceed 15% of Gross Book Value;
- (d) title to each real property shall be held by and registered in name of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or PROREIT LP or jointly-owned, directly or indirectly, by the REIT or PROREIT LP, with joint venturers;
- (e) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 70% of Gross Book Value following the investment. “**Indebtedness**” means on a consolidated basis: (i) any obligation of the REIT for borrowed money; (ii) any obligation of the REIT incurred in connection with the acquisition of property; (iii) any obligation of the REIT issued or assumed as the deferred purchase price for property; (iv) any capital lease obligation of the REIT; and (v) any obligation of a person other than the REIT of the type referred to in (i) through (iv) above, the payment of which is guaranteed by the REIT or for which the REIT is responsible or liable; provided that, an obligation will constitute “indebtedness” only if it would appear as a liability on the consolidated balance sheet of the REIT;
- (f) the REIT shall not incur or assume any indebtedness (other than by the assumption of existing indebtedness and the renewal, extension or modification thereof from time to time) or renew or refinance any indebtedness under a mortgage on any of the real property (other than on raw land and/or land under development and/or assumed debt) of the REIT where (i) in the case of an individual property, the total amount of indebtedness, excluding operating lines, secured by mortgages on such property exceeds 75% of the market value of such individual property; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of indebtedness, excluding operating lines, secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;
- (g) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest or by an entity jointly owned by the REIT with joint venturers where such indebtedness, if granted by the REIT directly, may in the sole discretion of the Trustees cause the REIT to contravene its investment guidelines or operating policies;
- (h) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and accidental loss of value of assets from risks; and
- (i) the REIT shall obtain or review a Phase I environmental site assessment of each real property to be acquired, and, if a Phase I environmental site assessment report recommends further environmental site assessment, the REIT shall have conducted such further assessment by independent and experienced environmental consultant as a condition to any acquisition, and such assessments shall be satisfactory to the Trustees.

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

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, the investment guidelines set out under the heading “Investment Guidelines” and the operating policies set out under the heading “Operating Policies” may be amended only with the approval of two-thirds of the votes cast by Unitholders at a meeting of Unitholders called for such purpose. If at any time a

government or regulatory authority having jurisdiction over the REIT or any property or assets of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline of the REIT then in force, such guideline in conflict will, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and any such resolution of the Trustees will not require the prior approval of the Unitholders. A majority of the Trustees, including a majority of the Independent Trustees, may also, without the approval of the Unitholders, make certain amendments to the Declaration of Trust. See “Description of the Trust and Description of the Units – Amendments to Declaration of Trust and Special Approvals”.

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

DISTRIBUTION POLICY

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

Distribution Policy

The Board of Trustees adopted a distribution policy pursuant to which the REIT makes pro rata monthly cash distributions to Unitholders and holders of Class B LP Units (subject to an election by Unitholder to utilize the DRIP described below) equal to, on an annual basis, approximately 92.8% of AFFO.

Management of the REIT believes that the 92.8% payout ratio initially set by the REIT allows the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT’s current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. Any increase or reductions in the percentage of AFFO to be distributed to Unitholders will result in a corresponding increase or decrease in distributions on Class B LP Units. Cash distributions are not assured. See “Risk Factors – Risks Relating to the Units – Cash Distributions Are Not Guaranteed”.

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

Distribution History

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

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

Distribution Reinvestment Plan

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

Tax Deferral on Distributions

The REIT estimates that, of the monthly cash distributions to be made by the REIT to Unitholders, approximately 100% in 2014 will be tax deferred by reason of the REIT's ability to claim capital cost allowance and certain other deductions. Such estimate is based on the facts set out in this AIF, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of CRA and the Tax Proposals. The adjusted cost base of Units held by a Unitholder will generally be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder.

DESCRIPTION OF THE TRUST AND DESCRIPTION OF THE UNITS

General

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

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

Units and Special Voting Units

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

Units

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

The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are substantially similar, Unitholders do not have statutory rights of shareholders of a corporation

incorporated under the CBCA including, for example, “dissent rights” in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, and the right to bring “oppression” or “derivative” actions.

Special Voting Units

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

Meetings of Unitholders

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

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

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

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

Redemption Right

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

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

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

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

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

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

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

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

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

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

Purchases of Units by the REIT

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

Take-Over Bids

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

Issuance of Units

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

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

The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash

distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Book-Based System

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

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

Transfer and Exchange of Units

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

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

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

Limitation on Non-Resident Ownership

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

If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units or the Special Voting Units then outstanding are held by or for the benefit of non-residents, the Trustees may send a notice to non-resident holders of the Units or Special Voting Units and holders of Units or Special Voting Units for non-residents chosen

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

Information and Reports

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

Amendments to Declaration of Trust and Special Approvals

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of holders of Voting Units called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of holders of Voting Units called for such purpose.

The following amendment or actions, among others, require the approval of two-thirds of the votes cast by all holders of Voting Units at a meeting:

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

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

- (a) for the purpose of ensuring continuing compliance with applicable laws, (including the Tax Act) regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or over the

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

REIT Unitholders’ Rights Plan

Summary

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

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

Separation Time

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

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

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

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

Exercise Price of Rights

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

Flip-In Event

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

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

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

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

Acquiring Person

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

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

Exempt transactions include:

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

Permitted Bids

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

- (a) the bid is made to all holders of Voting Units, other than the Offeror, for all of the issued and outstanding Voting Units (including any Voting Units that may be issued on the conversion or exchange of securities issued by the REIT or the Class B LP Units);
- (b) the bid contains, and the take-up and payment for securities tendered or deposited thereunder is subject to, irrevocable and unqualified conditions that no Voting Units shall be taken up or paid for pursuant to the bid (i) prior to the close of business on the date which is not less than 60 days following the date of the bid; and (ii) unless at such date more than 50% of the Voting Units held by independent unitholders shall have been deposited or tendered pursuant to the bid and not withdrawn;
- (c) the bid contains an irrevocable and unqualified provision that, unless the bid is withdrawn, Voting Units may be deposited pursuant to such bid at any time prior to the close of business at any time during the period described in (b)(i) and that any Voting Units deposited pursuant to the bid may be withdrawn until taken up and paid for; and
- (d) the bid contains an irrevocable and unqualified provision that if, in the event that the deposit condition in (b)(ii) is satisfied, the Offeror will make a public announcement of that fact and the bid will remain open for deposits and tenders of Voting Units for not less than 10 business days from the date of such public announcement.

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

- (a) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry of the Permitted Bid;
- (b) satisfies all components of the definition of a Permitted Bid other than the requirements set out in paragraph (b)(i) of the definition of Permitted Bid; and
- (c) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Voting Units will be taken up or paid for pursuant to the bid prior to the close of business on a date that is no earlier than the later of (i) 60 days after the date on which the earliest Permitted Bid then in existence was made; and (ii) 35 days after the date of the bid constituting the Competing Permitted Bid;

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

Redemption and Waiver

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

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

that such other take-over bid is made by way of a formal take-over bid circular to all holders of Voting Units prior to the expiry of the take-over bid in respect of which the waiver has been granted.

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

DESCRIPTION OF PROREIT LP

General

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

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

Partnership Units

PROREIT LP has outstanding general partnership units, all of which are held by the REIT, Class A LP Units, all of which are held by the REIT, and Class B LP Units, which are held by the vendors of certain properties acquired by the REIT and certain officers of the REIT. As at the date of this AIF, the Class A LP Units, together with the general partnership units, represent approximately 68.1% of the total interests in Master LP currently outstanding and the Class B LP Units represent approximately 31.9% of the total interests in Master LP currently outstanding. The Class B LP Units are, in all material respects, economically equivalent to the Units on a per unit basis. Under the Exchange Agreement, the Class B LP Units are indirectly exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Tax Act. In addition, PROREIT LP is entitled to require the redemption of the Class B LP Units in consideration for Units in certain specified circumstances.

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

Operation

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

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

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

Transfer of LP Units

The PROREIT LP Units (other than Class A LP Units) are not transferable, except, in the case of Class B LP Units, in connection with the exercise of the Exchange Rights, and in those certain limited exceptions set out in the PROREIT LP Agreement.

Amendments to the PROREIT LP Agreement and Special Approvals

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

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

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

RISK FACTORS

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

Risks Relating to the REIT

Real Property Ownership

All real property investments are subject to a degree of risk. Such investments are affected by general economic conditions, such as availability of long-term mortgage funds, local real estate markets, supply and demand for leased

premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants.

Diversification Risk

Tenants

The REIT's revenues will be sensitive to the ability of the REIT's key tenants to meet their rent obligations and the REIT's ability to collect rent from these tenants. Approximately 30% of GLA of the portfolio of properties of the REIT is comprised of single-tenant properties. In the event that such tenants were to terminate their tenancies or become insolvent, the REIT's financial results would be materially adversely affected. Until the REIT is in a position to acquire more assets and further diversify its tenant base, the REIT will take certain steps to mitigate any credit risk by closely monitoring its tenants' compliance with the terms of their respective leases and to report any issues as soon as they are identified.

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

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

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

Dependence on the Manager and Key Personnel

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

Fixed Costs

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's

financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space.

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

Financing Risks and Leverage

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

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

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

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

Liquidity of Real Property Investments

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

Current Global Capital Market Conditions

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

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

Excessive vacancies or uncollectible rents could have an adverse effect on the REIT's and its subsidiaries operations and cash flows required to meet those fixed costs.

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

Acquisition and Development

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

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

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

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

Potential Conflicts of Interest

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

Risks Associated with External Management Arrangements

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

At the end of the initial five-year term and any five-year renewal term (if so renewed on mutual agreement), there could be circumstances whereby the fees payable to the Manager under the Management Agreement to carry out its duties thereunder are in excess of those expenses that would be incurred by the REIT on an annual basis if

management of the REIT was performed by individuals employed directly by the REIT rather than by the Manager under the Management Agreement but the Management Agreement may not be terminated by the REIT in accordance with the provisions of the agreement. Furthermore, there is a risk that, because of the term and termination provisions of the Management Agreement, the termination of such agreement may be uneconomical for the REIT and accordingly not in the best interest of the REIT.

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

Competition

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

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

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

Geographic Concentration

The REIT expects that its portfolio of income-producing properties will be concentrated in Québec, Atlantic Canada and Ontario. Consequently, the market value of the REIT's properties and the income generated from them could be negatively affected by changes in local and regional economic conditions. These factors may differ from those affecting the real estate markets in other regions. If real estate conditions in those areas decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

General Uninsured Losses

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

Access to Capital

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

Interest Rate Exposure

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

Environmental Matters

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

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

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

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

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

Litigation Risk

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

Potential Undisclosed Liabilities

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

Internal Controls

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

Indexation for Inflation and Duration of Lease Contracts

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

Limit on Activities

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

Insurance Renewals

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

Joint Venture/Partnership Arrangements

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

Foreclosure

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

Appraisals

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

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. While such clauses are not uncommon in leases with key tenants of

commercial retail properties, if any key tenant were to “go dark” (to cease operations in its leased space, but continue to pay rent), it could have an adverse effect on the relevant property as it could impact on the amount of pedestrian traffic in the area, among other things. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT’s financial condition and results of operations and decrease the amount of cash available for distribution.

Lease Renewals and Rental Increase

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

Taxation Matters

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

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

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. As of the date hereof, management of the REIT believes that the REIT has met the requirements of the REIT Exception from the time of its inception to the date hereof and will continue to meet such requirements throughout 2014 and future years. However, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the tax imposed by the SIFT Rules in 2014 or future years.

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

Change of Tax Laws

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

Risks Relating to the Units

Volatile Market Price for Units

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

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

Cash Distributions Are Not Guaranteed

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

Restrictions on Redemptions

It is anticipated that the redemption right described under "Description of the Trust and Description of the 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 Units is subject to the following limitations:

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

Subordination of the Units

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

generate all of the REIT's revenue available for distribution and hold substantially all of the REIT's operating assets.

Nature of Investment

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

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

Unitholder Liability

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

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

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

Liability of Holders of Class B LP Units

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

Dilution

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

ESCROWED SECURITIES

To the knowledge of the Trustees, as of the date of this AIF, the table below sets forth the relevant particulars of the Units of the REIT held in escrow.

Name of Holder and Municipality of Residence	Number of Units or Class B LP Units held in escrow⁽¹⁾	Percentage of Units (non-diluted and assuming exchange of Class B LP Units for Units)
James W. Beckerleg Montréal, Québec	75,560	0.72%
Gordon G. Lawlor Halifax, Nova Scotia	50,373	0.48%
TOTAL	125,933	1.20%

Note:

- (1) The Units and Class B LP Units that are subject to the escrow agreement will be released on August 6, 2014. The escrowed units are held in escrow by Equity Financial Trust Company. The escrow agreement was entered into in connection with private placements completed by the predecessor of the REIT, Taggart.

MARKET FOR SECURITIES

Prior Sales

On March 11, 2013, in connection with the closing of the Arrangement, 5,037,302 common shares of Taggart were converted into 503,730 Class B LP Units. Holders of Class B LP Units have the right to exchange such Class B LP Units for Units on a one-for-one basis. During the 12-month period before the date of this AIF, no Class B LP Units were exchanged Units.

On March 11, 2013, in connection with the closing of the Arrangement, options to purchase up to 24,235 Units at a price of \$2.00 per Unit were issued by the REIT to Canaccord Genuity Corp. in exchange for broker warrants that were previously issued to it on October 31, 2011 in connection with the initial public offering of Taggart. On March 31, 2013, 24,235 Units were issued to Canaccord Genuity Corp. following the exercise of its options.

In connection with the acquisition of the property located at 55 Technology Drive, Saint John, New Brunswick on December 2, 2013, 166,667 Class B LP Units were issued to the vendor of the property at a price of \$2.40 per Class B LP Units in partial satisfaction of the purchase price for the property.

In connection with the acquisition of the property located at 370 Connell Street, Woodstock, New Brunswick on December 10, 2013, 583,333 Class B LP Units were issued to the vendor of the property at a price of \$2.40 per Class B LP Units in partial satisfaction of the purchase price for the property.

In connection with the acquisition of the property located at 53200-3260 Guénette Street, St-Laurent, Québec on December 10, 2013, 1,666,667 Class B LP Units were issued to the vendor of the property at a price of \$2.40 per Class B LP Units in partial satisfaction of the purchase price for the property.

In connection with the acquisition of the property located at 325 Hymus Boulevard, Pointe-Claire, Québec on December 16, 2013, 420,833 Class B LP Units were issued to the vendor of the property at a price of \$2.40 per Class B LP Units in partial satisfaction of the purchase price for the property.

The REIT also has a LTIP, pursuant to which it grants Deferred Units to its Trustees and senior officers and certain of its employees. Units are issued to participants in the LTIP upon vesting of the Deferred Units, unless deferred in accordance with the terms of the LTIP. During the year ended December 31, 2013, the REIT made a special one-time grant of Deferred Units to the following Trustees and senior officers: (i) Gérard A. Limoges (11,667 Deferred Units); (ii) Gordon G. Lawlor (33,333 Deferred Units); (iii) James W. Beckerleg (50,000 Deferred Units); (iv) John Levitt (11,667 Deferred Units); (v) Ronald E. Smith (10,000 Deferred Units); and (vi) Vitale A. Santoro (10,000 Deferred Units). The one-time grant of Deferred Units became effective on closing of the Arrangement.

Trading Price and Volume

The outstanding Units are listed on the TSXV and commenced trading under the symbol “PRV.UN” on March 13, 2013. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Units on the TSXV:

Period	High (\$)	Low (\$)	Trading Volume
December 2013.....	2.50	2.20	69,970
November 2013	2.50	2.06	35,000
October 2013	2.51	2.10	8,650
September 2013	3.00	2.75	25,000
August 2013	3.05	2.86	32,703
July 2013	3.50	2.46	41,350
June 2013	3.35	2.75	25,000
May 2013	3.35	3.00	26,150
April 2013	5.00	3.00	18,036
March 2013(as of March 13)	4.50	4.40	49,332

MATERIAL CONTRACTS

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

- (a) the Declaration of Trust described under “Description of the Trust and Description of the Units”;
- (b) the Management Agreement described under “Arrangements with the Manager”;
- (c) the underwriting agreement dated November 19, 2013 entered into between the REIT and a syndicate of underwriters regarding the issuance and sale of Units. The underwriting agreement provided that the REIT would pay to the underwriters an aggregate fee in respect of the Units offered thereunder and that the REIT would indemnify the underwriters and their directors, officers and employees against certain liabilities pursuant to the underwriting agreement, including liabilities under Canadian securities legislation;
- (d) the Revolving Credit Facility described under “Indebtedness - Composition of Indebtedness - Revolving Credit Facility”; and

- (e) the Rights Plan described under “Description of the Trust and Description of the Units - REIT Unitholders’ Rights Plan”.

LEGAL PROCEEDINGS

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

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

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

INTEREST OF EXPERTS

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

MSCM LLP were the auditors of Taggart and are named as having prepared reports described or included in continuous disclosure filings made by the REIT during, or relating to, the REIT’s most recently completed financial year. Effective June 1, 2013, MSCM LLP merged with MNP LLP.

Colliers International (Atlantic) Valuation & Advisory Services (“**Colliers**”) and CBRE Limited (“**CBRE**”) are named as having prepared appraisals described or included in continuous disclosure filings made by the REIT during, or relating to, the REIT’s most recently completed financial year. As at the dates of such valuations and as at the date hereof, the “designated professionals” of Colliers and CBRE beneficially owned, directly or indirectly, less than 1% of the securities or other property of the REIT, its associates or its affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR

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

The transfer agent and registrar of the REIT is Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1.

ADDITIONAL INFORMATION

Additional information relating to the REIT may be found on the System for Electronic Documents Analysis and Retrieval (SEDAR) at www.sedar.com. Additional information, including with respect to Trustees’ and officers’ remuneration and indebtedness, principal holders of the REIT’s securities and units authorized for issuance under equity compensation plans, as applicable, will be contained in the REIT’s information circular which will be prepared in connection with the REIT’s first annual meeting of Unitholders.

Additional financial information is provided in the consolidated financial statements and notes to the consolidated financial statements and management’s discussion and analysis of the REIT for year ended December 31, 2013.

SCHEDULE A

PRO REAL ESTATE INVESTMENT TRUST AUDIT COMMITTEE CHARTER

1. PURPOSE

- 1.1 The audit committee (the “**Committee**”) is a standing committee appointed by the board of Trustees (the “**Board**”) of PRO Real Estate Investment Trust (the “**REIT**”). The Committee is established to fulfill applicable public issuer obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to:
- (a) oversee the integrity of the REIT’s financial statements and financial reporting process, including the audit process and the REIT’s accounting controls and procedures and compliance with related legal and regulatory requirements;
 - (b) oversee the qualifications and independence of the external auditors;
 - (c) oversee the work of the REIT’s financial management and external auditors in these areas; and
 - (d) provide an open avenue of communication between the external auditors, the Board and management.
- 1.2 The Committee is also responsible for assisting the Board in fulfilling its responsibilities relating to pension matters.
- 1.3 The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the REIT’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee members and its chair are members of the Board of the REIT, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the REIT, and are specifically not accountable or responsible for the day to day operation or performance of such activities.
- 1.4 Management is responsible for the preparation, presentation and integrity of the REIT’s financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of

internal controls. The external auditors are responsible for planning and carrying out an audit of the REIT's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

- 1.5 In the event that any provision of this charter conflicts with or contravenes any provision of the REIT's amended and restated declaration of trust dated as of March 11, 2013 (as such declaration of trust may be further amended or amended and restated from time to time) (the "**Declaration of Trust**"), such provision of the Declaration of Trust will govern and nothing herein shall be construed as giving the Trustees of the REIT who are members of the Committee any powers or authority in addition to, or greater than, the power and authority established by the Declaration of Trust.

2. COMPOSITION, PROCEDURES AND ORGANIZATION

- 2.1 The Committee shall consist of at least three members of the Board of Trustees of the REIT (the "**Board**"), all of whom shall be, in the determination of the Board, "independent" as that term is defined by *National Instrument 52-110 respecting Audit Committees* ("**NI 52-110**"), as amended from time to time.
- 2.2 All members of the Committee shall be, in the determination of the Board, "financially literate" as that term is defined by NI 52-110.
- 2.3 The Board, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a Trustee of the REIT shall cease to be a member of the Committee.
- 2.4 The members of the Committee shall designate a chair (who shall be a resident Canadian) by majority vote of the full Committee membership.
- 2.5 The Committee shall have access to such officers and employees of the REIT and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers necessary or advisable in order to perform its duties.
- 2.6 Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;
 - (b) any member of the Committee may call a meeting of the Committee;
 - (c) any Trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the

Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and

(d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.

2.7 The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

2.8 The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

3. DUTIES

3.1 The duties of the Committee shall be to:

- (a) assist the Board in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;
- (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;
- (c) oversee the work of the external auditors;
- (d) review and discuss with management and the external auditors the adequacy and effectiveness the REIT's internal controls;
- (e) assess the quality, appropriateness, objectivity and acceptability of the REIT's financial reports and accounting principles and practices used in its financial reporting;
- (f) report regularly to the Board on the fulfillment of the Committee's duties;
- (g) assist the Board in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and
- (h) assist the Board in the discharge of its duties relating to risk assessment and risk management.

3.2 The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:

- (a) recommending to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;
- (b) reviewing, where there is to be a change of external auditors, all issues related to the change, and the planned steps for an orderly transition;
- (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
- (d) reviewing the engagement letters of the external auditors, both for audit and non-audit services;
- (e) reviewing the independence of the external auditors;
- (f) reviewing and approving the terms of engagement of the external auditors, including the compensation payable, scope and timing of the audit and other related services and any non-audit services provided by the external auditors, and assessing the performance of the external auditors; and
- (g) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

3.3 The duties of the Committee as they relate to audits and financial reporting shall be to:

- (a) review the audit plan with the external auditor and management;
- (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
- (c) review the contents of the audit report;
- (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (e) review the scope and quality of the audit work performed;
- (f) review the adequacy of the REIT's financial and auditing personnel;
- (g) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

- (h) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and any reports on internal controls received from the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;
- (i) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;
- (j) review and recommend to the Board for approval the REIT's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (k) review and approve the REIT's interim unaudited financial statements, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;
- (l) oversee procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and
- (m) review the terms of reference for an internal auditor or internal audit function.

3.4 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;
- (b) review the quality, acceptability and appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;
- (c) review the status of material contingent liabilities as reported to the Committee by management;
- (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;
- (e) review and approve before their release all publicly disclosed audited or unaudited financial information and any public disclosure documents to be filed with securities regulators containing audited or unaudited

financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management's discussion and analysis; and

- (f) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

3.5 The other duties of the Committee shall include:

- (a) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
- (b) prohibiting or overseeing policies respecting the hiring of employees or former employees of the REIT's external auditors;
- (c) reviewing annual operating and capital budgets;
- (d) reviewing the funding and administration of the REIT's compensation and pension plans;
- (e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- (f) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;
- (g) any other questions or matters referred to it by the Board; and
- (h) receiving and reviewing:
 - (A) periodic reports on compliance with requirements regarding statutory deductions and remittances;
 - (B) material policies and practices of the REIT respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the REIT; and
 - (C) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
- (i) meeting periodically with management to review and discuss the REIT's major risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.
- (j) receiving and reviewing the financial statements and other financial information of material subsidiaries of the REIT and any auditor recommendations concerning such subsidiaries; and

- (k) meeting with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Dated: March 11, 2013