

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

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

SHORT FORM PROSPECTUS

New Issue

November 19, 2013



PRO REAL ESTATE INVESTMENT TRUST

\$11,093,800

4,622,417 Units

This short form prospectus qualifies the distribution (the “Offering”) of 4,622,417 units (the “Units”) of PRO Real Estate Investment Trust (the “REIT”) at a price of \$2.40 per Unit (the “Offering Price”) pursuant to an underwriting agreement (the “Underwriting Agreement”) dated November 19, 2013 between the REIT and Canaccord Genuity Corp. (“Canaccord”), TD Securities Inc., Scotia Capital Inc., National Bank Financial Inc., Desjardins Securities Inc., GMP Securities L.P. and Dundee Securities Ltd. (collectively, the “Underwriters”). The Offering Price of the Units was determined by negotiation between the REIT and the Underwriters.

The REIT is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario. The REIT has been established to own a portfolio of diversified commercial real estate properties in Canada, with a focus on primary and secondary markets in Québec, Atlantic Canada and Ontario. The currently outstanding Units are listed and posted for trading on the TSX Venture Exchange (the “TSXV”) under the trading symbol “PRV.UN”. The closing price of the Units on the TSXV on November 18, 2013, the last trading day prior to the date of this short form prospectus, was \$2.40. The TSXV has conditionally accepted the listing of the Units distributed under this short form prospectus on the TSXV. Listing is subject to the REIT fulfilling all the listing requirements of the TSXV.

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

Price: \$2.40 Per Unit

	Price to the Public	Underwriters’ Fee ⁽¹⁾	Net Proceeds to the REIT ⁽²⁾
Per Unit	\$ 2.40	\$ 0.144	\$ 2.256
Total Offering ⁽³⁾	\$11,093,800	\$601,808	\$10,491,992

Notes:

- (1) Pursuant to the terms of the Underwriting Agreement, the Underwriters will receive a fee equal to \$0.144 per Unit, or 6% of the gross proceeds of the Offering (the “Underwriters’ Fee”), but excluding therefrom proceeds from the sale of Units sold to purchasers introduced by the REIT directly (the “President’s List”), for which the Underwriters will be paid a commission of \$0.072 per Unit, or 3% of the gross proceeds of such sales. In addition, the Underwriters have agreed to waive their entitlement to the Underwriters’ Fee in connection with purchases by certain specified parties, expected to aggregate 260,400 Units for gross proceeds of \$624,960. See “Plan of Distribution”.
- (2) After deducting the Underwriters’ Fee but before deducting the expenses of the Offering, which are estimated to be \$1,554,400.
- (3) The REIT has granted to the Underwriters an option (the “Over-Allotment Option”) to purchase up to an additional 693,362 Units at a price of \$2.40 per Unit on the same terms and conditions as the Offering, exercisable in whole or in part from time to time up to 30 days following the closing of the Offering (the “Closing”) for the purpose of covering the Underwriters’ over-allocation position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ Fee and net proceeds to the REIT (before deducting expenses of the Offering) will be \$12,757,870, \$701,653 and \$12,056,217, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Units pursuant to the exercise of the Over-Allotment Option. See “Plan of Distribution” and the table below. A purchaser who acquires Units forming part of the Underwriters’ over-allocation position acquires such Units under this short form prospectus regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

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<u>Underwriters' Position</u>	<u>Maximum Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to 693,362 Units	Exercisable for a period of 30 days following the Closing	\$2.40 per Unit

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

Canaccord Genuity Corp. has provided the Bridge Loan (as defined herein) to the REIT and TD Securities Inc. is an affiliate of a Canadian chartered bank that is among the REIT's principal mortgage holders with respect to the Existing Mortgages (as defined herein). In addition, the REIT is seeking a commitment to finance from a Canadian chartered bank that is an affiliate of TD Securities Inc. with respect to the Revolving Credit Facility (as defined herein). Consequently, the REIT may be considered a “connected issuer” of each of Canaccord Genuity Corp. and TD Securities Inc. within the meaning of applicable securities legislation. See “Debt Strategy”, “Plan of Distribution” and “Use of Proceeds”.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that Closing will occur on November 26, 2013 or such other date not later than December 3, 2013 as the REIT and the Underwriters may agree. The Units will be issued in “book-entry only” form and may be represented by one or more global certificates or be represented by uncertificated securities, issued in the name of CDS Clearing and Depository Services Inc. (“CDS”) or its nominee. No certificates evidencing the Units will be issued to subscribers except in certain limited circumstances, and registration will be made in the depository service of CDS. Subscribers for Units will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units is purchased.

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

The REIT currently does not make distributions on the Units. Although the REIT intends to commence making distributions of a portion of its available cash to holders of the Units, these cash distributions are not assured. See “Distribution Policy”. A return on an investment in the REIT is not comparable to the return on an investment in a fixed-income security. The ability of the REIT to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the REIT, interest rates, occupancy rates, its debt covenants and obligations, its working capital requirements and its future capital requirements. If the REIT does commence distributions, the market value of the Units may deteriorate if the REIT is unable to maintain announced levels of cash distributions in the future, and that deterioration may be material. An investment in the Units is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. A prospective purchaser should therefore review this document and the documents incorporated by reference herein in their entirety and carefully consider the risk factors described under “Risk Factors” before purchasing Units. See “Distribution Policy” and “Risk Factors”.

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

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

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

There are limits on ownership of Units by non-residents of Canada, as described in the REIT's amended and restated declaration of trust made as of March 11, 2013.

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

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NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

- the intention of the REIT to commence distributions and the amount of such distributions;
- the ability of the REIT to execute its growth strategies;
- the forecasted financial results of the REIT for the periods set out under "Financial Forecast";
- certain projections contained under the heading "Overview of the Eastern Canadian Market";
- the expected tax treatment of the REIT's distributions to Unitholders;
- statements relating to the Acquisitions (as defined herein) and the performance of the Initial Portfolio (as defined herein);
- the REIT's capital expenditure requirements for the Initial Portfolio;
- the ability of the REIT to qualify for the REIT Exception (as defined herein);
- the expected completion and method of financing of the Acquisitions;
- the expected occupancy of the Initial Portfolio;
- the debt maturity profile of the REIT;
- the effect of the Acquisitions on the financial performance of the REIT; and
- the use of the net proceeds of the Offering including in the event that certain of the Acquisitions are not completed and/or in the event the Over-Allotment Option is exercised.

These forward-looking statements reflect management's beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking statements contained in this short form prospectus include the REIT's future growth potential, expected capital expenditures, competitive conditions, results of operations, future prospects and opportunities, the acquisition of each of the properties which comprise the Acquisitions, industry trends remaining unchanged, future levels of indebtedness, the ability to secure the New Mortgage (as defined herein) and the Revolving Credit Facility (as defined herein) on terms acceptable to the REIT, the tax laws as currently in effect remaining unchanged, the current economic conditions remaining unchanged and the assumptions set forth under "Financial Forecast". 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 Initial Portfolio, our expectations regarding future occupancy rates of our properties, and including those risks and uncertainties discussed under the heading "Risk Factors" and elsewhere in our documents incorporated by reference in this short form prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this short form prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

The reader is further cautioned that the preparation of the financial forecast included in this prospectus requires management of the REIT to make certain assumptions, judgments and estimates that affect the forecast of financial results, including assets, revenues, liabilities and expenses. These estimates may change, having either a negative or positive effect on actual results as further information becomes available, and as the economic environment changes.

These forward-looking statements are made as of the date of this short form prospectus or, in the case of documents incorporated by reference herein, as of the date of, or specified in, such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

NON-IFRS FINANCIAL MEASURES

Net operating income (“**NOI**”), funds from operations (“**FFO**”) 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 International Financial Reporting Standards (“**IFRS**”) and do not have standardized meanings prescribed by IFRS. NOI of the REIT is equal to net rental income, which is an IFRS measurement. The IFRS measurement most directly comparable to FFO and AFFO is net income.

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

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

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

Management believes that the AFFO of the REIT is a useful performance measure that may assist prospective investors in assessing an investment in 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.

MARKET AND INDUSTRY DATA

This short form prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. The REIT believes that such market and industry data is accurate. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although the REIT believes it to be reliable, neither the REIT nor the Underwriters have independently

verified any of the data from third-party sources referred to in this short form prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

ELIGIBILITY FOR INVESTMENT

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

Notwithstanding the foregoing, if the Units are a “prohibited investment” (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder of a TFSA, or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Units will generally be a “prohibited investment” for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (i) does not deal at arm’s length with the REIT for purposes of the Tax Act, (ii) has a “significant interest” (as defined in the Tax Act) in the REIT or (iii) has a “significant interest” (as defined in the Tax Act) in a corporation, partnership or trust with which the REIT does not deal at arm’s length for purposes of the Tax Act. Generally, a holder of a TFSA, or the annuitant of a RRSP or RRIF will have a significant interest in the REIT if the holder or annuitant and/or persons not dealing at arm’s length with the holder or annuitant own, directly or indirectly, 10% or more of the fair market value of the Units. Proposed amendments to the Tax Act released on December 21, 2012 propose to delete the condition in (iii) above. In addition, pursuant to such proposed amendments, the Units will generally not be a “prohibited investment” if the Units are “excluded property” (as defined in the proposed amendments). Prospective purchasers who intend to hold their Units in a TFSA, RRSP or RRIF should consult their own tax advisors with regard to the application of these rules in their particular circumstances.

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

GENERAL MATTERS

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the template version of the roadshow presentation dated October 23, 2013 (the **"Roadshow Presentation"**);
- (b) the template version of an indicative term sheet dated October 23, 2013 (the **"First Indicative Term Sheet"**), of an indicative term sheet dated November 4, 2013 (the **"Second Indicative Term Sheet"**) and of an indicative term sheet dated November 14, 2013 (the **"Third Indicative Term Sheet"**);
- (c) the material change report of the REIT dated November 14, 2013 in respect of the proposed terms of the contemplated public offering of the REIT;
- (d) the unaudited condensed consolidated interim financial statements of the REIT as at and for the three and seven month period ended June 30, 2013 together with the notes thereto;
- (e) the management's discussion and analysis of financial condition and results of operations for the REIT for the three and seven month period ended June 30, 2013;
- (f) the business acquisition report of the REIT dated June 13, 2013 in respect of the acquisition of the L'Ancienne-Lorette Property (as defined herein);
- (g) the business acquisition report of the REIT dated May 29, 2013 in respect of the acquisition of the Main Street Property (as defined herein);
- (h) the material change report of the REIT dated May 24, 2013 in respect of the proposed acquisition of the properties located at (i) 1850 Vanier Boulevard, Bathurst, New Brunswick, (ii) 267 Commerce Street, Beresford, New Brunswick, (iii) 879 Main Street, Beresford, New Brunswick, and (iv) 375 Miller Street, Dalhousie, New Brunswick;
- (i) the material change report of the REIT dated May 9, 2013 in respect of the acquisition of the Daveluyville Property (as defined herein) and the L'Ancienne-Lorette Property;
- (j) the material change report of Taggart dated March 13, 2013 in respect of the completion of its reorganization into a real estate investment trust;
- (k) the Circular (as defined herein);
- (l) the material change report of Taggart dated February 12, 2013 in respect of the completion of the Qualifying Transaction (as defined herein);
- (m) the audited financial statements of Taggart as at November 30, 2012, November 30, 2011 and December 1, 2010 and for the years ended November 30, 2012 and November 30, 2011 together with the notes thereto and the auditor's report thereon;
- (n) the management's discussion and analysis of financial condition and results of operations of Taggart for the years ended November 30, 2012 and November 30, 2011; and
- (o) the audit committee charter of the REIT, as of March 11, 2013.

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

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

MARKETING MATERIALS

The Roadshow Presentation and First Indicative Term Sheet, Second Indicative Term Sheet and Third Indicative Term Sheet are not part of this prospectus to the extent that the contents of the template version of such marketing materials have been modified or superseded by a statement contained in this prospectus.

The Roadshow Presentation, First Indicative Term Sheet, Second Indicative Term Sheet and Third Indicative Term Sheet have been modified to (i) exclude any impact from the property located at 325 Hymus Boulevard, Pointe Claire, Quebec; (ii) reflect a reduction in the purchase price of the property located at 26-32 Prince Arthur/11-15 Princess, Amherst, Nova Scotia; (iii) reflect certain changes to the composition of the REIT's indebtedness, including a reduction in the amounts repaid under the Operating Facility and the Bridge Loan, and an increase in the amount drawn under the Revolving Credit Facility; (iv) reflect an increase in the number of Class B Units to be issued to certain vendors; and (v) reflect the final terms of the Offering. The foregoing summary of modifications is not exhaustive and is qualified by the information contained in the revised Roadshow Presentation, First Indicative Term Sheet, Second Indicative Term Sheet and Third Indicative Term Sheet, as applicable, which have been prepared by the REIT in accordance with Section 7.6(7) of National Instrument 44-101 – Short Form Prospectus Distributions, and have been blacklined to show the modified statements. Such revised marketing materials can be viewed under the REIT's profile on SEDAR at www.sedar.com.

Any “template version” of any other “marketing materials” (as such terms are defined in National Instrument 44-101 – General Prospectus Requirements) filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering, after the date hereof, but prior to the termination of the distribution of the securities under this prospectus, is deemed to be incorporated by reference herein.

GLOSSARY

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

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

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

“Adjusted Cost Base” 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”.

“Appraisers” has the meaning given to such term under “Assessment and Valuation of the Initial Properties – Appraisals”.

“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 PRO REIT LP in exchange for either Units or Class B LP Units.

“Assumed Mortgage” has the meaning given to such term under “Debt Strategy – Composition of Indebtedness – Assumed Mortgage”.

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

“Bridge Loan” has the meaning given to such term under “Plan of Distribution”.

“CAGR” means compounded annual growth rate.

“CDS” means CDS Clearing and Depository Services Inc.

“Circular” means the management information circular of Taggart dated February 15, 2013.

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

“CRA” means the Canada Revenue Agency.

“Daveluyville Property” means the property located at 449 Principale Street, Daveluyville, Québec referred to under “Recent Developments – Private Placement, Qualifying Transaction, and REIT Conversion – Acquisition of 449 Principale Street, Daveluyville, Québec”.

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

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

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

“Exchange Ratio” means the ratio of one Unit received by shareholders of Taggart for every ten common shares of Taggart held, subject to rounding, in connection with the closing of the Arrangement.

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

“**financial forecast**” means the financial forecast presented under “Financial Forecast”.

“**First Indicative Term Sheet**” has the meaning given to such term under “Documents Incorporated by Reference”.

“**forecast base rent**” means the forecast base rent of the Initial Properties included in the financial forecast under “Financial Forecast”.

“**Forecast Period**” means the period from October 1, 2013 to September 30, 2014.

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

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

“**GLA**” means gross leasable area.

“**GMA**” means the Greater Montréal 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.

“**GTA**” means the Greater Toronto Area.

“**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), and is not “related” within the meaning of the Tax Act.

“**Initial Portfolio**” or “**Initial Properties**” means, collectively, the eight income-producing properties described under “The Initial Portfolio – Overview of the Initial Properties”, of which four are proposed to be acquired by the REIT pursuant to the Acquisition Agreements and four are currently owned by the REIT.

“**L’Ancienne-Lorette Property**” means the property located at 1670 Notre Dame Street, L’Ancienne-Lorette, Québec referred to under “Recent Developments – Private Placement, Qualifying Transaction, and REIT Conversion – Acquisition of 1670 Notre Dame Street, L’Ancienne-Lorette, Québec”.

“**Lawrence Street Property**” means the property located at 2 Lawrence Street, Amherst, Nova Scotia referred to under “Recent Developments – Private Placement, Qualifying Transaction, and REIT Conversion – Acquisition of 2 Lawrence Street, Amherst, Nova Scotia”.

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

“**Main Street Property**” means the property located at 135 Main Street, Moncton, New Brunswick referred to under “Recent Developments – Private Placement, Qualifying Transaction, and REIT Conversion – Acquisition of 135 Main Street, Moncton, New Brunswick”.

“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.

“New Mortgage” has the meaning given to such term under “Debt Strategy”.

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

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

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

“Operating Facility” has the meaning given to that term under “Debt Strategy – Composition of Indebtedness”.

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

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

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

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

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

“Qualifying Transaction” means the qualifying transaction comprising the acquisition of the Main Street Property 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 short form prospectus to the “REIT” should be interpreted as described under “General Matters”.

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

“Related Party” means, with respect to any person, a person who is a “related party” as that term is defined in *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions*, as amended or replaced from time to time (including any successor rule or policy thereto).

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

“Revolving Credit Facility” has the meaning given to such term under “Debt Strategy – Revolving Credit Facility”.

“Roadshow Presentation” has the meaning given to such term under “Documents Incorporated by Reference”.

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

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

“Second Indicative Term Sheet” has the meaning given to such term under “Documents Incorporated by Reference”.

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

“SIFT Rules” means the rules applicable to “SIFT trusts” and “SIFT partnerships” (each as defined in the Tax Act) in the Tax Act as described under “Certain Canadian Federal Income Tax Considerations – SIFT Rules”.

“Special Voting Unit” means a special voting unit in the capital of the REIT, as described under “Description of Units and Capital Structure – 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, PRO REIT LP and any partnership of which PRO REIT LP is, directly or indirectly, a member.

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

“Taggart” means PRO REIT Management Inc., formerly known as Taggart Capital Corp., now a wholly-owned Subsidiary of PRO REIT 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.

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

“Third Indicative Term Sheet” has the meaning given to such term under “Documents Incorporated by Reference”.

“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.

“TSXV” means the TSX Venture Exchange.

“Underwriters” means, collectively, Canaccord Genuity Corp., TD Securities Inc., Scotia Capital Inc., National Bank Financial Inc., Desjardins Securities Inc., GMP Securities L.P. and Dundee Securities Ltd.

“Underwriting Agreement” means the agreement dated as of November 19, 2013 entered into among the REIT and the Underwriters in respect of the Offering.

“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.

“Vendor Leases” means, collectively, the applicable vendor lease to be entered into by the REIT with the vendor at each of the properties located at 3200-3260 Guénette Street, St. Laurent, Québec and 370 Connell Street, Woodstock, New Brunswick, and representing an aggregate of 13,860 square feet of GLA and 2.8% of the forecast base rent, as described under “The Acquisition Agreements”; and, **“Vendor Lease”** means the applicable vendor lease.

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

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere, or incorporated by reference, in this short form prospectus. Certain terms used in this short form prospectus are defined in the Glossary.

The REIT

PRO Real Estate Investment Trust 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.

Investment Opportunity

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.

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. Most recently (from May 2010 until March 2012), the REIT’s management team held senior management positions with CANMARC Real Estate Investment Trust, a publicly-traded REIT with a nationally diversified portfolio of 115 commercial properties totalling 9.4 million square feet of GLA, including a significant portfolio in Eastern Canada. CANMARC was ultimately acquired by Cominar Real Estate Investment Trust in March 2012, generating a compounded annualized total return of approximately 43% for CANMARC’s unitholders. 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.

Upon closing of the Acquisitions, the REIT’s Initial Portfolio will comprise eight properties, totalling 372,878 square feet of GLA, providing a platform for growth in the REIT’s target markets of Québec, Atlantic Canada 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. See “Risk Factors – Risks Related to the Acquisitions”.

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.

Investment Highlights

- **Experienced Management Team and Board with a Proven Track Record of Value Creation.** The Manager is comprised of an experienced team of real estate professionals. In aggregate, the REIT’s executive officers and Trustees have over 100 years of operating, acquisitions, and financing experience in the Canadian real estate industry. They have extensive relationships with a broad network of real estate industry owners and service professionals across Canada, and expect to leverage these relationships to source accretive high-quality acquisitions. From May 2010 until March 2012, the key executives of the Manager held senior management positions with CANMARC, a publicly-traded 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 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.

- **Initial Portfolio of High-Quality Commercial Real Estate.** Upon closing of the Acquisitions, the REIT's Initial Portfolio will be comprised of eight commercial properties totalling 372,878 square feet of GLA. The Initial Portfolio is diversified by property type and geography across Eastern Canada. The Initial Portfolio will consist of two office properties representing 101,413 square feet of GLA, five retail properties representing 171,795 square feet of GLA, and one commercial mixed use properties representing 99,670 square feet of GLA. The Initial Properties are mostly situated in prime locations within their respective markets, along major traffic arteries benefiting from high visibility and easy access. Management believes the quality and diversity of the Initial Portfolio will enable the REIT to attract new tenants and retain existing tenants, providing a strong base on which to generate stable and growing cash flows. See "Risk Factors – Risks Related to the Acquisitions".
- **Geographic Focus on Stable Eastern Canadian Markets.** The Initial Properties are located in Québec and Atlantic Canada, providing the REIT with a platform on which to expand its presence in Eastern Canada, specifically Ontario, and selectively diversify into other primary Canadian markets. Collectively, the economies of these provinces represent approximately 60.6% of the Canadian economy, with Québec and Ontario being the largest individual provincial economies in Canada. Furthermore, 23.4 million people live in these target provinces, representing 67.1% of the Canadian population. The Eastern Canadian economies are amongst the most stable in Canada. From 2005 to 2011, the annual volatility of GDP growth for the overall Canadian economy, as measured by standard deviation, was 2.2%, as compared to the annual volatility of GDP growth for Québec, Atlantic Canada and Ontario of 1.2%, 0.9% and 2.2%, respectively. Modest GDP growth is expected in all of the REIT's target markets over the near and long term. In addition, the REIT's target markets are driven by a diverse array of industries including industrial goods, natural resources, agriculture and financial services. Furthermore, the Eastern Canadian economies represented approximately 60% of Canadian merchandise exports in 2012, with the United States being the most significant export destination. As the United States continues to experience an economic recovery and as the U.S. dollar continues to appreciate relative to the Canadian dollar, management believes that Eastern Canada is well positioned to benefit. The REIT's target markets demonstrate stable real estate fundamentals and include the two largest commercial real estate markets in Canada – Québec and Ontario. In aggregate, the major Eastern Canadian real estate markets of Toronto, Montréal, Ottawa, Québec City, Halifax, Moncton, Fredericton and Saint John contain approximately 326 million square feet of office space (approximately 67.5% of available Canadian supply) and 1.1 billion square feet of industrial space (approximately 78.3% of available Canadian supply). The ownership of commercial real estate in these target markets is highly fragmented, and management believes that properties in Eastern Canada currently offer superior risk adjusted investment metrics, as these properties are typically valued at higher capitalization rates than similar properties elsewhere in Canada.
- **High-Quality Tenants with Long Term Leases.** The Initial Properties are leased to 23 high-quality tenants, with government and national tenants representing 87.9% of the forecast base rent. Tenants (or their corporate parent) that have been assigned investment grade credit ratings represent 72.0% of the Initial Portfolio's forecast base rent, and have a weighted average remaining lease term of 7.6 years. Furthermore, the Initial Properties' tenants are well diversified by industry sector. The Initial Portfolio's ten largest tenants are expected to account for approximately 86.2% of forecast base rent, and no tenant will comprise more than 17.0% of the Initial Portfolio's base rent. Eight of the Initial Portfolio's top ten tenants (or their corporate parent) have been assigned investment grade credit ratings. The Initial Properties are currently 91.5% occupied, with a weighted average remaining lease term of approximately 7.1 years, providing excellent stability to the underlying cash flows of the REIT. The Initial Portfolio's lease maturities are well staggered into the future, with 52.7% of forecast base rent expiring after 2018 (beyond five years) and not more than 14.8% of forecast base rent matures in any given year over the next five years.

- **Alignment of Interests through an Efficient Management Structure, Strong Corporate Governance and Significant Retained Interest.** The REIT is externally managed by an experienced team of real estate professionals 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 of the REIT once the REIT's GBV reaches \$500 million. See "Arrangements with the Manager". Furthermore, the REIT will maintain strong and effective governance with a Board of Trustees comprised of a majority of Independent Trustees, all of whom have experience in the Canadian commercial real estate and capital markets. 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. Vendors of certain properties (including Broccolini Construction Inc. and a national publicly traded real estate investment trust) have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equal to the Offering Price. Immediately following the closing of the Offering and the Acquisitions, members of management, the Board of Trustees, and certain vendors will hold a 32.1% equity interest in the REIT.
- **Compelling Investment Metrics.** The REIT intends to pay stable and growing monthly cash distributions to Unitholders. Initially, the distributions are expected to be \$0.21 per Unit per annum, which will provide Unitholders with an annual yield of approximately 8.75% (at the Offering Price), based on an AFFO payout ratio of 92.8%. Management believes that there is significant near term internal growth imbedded within the Initial Portfolio, including contractual rent steps, opportunities to lease currently vacant space and renewing/re-leasing maturing leases to market rates. Immediately following the closing of the Acquisitions and the Offering, the REIT is expected to have a consolidated debt to Gross Book Value ratio of approximately 59.1% (based on the appraised value of the assets of the REIT and its subsidiaries). See "Risk Factors – Risks Related to the Acquisitions".

Growth Strategies

The REIT intends to pursue the following growth strategies to achieve its objectives:

Internal Growth

- **Revenue growth opportunities.** As the weighted average occupancy rate of the Initial Portfolio is 91.5%, management believes that there is potential to generate additional rental income by leasing space in properties that is currently unoccupied. In addition, several of the Initial Properties are located in areas with low vacancy rates and minimal new competitive supply, which should provide the REIT, following the closing of the Acquisitions, 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 will seek 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 will promote 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 Initial 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. The Initial Portfolio has a weighted average remaining lease term of 7.1 years, with 52.7% of forecast base rent maturing after 2018, and no more than 14.8% of forecast base rent maturing in any given year over the next five years. Furthermore, management intends to engage property tax appeal specialists to lower property tax costs, which are typically a significant component of a REIT's operating costs. Finally, management will ensure

preventive maintenance programs are in place focusing on building control systems, roofing, and parking facilities, in order to minimize long term capital expenditures.

- **Expansion opportunities.** Management will seek to strengthen its asset base through the judicious expansion and improvement of existing properties. Management believes there are several opportunities to develop additional properties on excess land within the Initial Portfolio, including opportunities at 135 Main Street and 55 Technology Drive. 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

- **Accretive acquisitions of income-producing commercial properties.** The REIT will benefit 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 has sought to identify property acquisitions using investment criteria that focus on the quality of the tenants, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning. The REIT's acquisition focus will be on buildings with minimal capital requirements, including new buildings or well-maintained older buildings. Consistent with the REIT's strategy and in the normal course, the REIT is engaged in discussions with respect to possible acquisitions of properties. See "Risk Factors – Acquisition and Development".
- **Minimizing risk through portfolio diversification.** As part of its growth strategy, the REIT intends to acquire a broad range of commercial properties in its target markets, and will seek to maximize diversification within its portfolio. The Initial Portfolio is diversified (i) by asset class among office properties (23.1% of forecast base rent), retail properties (52.6% of forecast base rent), and commercial mixed use properties (24.3% of forecast base rent); and (ii) by geography among markets in Québec (37.9% of forecast base rent) and Atlantic Canada (62.1% of forecast base rent). Within each of the office, retail and industrial asset classes, the REIT intends to target class A and B, single and multi-tenant properties. 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.

The Initial Portfolio

Upon completion of the Acquisitions, the REIT will own a portfolio of eight income-producing commercial properties representing an aggregate of 372,878 square feet of GLA located in Eastern Canada. At this time, the REIT has elected not to pursue the acquisition of the office property located at 325 Hymus Boulevard in Pointe Claire, Québec (as further disclosed in the preliminary prospectus dated October 22, 2013). The following table provides information regarding the Initial Portfolio:

<u>Property</u>	<u>Location</u>	<u>Year Built/ Renovated</u>	<u># of Tenants</u>	<u>GLA (square feet)</u>	<u>Occupancy</u>
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%
			8	101,413	88.1%
Retail					
370 Connell Street	Woodstock, NB	1972/2001	9 ⁽²⁾	114,247	87.1% ⁽²⁾
2 Lawrence Street ⁽¹⁾	Amherst, NS	2009	1	21,212	76.2%
1670 Notre Dame Street ⁽¹⁾	L' Ancienne-Lorette, QC	1980/2008	1	19,000	100.0%
135 Main Street ⁽¹⁾	Moncton, NB	2012	1	10,574	100.0%
449 Principale Street ⁽¹⁾	Daveluyville, QC	1987/2011	1	6,762	100.0%
			13	171,795	88.5%
Commercial Mixed Use					
3200-3260 Guénette Street	St. Laurent, QC	2007	4 ⁽²⁾	99,670	100.0% ⁽²⁾
			4	99,670	100.0%
Total			25⁽³⁾	372,878	91.5%

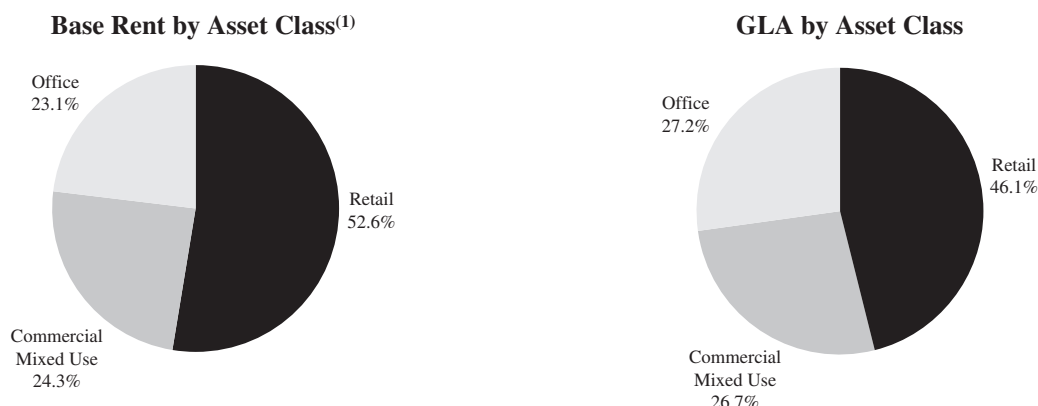
(1) Property currently owned by the REIT. The other properties are proposed to be acquired by the REIT pursuant to the Acquisition Agreements. See "The Acquisition Agreements".

(2) Includes the applicable Vendor Lease. See "The Acquisition Agreements".

(3) 23 separate and discreet tenants, after accounting for tenants that occupy space in more than one property.

Diversification by Asset Class

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

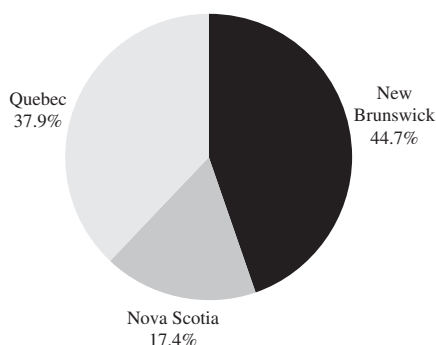


(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

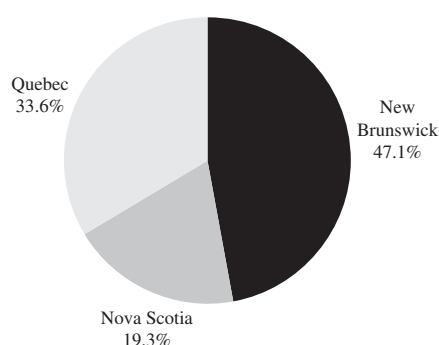
Geographic Diversification

The Initial Properties are located in primary and secondary markets throughout Québec, New Brunswick and Nova Scotia.

Base Rent by Province⁽¹⁾



GLA by Province

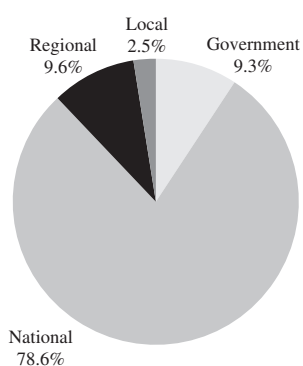


(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See “Non-IFRS Financial Measures”, “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

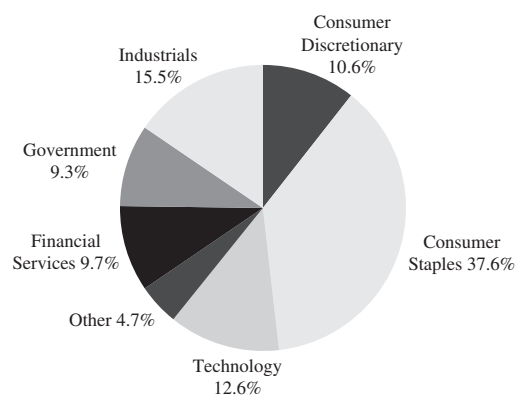
Tenant Profile

The Initial Properties are leased to 23 high-quality tenants. Government and national tenants represent 87.9% of the Initial Portfolio’s forecast base rent. The Initial Portfolio’s tenants are well diversified by industry sector.

Base Rent by Tenant Profile⁽¹⁾



Base Rent by Tenant Industry⁽¹⁾⁽²⁾



(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See “Non-IFRS Financial Measures”, “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

(2) “Other” includes professional services (2.0%) and Vendor Leases (2.7%). See “The Acquisition Agreements”.

Upon closing of the Acquisitions, 72.0% of the Initial Portfolio's base rent is expected to be generated from investment grade tenants, with a weighted average remaining lease term of 7.6 years. The Initial Portfolio's ten largest tenants are expected to account for approximately 86.2% of forecast base rent, with no tenant comprising more than 17.0% of the Initial Portfolio's base rent. Eight of the Initial 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). See "Risk Factors – Risks Related to the Acquisitions".

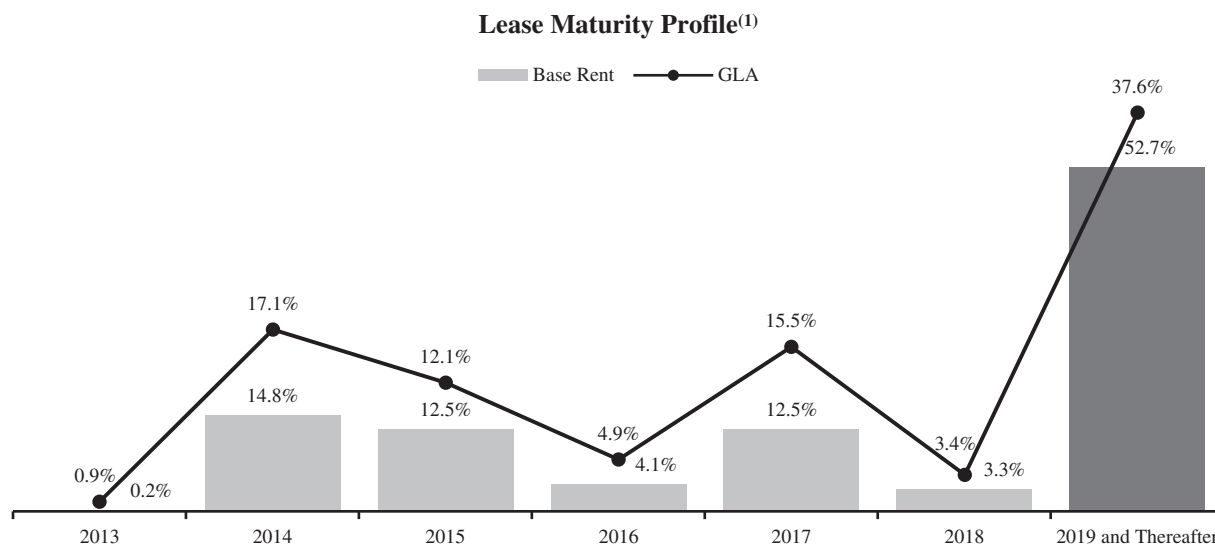
<u>Tenant</u>	<u>% of Base Rent⁽¹⁾</u>	<u>GLA (square feet)</u>	<u>% of GLA</u>	<u>Weighted Average Remaining Lease Term (years)</u>	<u>Credit Rating⁽²⁾</u>
Shoppers Drug Mart	17.0%	35,709	9.6%	10.5	BBB+/AL
CAE Inc.	12.5%	45,040	12.1%	1.5	
Sobeys Inc.	12.2%	42,737	11.5%	13.2	BBB-/BBB
Xerox Canada	11.8%	50,732	13.6%	1.2	Baa2/BBB-
Canadian Schedule I Chartered Bank	9.5%	14,589	3.9%	8.8	Aa3/A+/AA
VF Northface	7.1%	28,490	7.6%	4.3	A3/A-
Lawtons Pharmacy	6.1%	16,166	4.3%	15.6	
Cumberland Health Authority	3.7%	9,125	2.4%	4.0	Aa2/A+/A
Province of Nova Scotia	3.3%	12,785	3.4%	4.6	Aa2/A+/A
Kia Motors Corp.	3.0%	15,695	4.2%	9.2	Baa1/BBB+
Top 10 tenants sub-total	86.2%	271,068	72.7%	7.4	
Other tenants	13.8%	69,998	18.8%	5.2	
Vacant	—	31,812	8.5%		
Total	100.0%	372,878	100.0%	7.1	

(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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

Lease Maturities

As at October 1, 2013, the Initial Portfolio had an overall weighted average occupancy rate of 91.5% and a weighted average remaining lease term of approximately 7.1 years.



(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

Key Management and Board Members

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupations of the Trustees and executive officers of the REIT during the past five years.

<u>Name and Municipality of Residence</u>	<u>Position with the REIT</u>	<u>Principal Occupation During the Past Five Years</u>
John Levitt ⁽¹⁾ Toronto, Ontario, Canada	Independent Trustee and Chairman of the Board of Trustees	Partner at EDEV Real Estate Advisors, Trustee of CANMARC Real Estate Investment Trust
Gérard A. Limoges ⁽²⁾ Montréal, Québec, Canada	Independent Trustee	Corporate Director, Trustee of CANMARC Real Estate Investment Trust
Vitale A. Santoro ⁽³⁾ Montréal, Québec, Canada	Trustee and Corporate Secretary	Partner at Osler, Hoskin & Harcourt LLP
Ronald E. Smith ⁽⁴⁾ Yarmouth, Nova Scotia, Canada	Independent Trustee	Corporate Director
James W. Beckerleg ⁽⁵⁾ Montréal, Québec, Canada	Trustee, President and Chief Executive Officer	Principal of Labec Realty Advisors Inc., President and Chief Executive Officer of CANMARC Real Estate Investment Trust, President of Belwest Capital Management Corp.
Gordon G. Lawlor Halifax, Nova Scotia, Canada	Chief Financial Officer	Principal of Labec Realty Advisors Inc., Chief Financial Officer of CANMARC Real Estate Investment Trust, Chief Financial Officer of Homburg Canada Inc.

- (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.

See “Trustees and Executive Officers of the REIT”.

Arrangements with the Manager

Management Agreement

On March 11, 2013, the REIT entered into a 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.

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 equal to 0.25% of the Adjusted Cost Base of the REIT’s assets; and
- an 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.

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 REIT has the right to

terminate the Management Agreement in the event that the GBV of the REIT's assets reaches \$500 million, in which case 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. In addition, 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, in which case the REIT shall pay the Manager a termination fee equal to (i) in the event the Management Agreement is terminated during its 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, 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 during the following two years, plus any severance costs related to the employees of the Manager and any lease termination penalties payable by the Manager.

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.

See "Arrangements with the Manager".

Summary of Independent Appraisals of the Initial Properties

The REIT retained the Appraisers to provide an independent estimate of the fair market value of the properties that comprise the Initial Portfolio. The Appraisals have effective dates of October 1, 2013. Based on the Appraisals, the aggregate market value of the Initial Properties was estimated to be \$61.8 million. Furthermore, Colliers performed additional analysis to determine the value of the Initial Properties on a portfolio basis. Colliers concluded that the estimated aggregate market value of the Initial Properties on a portfolio basis, as at October 1, 2013, ranged between \$63.0 million and \$64.2 million, including a portfolio premium of 2% to 4%. See "Assessment and Valuation of the Initial Properties – Appraisals".

Debt Strategy and Indebtedness

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 REIT intends to obtain debt financing primarily on a fixed rate basis, with terms to maturity that are appropriate having regard to the lease maturity profile for each property.

Following the closing of the Acquisitions and the Offering, the REIT estimates that its total consolidated indebtedness will be approximately \$37.8 million, representing approximately 59.1% of Gross Book Value (based on the appraised value of the assets of the REIT and its subsidiaries). Total debt is expected to include approximately \$30.0 million of fixed interest rate, long-term secured mortgage financing with a weighted average interest rate of 4.14% and a weighted average remaining term to maturity of approximately 4.8 years. The REIT estimates that it will maintain a balance of approximately \$1.0 million on a short term operating facility bearing interest at 8.5% per annum and maturing in April 2016. The REIT also estimates that it will maintain a balance of approximately \$0.3 million on the Bridge Loan, bearing interest at 8.5% per annum and maturing July 2014. In addition, the REIT expects to have drawn \$6.7 million on the Revolving Credit Facility that has a term of 2 years and bears interest at a floating rate at

either the prevailing banker's acceptance rate plus 263 basis points. As at November 18, 2013, the effective interest rate on the Revolving Credit Facility would be approximately 3.85%. The following table sets out the principal installments and debt maturities of the REIT that are expected to be in place on Closing and paid over the periods indicated. See "Risk Factors – Risks Related to the Acquisitions".

<u>Year Ending December 31</u>	<u>Payments of Principal</u>	<u>Debt Maturing During Year</u>	<u>Total Principal Payments</u>	<u>Percentage of Total Debt</u>	<u>Weighted Average Interest Rate of Maturing Debt</u>
	\$	\$	\$		
2013	263,607	—	263,607	0.7%	—
2014	797,307	250,000	1,047,307	2.7%	8.50%
2015	742,746	10,255,869 ⁽¹⁾	10,998,615 ⁽¹⁾	28.7%	4.26%
2016	755,830	1,040,000	1,795,830	4.7%	8.50%
2017	712,704	1,356,782	2,069,486	5.4%	5.67%
2018	289,762	17,565,796	17,855,558	46.5%	3.85%
2019 and Thereafter	620,495	3,719,933	4,340,428	11.3%	4.14%
Total	<u>4,182,451</u>	<u>34,188,380</u>	<u>38,370,831</u>	<u>100.00%</u>	

(1) Includes approximately \$6.7 million under the Revolving Credit Facility.

See "Debt Strategy".

The Acquisition Agreements

The REIT has entered into agreements in connection with the potential acquisition of a total of four commercial properties representing approximately 315,330 square feet of GLA from four separate and unrelated vendors. The aggregate purchase price for the properties to be acquired under the Acquisition Agreements is anticipated to be approximately \$39.0 million. The net proceeds from the Offering are expected to be used by the REIT, along with cash on hand, the Assumed Mortgage, the New Mortgage, the Revolving Credit Facility and the issuance of Class B LP Units, to fund the purchase of the properties pursuant to the Acquisition Agreements. The respective vendors of the properties located at 3200-3260 Guénette Street (including Broccolini Construction Inc.), 370 Connell Street and 55 Technology Drive have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equal to the Offering Price. The aggregate appraised value of the Acquisitions is \$42.6 million, excluding any portfolio premium.

Financial Forecast

The financial forecast information set forth below is based upon the financial forecast prepared by management of the REIT, using assumptions with an effective date of November 18, 2013. The forecast has been prepared using assumptions that reflect management's intended course of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast assumes no acquisitions are completed during the period and that the capital structure at Closing is maintained throughout the Forecast Period. The forecast is also subject to certain assumptions in respect of rental activity, including with respect to the occupancy rates of the Initial Properties, which are assumed to move from 91.5% to 95.2% during the Forecast Period. The assumptions used in the preparation of the forecast, although considered reasonable at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that the actual results achieved for the Forecast Period will vary from the forecast results and the variations may be material. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

	Three-month periods ending				Twelve-month period ending
	Dec-13	Mar-14	Jun-14	Sep-14	Sept. 30, 2014
	\$	\$	\$	\$	\$
Rental income	1,751,887	1,777,330	1,826,470	1,826,477	7,182,164
Operating expenses	(685,570)	(686,370)	(687,984)	(687,983)	(2,747,907)
	1,066,317	1,090,960	1,138,486	1,138,494	4,434,257
Other income and expenses					
General and administrative expenses	(98,871)	(98,871)	(98,871)	(98,871)	(395,484)
Interest and financing costs	(591,130)	(589,075)	(586,998)	(584,899)	(2,352,102)
Profit for the period before fair value adjustments to investment properties	376,316	403,014	452,617	454,724	1,686,671
Fair value adjustment to investment properties	—	—	—	—	—
Net comprehensive income	<u>376,316</u>	<u>403,014</u>	<u>452,617</u>	<u>454,724</u>	<u>1,686,671</u>

The following table reconciles forecast net income to FFO and AFFO. See "Notice Regarding Forward-Looking Statements", "Non-IFRS Financial Measures" and "Financial Forecast".

	Three-month periods ending				Twelve-month period ending
	Dec-13	Mar-14	Jun-14	Sep-14	Sept. 30, 2014
	\$	\$	\$	\$	\$
Calculation of FFO and AFFO					
Net comprehensive income	376,316	403,014	452,617	454,724	1,686,671
Interest on Class B LP Units	153,321	153,321	153,321	153,321	613,284
Fair value adjustments to investment properties	—	—	—	—	—
FFO	<u>529,637</u>	<u>556,335</u>	<u>605,938</u>	<u>608,045</u>	<u>2,299,995</u>
Straight line rent	(18,588)	(18,588)	(18,588)	(18,588)	(74,352)
Amortized financing costs	34,790	34,790	34,790	34,790	139,160
Tenant inducements and leasing costs	(11,425)	(11,425)	(11,425)	(11,425)	(45,700)
Capital expenditures	(18,750)	(18,750)	(18,750)	(18,750)	(75,000)
AFFO	<u>515,664</u>	<u>542,362</u>	<u>591,965</u>	<u>594,072</u>	<u>2,244,063</u>
AFFO per Unit⁽¹⁾	<u>0.052</u>	<u>0.055</u>	<u>0.060</u>	<u>0.060</u>	<u>0.226</u>
Targeted distributions per Unit	<u>0.053</u>	<u>0.053</u>	<u>0.053</u>	<u>0.053</u>	<u>0.210</u>
Estimated excess (over) distribution per Unit	<u>(0.001)</u>	<u>0.002</u>	<u>0.007</u>	<u>0.007</u>	<u>0.016</u>
Calculation of NOI					
Rental income					7,182,164
Operating expenses					(2,747,907)
NOI⁽²⁾					<u>4,434,257</u>

(1) The weighted average number of units outstanding for purposes of calculating AFFO per Unit is assumed to include the dilutive effect of the exchange of 2,920,397 Class B LP Units on a one-for-one basis into Units of the REIT.

(2) Cash NOI is \$4,359,905 (excluding straight line rent of \$74,352).

THE OFFERING

Offering:	4,622,417 Units (5,315,779 Units if the Over-Allotment Option is exercised in full).
Amount:	\$11,093,800 (\$12,757,870 if the Over-Allotment Option is exercised in full).
Price:	\$2.40 per Unit.
Use of Proceeds:	The net proceeds of the Offering, before giving effect to the Over-Allotment Option, will be approximately \$8,937,592, after deducting the REIT's estimated expenses of the Offering of \$1,554,400 and the Underwriters' Fee of \$601,808. The REIT intends to use such net proceeds to fund the Acquisitions, to repay approximately \$4.4 million of its indebtedness under the Operating Facility, and for general trust and working capital purposes. See "The Initial Portfolio" and "Use of Proceeds".
Over-Allotment Option:	The REIT has granted to the Underwriters an option exercisable in whole or in part and at any time and from time to time up to 30 days after the Closing to purchase up to an additional 693,362 Units (representing 15% of the number of Units offered under the Offering) at a price of \$2.40 per Unit solely to cover over-allotments, if any, and for market stabilization purposes. The net proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT for general trust purposes and to fund future acquisitions. See "Plan of Distribution" and "Use of Proceeds".
Unit Attributes:	The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders. 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. Special Voting Units are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Units. See "Description of Units and Capital Structure".
Retained Interest:	Vendors of certain properties (including Broccolini Construction Inc. and a national publicly traded real estate investment trust) have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equity to the Offering Price. Immediately following the closing of the Offering and the Acquisitions, members of management, the Board of Trustees, and certain vendors will hold an approximate 32.1% equity interest in the REIT.
Distribution Policy:	The REIT does not currently make distributions on the Units. The REIT intends to adopt a distribution policy pursuant to which it will make monthly cash distributions <i>pro rata</i> to holders of Units and holders of Class B LP Units (subject to an election by a Unitholder to utilize the DRIP (as defined herein)) initially equal to, on an annual basis, approximately 92.8% of AFFO. It is currently anticipated that the monthly cash distributions will represent an annualized distribution yield of 8.75% based on the Offering Price. Although the REIT intends to commence making distributions of a portion of its available cash to Unitholders, as described herein, these cash distributions are not assured. See "Distribution Policy".

It is anticipated that the first distribution will be for the period from Closing to December 31, 2013 and will be paid on or about January 15, 2014 to Unitholders of record on December 31, 2013 and will be in the amount of \$0.0198 per Unit (assuming that Closing occurs on November 26, 2013). The REIT intends to make subsequent monthly distributions on the 15th of the month, or the first business day thereafter should the 15th not be a business day, in the estimated amount of \$0.0175 per Unit. See “Distribution Policy”.

**Distribution
Reinvestment Plan:**

Following Closing, subject to regulatory approval, the REIT intends to adopt a DRIP pursuant to which holders of Units or Class B LP Units will be entitled to elect to have all cash distributions of the REIT and PRO REIT LP, as applicable, automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average closing price for the Units on the TSXV for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Units equal to 3% of each distribution that was reinvested by them. See “Distribution Policy – Distribution Reinvestment Plan”.

Risk Factors:

An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT’s properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry, the REIT and its business and the Offering. See “Risk Factors” and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

Closing Date:

It is expected that the closing of the Offering will occur on November 26, 2013 or such other date not later than December 3, 2013 as the REIT and the Underwriters may agree.

LEGAL STRUCTURE OF THE REIT

The REIT

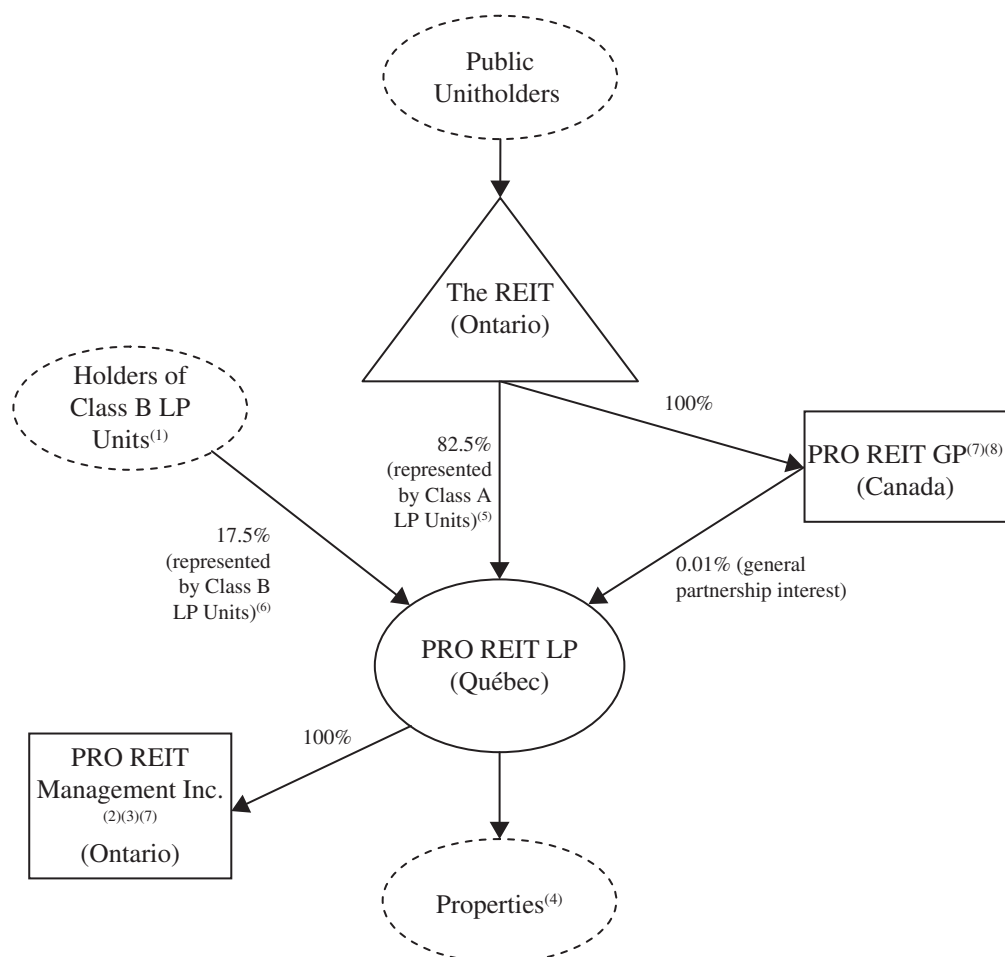
PRO Real Estate Investment Trust (the “**REIT**”) is an unincorporated, open-ended real estate investment trust established by the Declaration of Trust and governed by the laws of the Province of Ontario. The REIT is a “mutual fund trust” as defined in the Tax Act, but is not a “mutual fund” within the 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 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.

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 PRO REIT LP, which distributions will be 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.

Organizational Structure

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



- (1) Each Class B LP Unit is accompanied by one Special Voting Unit which provides the holder of such Special Voting Unit with a right to vote on matters respecting the REIT proportionate with its indirect ownership in the REIT.
- (2) PRO REIT Management Inc. has retained the services of the Manager pursuant to the Management Agreement. See “Arrangements with the Manager”.
- (3) Formerly known as Taggart Capital Corp.
- (4) The properties of the REIT are held through limited partnerships of which PRO REIT LP or a wholly-owned subsidiary of PRO REIT LP is the sole limited partner and controls the general partner.
- (5) Without giving effect to the Offering, or 70.6% following the closing of the Offering and the Acquisitions (without giving effect to the exercise of the Over-Allotment Option).
- (6) Without giving effect to the Offering, or 29.4% following the closing of the Offering and the Acquisitions (without giving effect to the exercise of the Over-Allotment Option).
- (7) 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 PRO REIT GP and PRO REIT Management Inc.
- (8) PRO REIT GP is the general partner of PRO REIT LP. See “PRO REIT LP – The General Partner” in the Circular.

BUSINESS OF THE REIT

Investment Opportunity

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. The REIT currently owns four commercial properties located in

Québec, New Brunswick and Nova Scotia, comprising 57,548 square feet of GLA, and has entered into agreements to acquire four office, retail, and commercial mixed use properties in Québec, New Brunswick and Nova Scotia, representing aggregate GLA of 315,330 square feet.

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. Most recently (from May 2010 until March 2012), the REIT's management team held senior management positions with CANMARC Real Estate Investment Trust ("**CANMARC**"), a publicly-traded REIT with a nationally diversified portfolio of 115 commercial properties totalling 9.4 million square feet of GLA, including a significant portfolio in Eastern Canada. CANMARC was ultimately acquired by Cominar Real Estate Investment Trust ("**Cominar**") in March 2012, generating a compounded annualized total return of approximately 43% for CANMARC's unitholders. 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.

Upon closing of the Acquisitions, the REIT's Initial Portfolio will comprise eight properties, totalling 372,878 square feet of GLA, providing a platform for growth in the REIT's target markets of Québec, Atlantic Canada 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. See "Risk Factors – Risks Related to the Acquisitions".

The REIT is externally managed by Labec Realty Advisors Inc. (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 will 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". 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. Vendors of certain properties (including Broccolini Construction Inc. and a national publicly traded real estate investment trust) have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equal to the Offering Price. Immediately following the closing of the Offering and the Acquisitions, members of management, the Board of Trustees, and certain vendors will hold a 32.1% equity interest in the REIT.

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.

INVESTMENT HIGHLIGHTS

Management believes that the REIT offers an:

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

The Manager is comprised of an experienced team of real estate professionals. In aggregate, the REIT's executive officers and Trustees have over 100 years of operating, acquisitions, and financing experience in the Canadian real estate industry. They have extensive relationships with a broad network of real estate industry owners and service professionals across Canada, and expect to leverage these relationships to source accretive high-quality acquisitions. From May 2010 until March 2012, the key executives of the Manager held senior management positions with CANMARC, a publicly-traded 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 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.

Initial Portfolio of High-Quality Commercial Real Estate

Upon closing of the Acquisitions, the REIT's Initial Portfolio will be comprised of eight commercial properties totalling 372,878 square feet of GLA. The Initial Portfolio is diversified by property type and geography across Eastern Canada. The Initial Portfolio will consist of two office properties representing 101,413 square feet of GLA, five retail properties representing 171,795 square feet of GLA, and one commercial mixed use properties representing 99,670 square feet of GLA. The Initial Properties are mostly situated in prime locations within their respective markets, along major traffic arteries benefiting from high visibility and easy access. Management believes the quality and diversity of the Initial Portfolio will enable the REIT to attract new tenants and retain existing tenants, providing a strong base on which to generate stable and growing cash flows. See "Risk Factors – Risks Related to the Acquisitions".

Geographic Focus on Stable Eastern Canadian Markets

The Initial Properties are located in Québec and Atlantic Canada. The Initial Portfolio provides the REIT with a platform on which to expand its presence in Eastern Canada, specifically Ontario, and selectively diversify into other primary Canadian markets. Collectively, the economies of these provinces represent approximately 60.6% of the Canadian economy, with Québec and Ontario being the largest individual provincial economies in Canada. Furthermore, 23.4 million people live in these target provinces, representing 67.1% of the Canadian population. The Eastern Canadian economies are amongst the most stable in Canada. From 2005 to 2011, the annual volatility of GDP growth for the overall Canadian economy, as measured by standard deviation, was 2.2%, as compared to the annual volatility of GDP growth for Québec, Atlantic Canada and Ontario of 1.2%, 0.9% and 2.2%, respectively. Modest GDP growth is expected in all of the REIT's target markets over the near and long term. In addition, the REIT's target markets are driven by a diverse array of industries including industrial goods, natural resources, agriculture and financial services. Furthermore, the Eastern Canadian economies represented approximately 60% of Canadian merchandise exports in 2012, with the United States being the most significant export destination. As the United States continues to experience an economic recovery and as the U.S. dollar continues to appreciate relative to the Canadian dollar, management believes that Eastern Canada is well positioned to benefit. The REIT's target markets demonstrate stable real estate fundamentals and include the two largest commercial real estate markets in Canada – Québec and Ontario. In aggregate, the major Eastern Canadian real estate markets of Toronto, Montréal, Ottawa, Québec City, Halifax, Moncton, Fredericton and Saint John contain approximately 326 million square feet of office space (approximately 67.5% of available Canadian supply) and 1.1 billion square feet of industrial space (approximately 78.3% of available Canadian supply). The ownership of commercial real estate in these target markets is highly fragmented, and management believes that properties in Eastern Canada currently offer superior risk adjusted investment metrics, as these properties are typically valued at higher capitalization rates than similar properties elsewhere in Canada.

High-Quality Tenants with Long Term Leases

The Initial Properties are leased to 23 high-quality tenants, with government and national tenants representing 87.9% of the forecast base rent. Tenants (or their corporate parent) that have been assigned investment grade credit ratings represent 72.0% of the Initial Portfolio's forecast base rent, and have a weighted average remaining lease term of 7.6 years. Furthermore, the Initial Properties' tenants are well diversified by industry sector. The Initial Portfolio's ten largest tenants are expected to account for approximately 86.2% of forecast base rent, and no tenant will comprise more than 17.0% of the Initial Portfolio's base rent. Eight of the Initial Portfolio's top ten tenants (or their corporate parent) have been assigned investment grade credit ratings. The Initial Properties are currently 91.5% occupied, with a weighted average remaining lease term of approximately 7.1 years, providing excellent stability to the underlying cash flows of the REIT. The Initial Portfolio's lease maturities are well staggered into the future, with 52.7% of forecast base rent expiring after 2018 (beyond five years) and not more than 14.8% of forecast base rent matures in any given year over the next five years.

Alignment of Interests Through an Efficient Management Structure, Strong Corporate Governance and Significant Retained Interest

The REIT is externally managed by an experienced team of real estate professionals 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 of the REIT once the REIT's GBV reaches \$500 million. See "Arrangements with the Manager". Furthermore, the REIT will maintain strong and effective governance with a Board of Trustees comprised of a majority of Independent Trustees, all of whom have experience in the Canadian commercial real estate and capital markets. Management believes that they are aligned with 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. Vendors of certain properties (including Broccolini Construction Inc. and a national publicly traded real estate investment trust) have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equal to the Offering Price. Immediately following the closing of the Offering and the Acquisitions, members of management, the Board of Trustees, and certain vendors will hold a 32.1% equity interest in the REIT.

Compelling Investment Metrics

The REIT intends to pay stable and growing monthly cash distributions to Unitholders. Initially, the distributions are expected to be \$0.21 per Unit per annum, which will provide Unitholders with an annual yield of approximately 8.75% (at the Offering Price), based on an AFFO payout ratio of 92.8%. Management believes that there is significant near term internal growth imbedded within the Initial Portfolio, including contractual rent steps, opportunities to lease currently vacant space and renewing/re-leasing maturing leases to market rates. Immediately following the closing of the Acquisitions and the Offering, the REIT is expected to have a consolidated debt to Gross Book Value ratio of approximately 59.1% (based on the appraised value of the assets of the REIT and its subsidiaries). See "Risk Factors – Risks Related to the Acquisitions".

GROWTH STRATEGIES

Internal Growth

Management believes there are opportunities to enhance the value of the REIT's portfolio by optimizing its performance through a number of internal growth initiatives designed to increase the REIT's cash flow from operations. These include, but are not limited to:

- *Revenue growth opportunities:* As the weighted average occupancy rate of the Initial Portfolio is 91.5%, management believes that there is potential to generate additional rental income by leasing space in properties that is currently unoccupied. In addition, several of the Initial Properties are located in areas with low vacancy rates and minimal new competitive supply, which should provide the REIT, following the closing of the Acquisitions, 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 will seek 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 will promote 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 Initial 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. The Initial Portfolio has a weighted average remaining lease term of 7.1 years, with 52.7% of forecast base rent maturing after 2018, and no more than 14.8% of forecast base rent maturing in any given year over the next five years. Furthermore, management intends to engage property tax appeal specialists to lower property tax costs, which are typically a significant component of a REIT's operating costs. Finally, management will ensure preventive maintenance programs are in place focusing on building control systems, roofing, and parking facilities, in order to minimize long term capital expenditures.
- *Expansion opportunities:* Management will seek to strengthen its asset base through the judicious expansion and improvement of existing properties. Management believes there are several opportunities to develop additional properties on excess land within the Initial Portfolio, including opportunities at 135 Main Street and 55 Technology Drive. 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 will include the following:

- *Accretive acquisitions of income-producing commercial properties:* The REIT will benefit 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 has sought to identify property acquisitions using investment criteria that focus on the quality of the tenants, market demographics, lease terms, opportunities for expansion, security of cash flows, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning. The REIT's acquisition focus will be on buildings with minimal capital requirements, including new buildings or well-maintained older buildings. Consistent with the REIT's strategy and in the normal course, the REIT is engaged in discussions with respect to possible acquisitions of properties. See "Risk Factors – Acquisition and Development".
- *Minimizing risk through portfolio diversification:* As part of its growth strategy, the REIT intends to acquire a broad range of commercial properties in its target markets, and will seek to maximize diversification within its portfolio. The Initial Portfolio is diversified (i) by asset class among office properties (23.1% of forecast base rent), retail properties (52.6% of forecast base rent), and commercial mixed use properties (24.3% of forecast base rent); and (ii) by geography among markets in Québec (37.9% of forecast base rent) and Atlantic Canada (62.1% of forecast base rent). 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.

RECENT DEVELOPMENTS

Private Placement, Qualifying Transaction, and REIT Conversion

On December 21, 2012, Taggart completed a private placement of 21,108,566 subscription receipts at a price per subscription receipt of \$0.30 (or approximately 2,110,857 subscription receipts at a price per subscription receipt of \$3.00 after taking into account the Exchange Ratio) for aggregate gross proceeds of \$6,332,570. On January 29, 2013, Taggart completed the Qualifying Transaction and the 21,108,566 subscription receipts were automatically converted into 21,108,566 common shares of Taggart (or approximately 2,110,857 common shares after taking into account the Exchange Ratio). At such time, Taggart also completed a private placement of 1,587,302 common shares at a price per share of \$0.1575 (or approximately 158,730 common shares at a price per share of \$1.58 after taking into account the Exchange Ratio) to James W. Beckerleg and Gordon G. Lawlor for gross proceeds of \$250,000. In addition, Messrs. Beckerleg and Lawlor purchased all of the 3,450,000 escrowed seed shares of Taggart from its former principals at a purchase price of \$0.13 per share (or approximately 345,000 common shares at a price per common share of \$1.30 after taking into account the Exchange Ratio) for an aggregate consideration of \$448,500. Messrs. Beckerleg and Lawlor respectively hold 302,238 and 201,492 Class B LP Units as at the date of this prospectus, of which 151,120 and 100,746 Class B LP Units are currently held under escrow. Pursuant to the escrow agreement, 25% of the escrowed Class B LP Units will be released on February 6, 2014 and August 6, 2014.

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. 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.

Acquisition of 135 Main Street, Moncton, New Brunswick

On January 29, 2013, as part of its Qualifying Transaction, Taggart completed the acquisition of a property located at 135 Main Street in Moncton, New Brunswick (the "**Main Street Property**"). The Main Street Property has a total GLA of approximately 10,600 square feet on approximately 2.2 acres of land. It is a two-storey free-standing retail property that was built in 2012 in an expanding retail node. It has 30 outdoor parking spaces and is 100.0% leased on a long-term basis to a Canadian Schedule I Chartered Bank until April 2022, and the property includes 0.8 acres of adjacent land that may be used for a future retail development. The purchase price for the property was approximately \$5.98 million, excluding closing and transaction costs.

Acquisition of 2 Lawrence Street, Amherst, Nova Scotia

On March 27, 2013, the REIT completed the acquisition of a property located at 2 Lawrence Street, Amherst, Nova Scotia (the "**Lawrence Street Property**"). The Lawrence Street Property is a two-storey free-standing building with approximately 21,200 square feet of GLA situated on approximately 1.2 acres of land. The property is 76.2% occupied, with a Lawton's Drug Store on the main level on a long-term lease until April 2029, and medical/office tenants on the second floor. The Lawrence Street Property was built in 2009 and has 60 outdoor parking spaces. The purchase price for the property was \$3.50 million, excluding closing and transaction costs.

Acquisition of 1670 Notre Dame Street, L'Ancienne-Lorette, Québec

On April 30, 2013, the REIT completed the acquisition of a property located at 1670 Notre Dame Street, L'Ancienne-Lorette, Québec (the "**L'Ancienne-Lorette Property**"). The L'Ancienne-Lorette Property is a one-storey free-standing commercial building with approximately 19,000 square feet of GLA situated on approximately 2.0 acres of land, and is 100.0% occupied by Pharmaprix on a long-term lease until March 2023. The property is well located, with excellent visibility in a well-established neighbourhood. The L'Ancienne-Lorette Property was built in 1980, renovated in 2008 and has outdoor parking for 120 cars. The purchase price for the property was approximately \$7.01 million, excluding closing and transaction costs.

Acquisition of 449 Principale Street, Daveluyville, Québec

On April 30, 2013, the REIT completed the acquisition of a property located at 449 Principale Street, Daveluyville, Québec (the “**Daveluyville Property**”). The Daveluyville Property is a one-storey free-standing commercial building with approximately 6,800 square feet of GLA situated on approximately 0.8 acres of land, and is 100.0% occupied by Familiprix on a long-term lease until January 2026. It was built in 1987 and was substantially renovated in 2011, and has 53 outdoor parking spaces. The purchase price for the property was approximately \$1.45 million, excluding closing and transaction costs.

OVERVIEW OF THE EASTERN CANADIAN MARKETS

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 and Ontario. The economies of these provinces collectively represent approximately 60.6% of the Canadian economy, with Québec and Ontario being the largest individual provincial economies in Canada. Furthermore, 23.4 million people live in these target provinces, representing 67.1% of the Canadian population.

The Eastern Canadian economies are amongst the most stable in Canada, as measured by variability of key economic indicators over time. From 2005 to 2011, the annual volatility of GDP growth for the overall Canadian economy, as measured by standard deviation, was 2.2%, as compared to the annual volatility of GDP growth for Québec, Atlantic Canada and Ontario of 1.2%, 0.9% and 2.2%, respectively. Modest GDP growth is expected in all of the REIT’s target markets over the near and long term. In addition, the REIT’s target markets are driven by a diverse array of industries including industrial goods, natural resources, agriculture and financial services. Furthermore, according to Statistics Canada, the Eastern Canadian economies represented approximately 60% of Canadian merchandise exports in 2012, with the United States being the most significant export destination. As the United States continues to experience an economic recovery and as the U.S. dollar continues to appreciate relative to the Canadian dollar, management believes that Eastern Canada is well positioned to benefit.

The REIT’s target markets demonstrate stable real estate fundamentals and include the two largest commercial real estate markets in Canada – Québec and Ontario. In aggregate, the major Eastern Canadian real estate markets of Toronto, Montréal, Ottawa, Québec City, Halifax, Moncton, Fredericton and Saint John contain approximately 326 million square feet of office space (approximately 67.5% of available Canadian supply) and 1.1 billion square feet of industrial space (approximately 78.3% of available Canadian supply). The ownership of commercial real estate in these target markets is highly fragmented, and management believes that properties in Eastern Canada currently offer superior risk adjusted investment metrics, as these properties are typically valued at higher capitalization rates than similar properties elsewhere in Canada. Management believes the scale, fragmentation, and relative value within Eastern Canadian real estate markets offers a unique and compelling investment opportunity, on which the REIT is well positioned to capitalize.

Canada

Economic Overview

	Historical average (2005 – 2011)	2011A	2012F	2013F	Forecast average (2012 – 2018)
Real GDP (% change)	1.7%	2.6%	1.8%	2.3%	2.2%
Population (% change)	1.1%	1.1%	1.1%	1.1%	1.1%
Employment (% change)	1.2%	1.5%	1.0%	1.5%	1.3%
Unemployment Rate	7.0%	7.5%	7.3%	7.3%	6.4%
Retail Sales (% change)	4.1%	4.1%	2.7%	4.1%	3.7%
Real GDP (standard deviation of % change, 2005 – 2011) ..	2.2%				

Source: Conference Board of Canada

Québec

Economic Overview

In 2012, Québec generated \$340 billion of GDP, making it the second largest economy in Canada. Québec's economy is expected to grow at a consistent and modest pace of 1.6% in 2013 and increasing to an average of 1.7% between 2012 and 2018. Québec has consistently maintained a stable unemployment rate, averaging 7.8% from 2005 to 2011, and is expected to decline from 7.9% in 2012 to an average of 7.4% from 2012 to 2018. In 2012, approximately 70% of Québec's exports were to the United States, and 38% of total exports were comprised of industrial goods. There are several large-scale industrial/infrastructure projects currently underway in Québec, including the La Romaine hydroelectric complex (\$6.5 billion), the construction of the McGill University Health Care Center and the Centre hospitalier de l'Université de Montréal (collectively \$3.3 billion), the expansion of ArcelorMittal's Mont-Wright mining complex (\$2.1 billion), and the expansion of Aluminerie Alouette in Sept-Îles (\$2 billion).

	Historical average (2005 – 2011)	2011A	2012F	2013F	Forecast average (2012 – 2018)
Real GDP (% change)	1.5%	1.7%	0.9%	1.6%	1.7%
Population (% change)	0.8%	0.9%	0.9%	0.9%	0.8%
Employment (% change)	1.0%	1.0%	0.4%	1.2%	0.8%
Unemployment Rate	7.8%	7.7%	7.9%	8.0%	7.4%
Retail Sales (% change)	3.9%	2.9%	1.1%	3.8%	3.1%
Real GDP (standard deviation of % change, 2005 – 2011) ..	1.2%				

Source: Conference Board of Canada

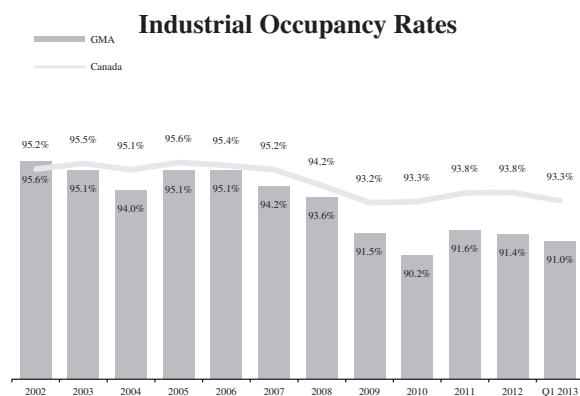
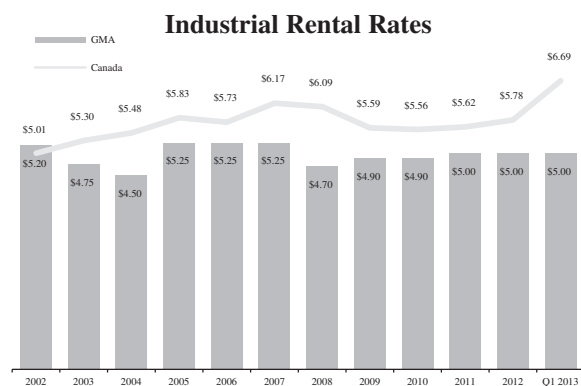
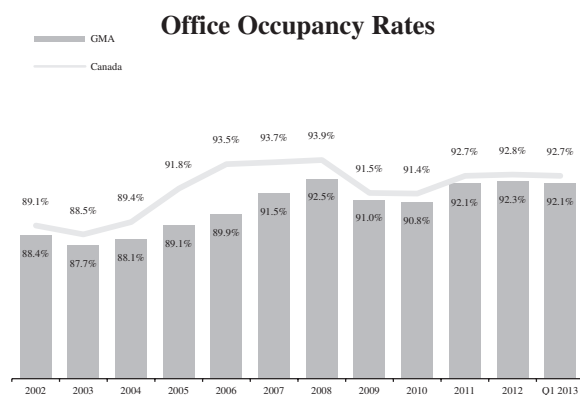
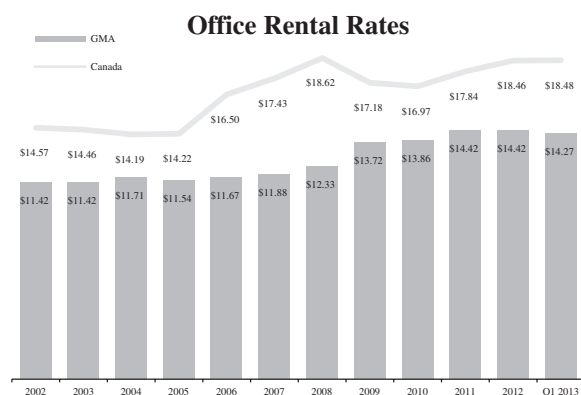
Real Estate Market Overview

The GMA is the second largest market for commercial real estate in Canada and the largest market in Québec, with 83.1 million square feet of office space and 283.7 million square feet of industrial space. The GMA's commercial real estate market is dominated by the finance and insurance industries, followed by pharmaceutical and manufacturing industries. Occupancy in the GMA's office market was stable in 2012 at 92.3%, and has remained within a range of 90.8% to 92.5% since 2007. Office rental rates have experienced seven consecutive years of increases, and grew at a stable CAGR of 3.9% from 2007 to 2012. Given the limited availability of Class A office space in the downtown core, office vacancy rates are expected to decline further in 2013, while asking rental rates are expected to remain stable. In the industrial market, occupancy rates increased from 90.2% in 2010 to 91.0% in the first quarter of 2013, primarily as a result of increased manufacturing activity. Industrial rental rates have remained stable over time, having fluctuated in a range of \$4.50 to \$5.25 per square foot since 2004. Solid underlying fundamentals in the retail market and an influx of American and global retailers into Canada are supporting continued demand for space. In 2012, Montréal's personal disposable income per capita grew by 1.1%, and retail sales grew by 2.6%, and are expected to grow by a further 2.1% and 4.9% in 2013, respectively. Despite strong underlying real estate fundamentals, capitalization rates for office, industrial and retail properties in the GMA are higher than the applicable overall national averages by 32 basis points, 78 basis points, and 72 basis points, respectively.

	Inventory (millions of square feet)	Vacancy Rate	Net Rental Rate	Capitalization Rate Range	Spread to Canadian Average Capitalization Rate ⁽¹⁾
Montréal					
Office	83.1	7.9%	\$14.27	5.00% – 8.50%	+ 32 bps
Industrial	283.7	9.0%	\$ 5.00	6.25% – 8.50%	+ 78 bps
Retail	—	—	—	5.50% – 8.50%	+ 72 bps
Québec City					
Office	17.8	7.2%	\$11.44	6.00% – 8.00%	+ 57 bps
Industrial	—	—	—	—	—
Retail	—	—	—	—	—

Source: Cushman & Wakefield, Altus, as at Q1 2013.

- (1) Calculated as the mid-point of the applicable local capitalization rate range less the applicable Canadian average capitalization rate (overall average of the high and low capitalization rates for Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montréal, Québec City and Halifax).



Source: Cushman & Wakefield

Atlantic Canada

Economic Overview

In 2012, the Atlantic Canadian provinces generated aggregate GDP of approximately \$74 billion, collectively making Atlantic Canada the fourth largest economy in Canada. The economies of the Atlantic Canadian provinces are expected to grow at a consistent and modest pace of 1.8% in 2013 and 1.3% between 2012 and 2018. The Atlantic Canadian economy is primarily driven by natural resources, agriculture, manufacturing and services. The Atlantic Canadian provinces are significant exporters of goods. In 2012, a significant component of the Atlantic Canadian provinces' exports were to the United States: 86% of New Brunswick's exports, 72% of Nova Scotia's exports, 69% of Prince Edward Island's exports and 58% of Newfoundland's exports. In 2012, 72% of New Brunswick's exports were energy, 31% of Nova Scotia's exports were agri-food, 60% of Prince Edward Island's exports were agri-food, and 65% of Newfoundland's exports were energy. There are several major energy and infrastructure projects underway in Atlantic Canada, including Irving Shipbuilding's \$25 billion contract to build 21 combat ships for the Royal Canadian Navy in Halifax over three decades, the expected start of production at Encana's newly completed Deep Panuke offshore natural gas field in 2013, Shell Canada's proposal to spend \$970 million on oil & gas exploration in the Scotian shelf from 2014 to 2020 and TransCanada's proposed \$5 billion west-east pipeline to carry Western Canadian crude oil to New Brunswick's Irving Oil refinery in Saint John.

	Historical average (2005 – 2011)	2011A	2012F	2013F	Forecast average (2012 – 2018)
Real GDP (% change)	1.1%	0.3%	0.6%	1.8%	1.3%
Population (% change)	0.2%	0.4%	0.1%	0.2%	0.2%
Employment (% change)	0.4%	-0.3%	0.6%	0.9%	0.5%
Unemployment Rate	8.9%	9.3%	9.5%	9.1%	8.0%
Retail Sales (% change)	4.1%	4.2%	0.9%	3.2%	2.6%
Real GDP (standard deviation of % change, 2005 – 2011) . .	0.9%				

Source: Conference Board of Canada

Note: Figures represent a weighted average (by population) of New Brunswick, Nova Scotia, and Prince Edward Island.

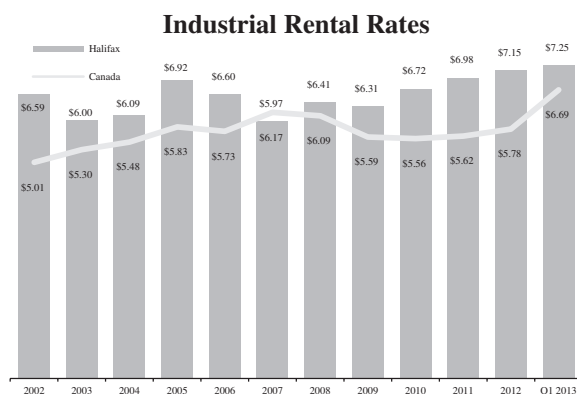
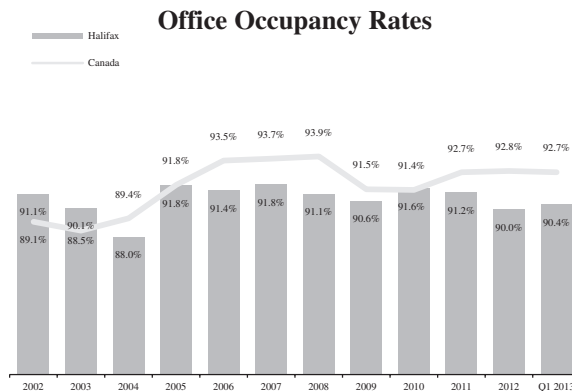
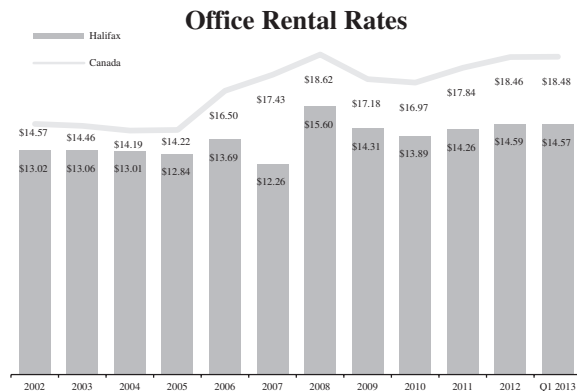
Real Estate Market Overview

Halifax is the largest market for commercial real estate in Atlantic Canada, with 10.7 million square feet of office space and 7.4 million square feet of industrial space. Occupancy in Halifax's office market was 90.4% in the first quarter of 2013, and has remained within a range of 90.0% to 91.8% since 2005. Office rental rates have also been stable, and increased at a CAGR of 3.5% from 2007 to 2012. These solid fundamentals have resulted in an increase in office development activity, alleviating over 20 years of downtown construction drought. Occupancy in Halifax's industrial market was 91.9% in the first quarter of 2013, and has remained in a range of 90.8% to 94.7% since 2004. Industrial rental rates have increased in four out of the past five years, representing a CAGR of 3.7% since 2007. Activity related to the Irving shipbuilding contract is expected to continue to support higher rents based on current supply. Retail property was the most active asset class in terms of investment in 2012, and the trend of United States retailers moving into Halifax's major shopping centres and power centres is expected to continue in 2013. On average, capitalization rates for office, industrial and retail properties in Halifax are higher than the applicable overall national averages by 57 basis points, 41 basis points, and 47 basis points, respectively.

	Inventory (millions of square feet)	Vacancy Rate	Net Rental Rate	Capitalization Rate Range	Spread to Canadian Average Capitalization Rate ⁽¹⁾
Halifax					
Office	10.7	9.6%	\$14.57	6.00% – 8.00%	+ 57 bps
Industrial	7.4	8.1%	\$ 7.25	6.50% – 7.50%	+ 41 bps
Retail	—	—	—	5.50% – 8.00%	+ 47 bps
Moncton					
Office	2.7	8.1%	\$13.49	—	—
Industrial	3.4	12.9%	\$ 6.00	—	—
Retail	—	—	—	—	—

Source: Cushman & Wakefield, Altus, as at Q1 2013.

- (1) Calculated as the mid-point of the applicable local capitalization rate range less the applicable Canadian average capitalization rate (overall average of the high and low capitalization rates for Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montréal, Québec City and Halifax).



Source: Cushman & Wakefield

Ontario

Economic Overview

In 2012, Ontario generated approximately \$650 billion of GDP, making it the largest economy in Canada. Ontario's economy is expected to grow at a consistent and modest pace of 2.1% in 2013, increasing to an average of 2.2% between 2012 and 2018, in line with the national average. Ontario has a diversified economy, with the manufacturing and service sectors continuing to be key drivers of economic growth. Ontario's economy is largely export-driven, with a substantial portion of exports destined for the United States. In 2012, approximately 78% of Ontario's exports were to the United States, and 35% of total exports were comprised of motor vehicles. The continued economic recovery in the United States and the continued appreciation of the U.S. dollar relative to the Canadian dollar has resulted in increasing export activity and economic growth, driving increases in personal disposable income, spending, and consumer confidence.

	Historical average (2005 – 2011)	2011A	2012F	2013F	Forecast average (2012 – 2018)
Real GDP (% change)	1.3%	2.0%	1.8%	2.1%	2.2%
Population (% change)	1.1%	1.1%	1.0%	1.1%	1.2%
Employment (% change)	1.0%	1.8%	0.7%	1.5%	1.4%
Unemployment Rate	7.3%	7.8%	7.8%	7.8%	6.6%
Retail Sales (% change)	3.3%	3.6%	1.9%	4.0%	3.7%
Real GDP (standard deviation of % change, 2005 – 2011) . .	2.2%				

Source: Conference Board of Canada

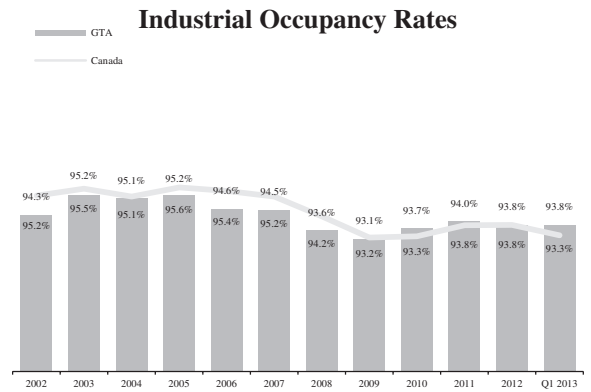
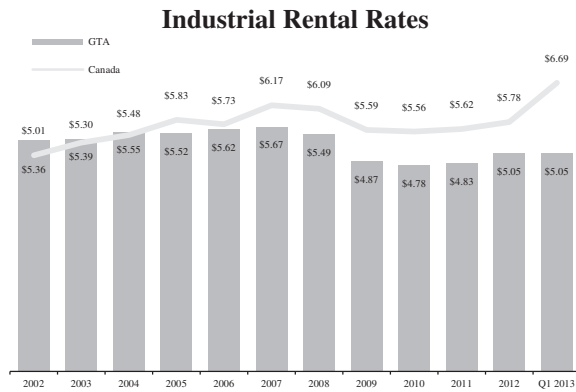
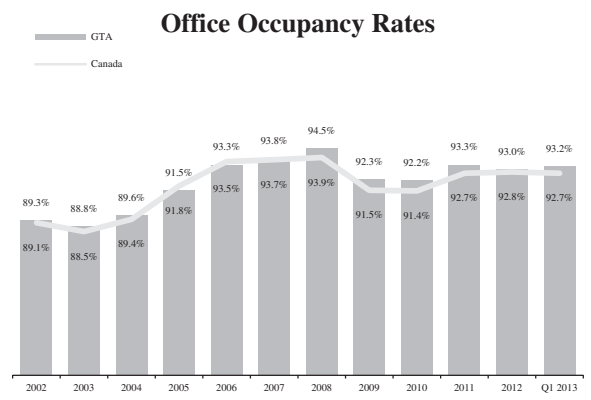
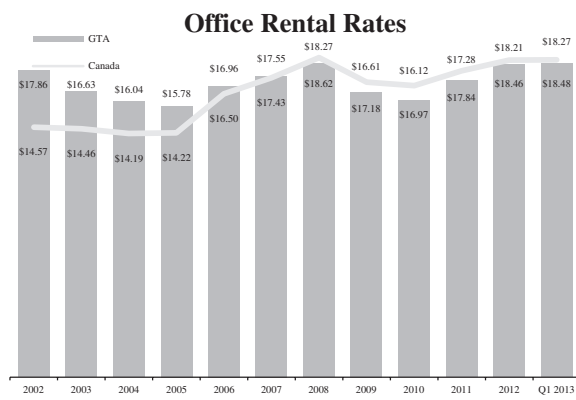
Real Estate Market Overview

The GTA is the largest market for commercial real estate in Canada and the largest market in Ontario, with 169.5 million square feet of office space and 791.0 million square feet of industrial space. The GTA commercial real estate market is driven by the financial services, manufacturing, and construction sectors. Occupancy in the GTA's office market was 93.2% in the first quarter of 2013, significantly above the ten year average of 90.9%, and has remained within a range of 91.5% to 94.5% since 2005. High-quality and desirable office space remains in demand, and vacancy rates are expected to be relatively stable going forward. Office rental rates in the GTA have also been stable, and increased at a CAGR of 0.7% from 2007 to 2012. Occupancy in the GTA's industrial market was 93.8% in the first quarter of 2013, and has remained in a range of 93.2% to 95.2% since 2002. Industrial rental rates have remained stable over time, having fluctuated in a range of \$4.78 to \$5.67 per square foot since 2002. Logistics and warehouse users are actively pursuing large facilities, with tenants in food, automotive, and consumer product sectors expected to lead leasing activity in 2013, and a lack of new supply is expected to drive industrial occupancy rates higher. In the retail market, foreign retailers continue to open Canadian flagship stores in Toronto, causing expectations for further declines in vacancy rates in 2013. Premium retail space continues to be scarce and well occupied. On average, capitalization rates for office, industrial and retail properties in the GTA are slightly lower than the applicable overall national averages by 43 basis points, 9 basis points, and 28 basis points, respectively, primarily due to the relative scale and liquidity of the market.

	Inventory (millions of square feet)	Vacancy Rate	Net Rental Rate	Capitalization Rate Range	Spread to Canadian Average Capitalization Rate ⁽¹⁾
Toronto					
Office	169.5	6.8%	\$18.27	4.75% – 7.25%	- 43 bps
Industrial	791.0	6.2%	\$ 5.11	5.75% – 7.25%	- 9 bps
Retail	—	—	—	4.75% – 7.25%	- 28 bps
Ottawa					
Office	37.8	7.8%	\$19.11	5.00% – 7.75%	- 6 bps
Industrial	21.7	5.5%	\$ 8.45	6.00% – 7.50%	+ 16 bps
Retail	—	—	—	5.00% – 7.50%	- 3 bps

Source: Cushman & Wakefield, Altus, as at Q1 2013.

- (1) Calculated as the mid-point of the applicable local capitalization rate range less the applicable Canadian average capitalization rate (overall average of the high and low capitalization rates for Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montréal, Québec City and Halifax).



Source: Cushman & Wakefield

THE INITIAL PORTFOLIO

Overview of the Initial Properties

Upon completion of the Acquisitions, the REIT will own a portfolio of eight income-producing commercial properties representing an aggregate of 372,878 square feet of GLA located in Eastern Canada. At this time, the REIT has elected not to pursue the acquisition of the office property located at 325 Hymus Boulevard in Pointe Claire, Québec (as further disclosed in the preliminary prospectus dated October 22, 2013). The following table provides information regarding the Initial Portfolio:

<u>Property</u>	<u>Location</u>	<u>Year Built/ Renovated</u>	<u># of Tenants</u>	<u>GLA (square feet)</u>	<u>Occupancy</u>
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%
			8	101,413	88.1%
Retail					
370 Connell Street	Woodstock, NB	1972/2001	9 ⁽²⁾	114,247	87.1% ⁽²⁾
2 Lawrence Street ⁽¹⁾	Amherst, NS	2009	1	21,212	76.2%
1670 Notre Dame Street ⁽¹⁾	L'Ancienne-Lorette, QC	1980/2008	1	19,000	100.0%
135 Main Street ⁽¹⁾	Moncton, NB	2012	1	10,574	100.0%
449 Principale Street ⁽¹⁾	Daveluyville, QC	1987/2011	1	6,762	100.0%
			13	171,795	88.5%
Commercial Mixed Use					
3200-3260 Guénette Street	St. Laurent, QC	2007	4 ⁽²⁾	99,670	100.0% ⁽²⁾
			4	99,670	100.0%
Total			25⁽³⁾	372,878	91.5%

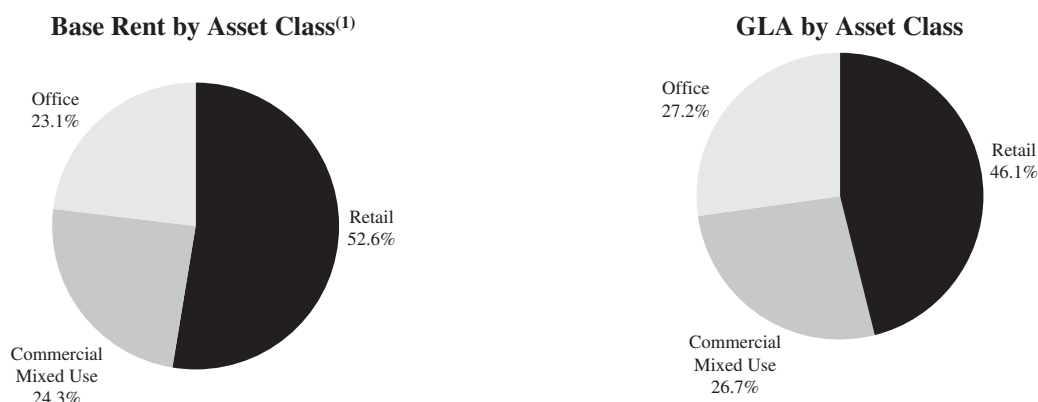
(1) Property currently owned by the REIT. The other properties are proposed to be acquired by the REIT pursuant to the Acquisition Agreements. See "The Acquisition Agreements".

(2) Includes the applicable Vendor Lease. See "The Acquisition Agreements".

(3) 23 separate and discreet tenants, after accounting for tenants that occupy space in more than one property.

Diversification by Asset Class

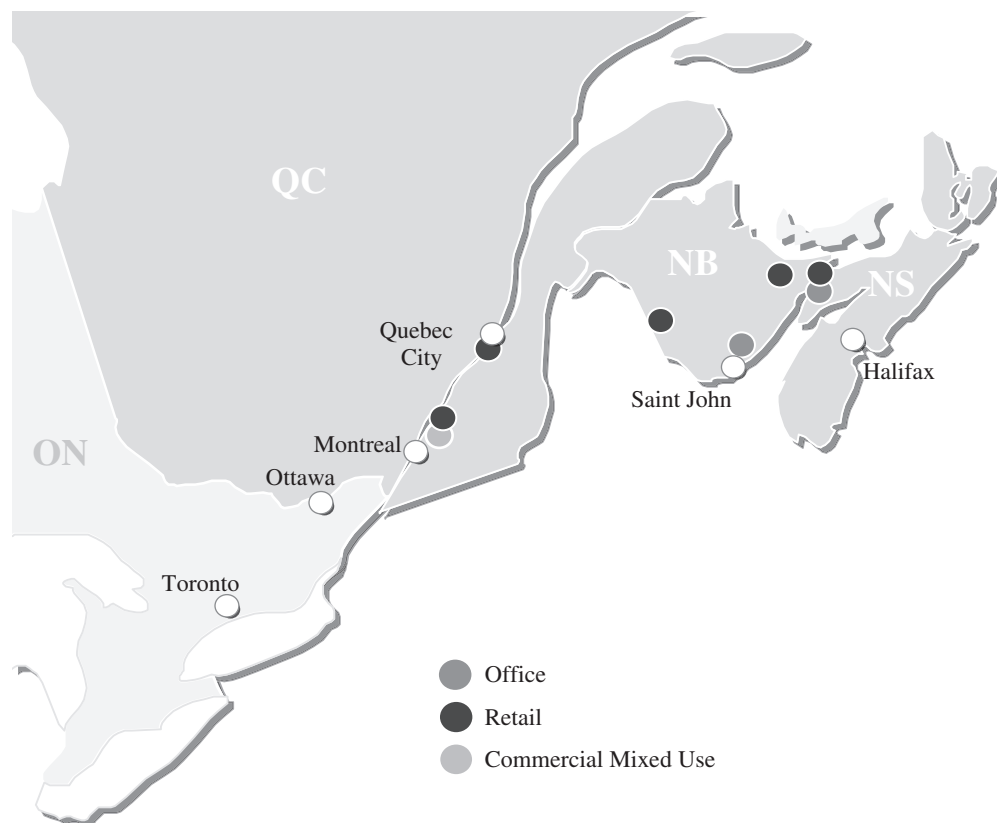
The Initial Portfolio consists of a diversified mix of properties across office, retail, and industrial asset classes. The following charts provide information regarding the diversification of the Initial Portfolio by asset class:



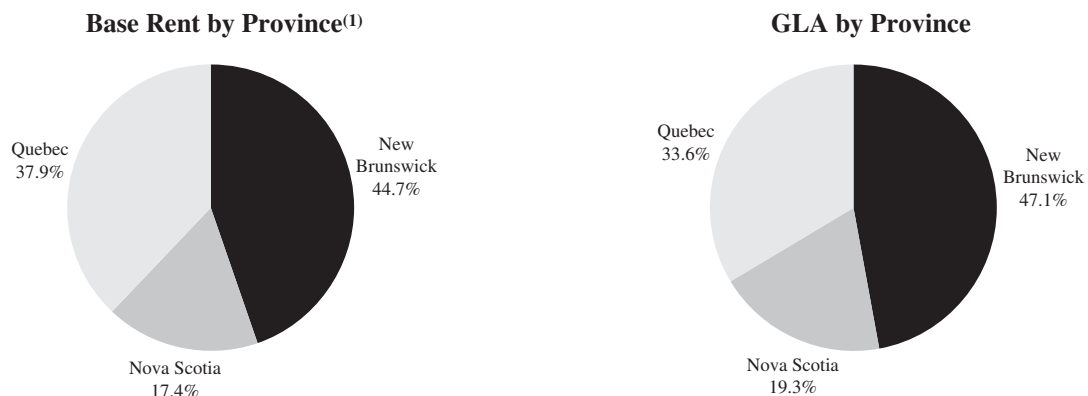
(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

Geographic Diversification

The Initial Properties are located in primary and secondary markets throughout Québec, New Brunswick and Nova Scotia. The following map illustrates the geographic diversification of the Initial Portfolio:



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

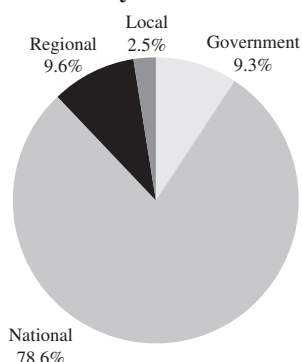


(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See “Non-IFRS Financial Measures”, “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

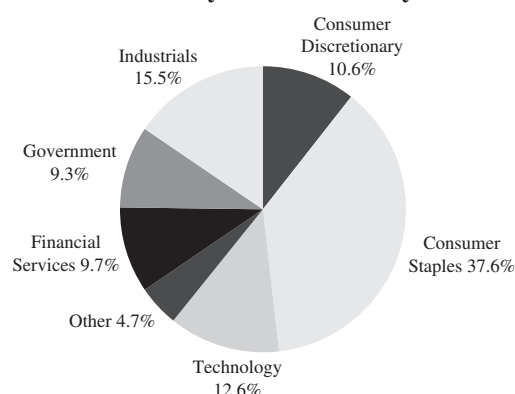
Tenant Profile

The Initial Properties are leased to 23 high-quality tenants. Government and national tenants represent 87.9% of the Initial Portfolio's forecast base rent. The Initial Portfolio's tenants are well diversified by industry sector.

Base Rent by Tenant Profile⁽¹⁾



Base Rent by Tenant Industry⁽¹⁾⁽²⁾



(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

(2) "Other" includes professional services (2.0%) and Vendor Leases (2.7%). See "The Acquisition Agreements".

Upon closing of the Acquisitions, 72.0% of the Initial Portfolio's base rent is expected to be generated from investment grade tenants, with a weighted average remaining lease term of 7.6 years. The Initial Portfolio's ten largest tenants are expected to account for approximately 86.2% of forecast base rent, with no tenant comprising more than 17.0% of the Initial Portfolio's base rent. Eight of the Initial 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). See "Risk Factors – Risks Related to the Acquisitions".

Tenant	% of Base Rent ⁽¹⁾	GLA (square feet)	% of GLA	Weighted Average Remaining Lease Term (years)	Credit Rating ⁽²⁾
Shoppers Drug Mart	17.0%	35,709	9.6%	10.5	BBB+/AL
CAE Inc.	12.5%	45,040	12.1%	1.5	
Sobeys Inc.	12.2%	42,737	11.5%	13.2	BBB-/BBB
Xerox Canada	11.8%	50,732	13.6%	1.2	Baa2/BBB-
Canadian Schedule I Chartered Bank	9.5%	14,589	3.9%	8.8	Aa3/A+/AA
VF Northface	7.1%	28,490	7.6%	4.3	A3/A-
Lawtons Pharmacy	6.1%	16,166	4.3%	15.6	
Cumberland Health Authority	3.7%	9,125	2.4%	4.0	Aa2/A+/A
Province of Nova Scotia	3.3%	12,785	3.4%	4.6	Aa2/A+/A
Kia Motors Corp.	3.0%	15,695	4.2%	9.2	Baa1/BBB+
Top 10 tenants sub-total	86.2%	271,068	72.7%	7.4	
Other tenants	13.8%	69,998	18.8%	5.2	
Vacant	—	31,812	8.5%	—	
Total	100.0%	372,878	100.0%	7.1	

(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

(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. Neither the REIT nor the Underwriters have 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. Shoppers Drug Mart trades on the TSX under the trading symbol “SC”, has a market capitalization of approximately \$10 billion and is rated BBB+ (S&P) and AL (DBRS). 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. Base rent payable by Shoppers Drug Mart represents 16.2% of the total base rent reflected in the financial forecast. Shoppers Drug Mart occupies 35,709 square feet of GLA, which represents 9.0% of the Initial Portfolio’s total GLA. See “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

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. Base rent payable by CAE represents 11.9% of the total base rent reflected in the financial forecast. CAE occupies 45,040 square feet of GLA, which represents 11.3% of the Initial Portfolio’s total GLA. See “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

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 Toronto Stock Exchange (the “**TSX**”) under the trading symbol “EMP.A” and has a market capitalization of approximately \$5 billion. Base rent payable by Sobeys represents 11.6% of the total base rent reflected in the financial forecast. Sobeys occupies 42,737 square feet of GLA, which represents 10.8% of the Initial Portfolio’s total GLA. See “Notice Regarding Forward-Looking Statements” and “Financial Forecast”.

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). Base rent payable by Xerox Canada represents 11.2% of the total base rent reflected in the financial forecast. Xerox Canada occupies 50,732 square feet of GLA, which represents 12.8% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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). Base rent payable by this tenant represents 9.0% of the total base rent reflected in the financial forecast. This Canadian Schedule I Chartered Bank occupies 14,589 square feet of GLA, which represents 3.7% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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. Base rent payable by this tenant represents 6.8% of the total base rent reflected in the financial forecast. VF Northface occupies 28,490 square feet of GLA, which represents 7.2% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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. Base rent payable by this tenant represents 5.8% of the total base rent reflected in the financial forecast. Lawton's Drug Stores occupies 16,166 square feet of GLA, which represents 4.1% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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. Base rent payable by this tenant represents 3.5% of the total base rent reflected in the financial forecast. The Cumberland Health Authority occupies 9,125 square feet of GLA, which represents 2.3% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

Province of Nova Scotia

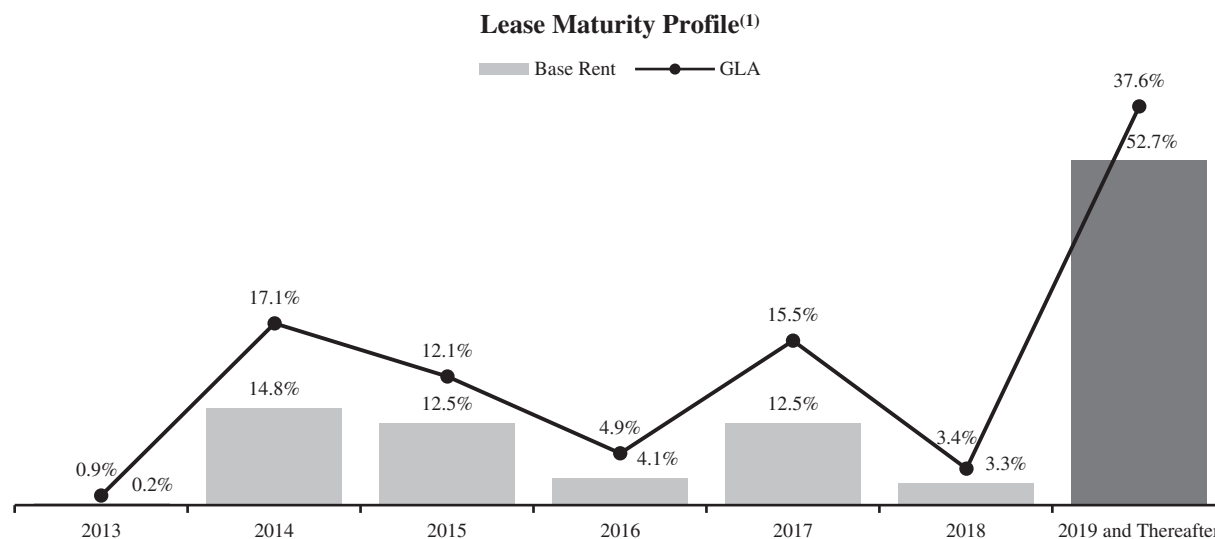
The Province of Nova Scotia operates as a parliamentary institution that provides administrative services to the constituents of Nova Scotia. The government, through its departments provides services such as economic development, education, payroll administration, accounting and tax policy development, highway construction and public works, heritage protection and preservation, community justice administration, and crime prevention. Base rent payable by this tenant represents 3.1% of the total base rent reflected in the financial forecast. 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 Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

Kia Motors Corp.

Kia Motors Corp. ("**Kia Motors**") together with its subsidiaries, engages in the manufacture and sale of motor vehicles and parts worldwide. The company offers passenger cars, SUVs and MPVs, recreational vehicles, and other commercial vehicles. It is also involved in leasing vehicles and providing vehicle maintenance services. The company sells its products through a network of distributors and dealers. Kia Motors Corporation was founded in 1944 and is based in Seoul, South Korea. Kia Motors has annual sales of approximately US\$44 billion. Kia Motors trades on the Korea Exchange under the trading symbol "A000270", has a market capitalization of approximately US\$24 billion, and is rated Baa1 (Moody's) and BBB+ (S&P). Base rent payable by Kia Motors represents 3.0% of the total base rent reflected in the financial forecast. Kia Motors occupies 15,695 square feet of GLA, which represents 4.2% of the Initial Portfolio's total GLA. See "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

Lease Maturities

As at October 1, 2013, the Initial Portfolio had an overall weighted average occupancy rate of 91.5% and a weighted average remaining lease term of approximately 7.1 years.



(1) Based on forecast base rent for the 12-month period ending September 30, 2014. See "Non-IFRS Financial Measures", "Notice Regarding Forward-Looking Statements" and "Financial Forecast".

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. Pursuant to the Fourth Acquisition Agreement in respect of this property, the REIT will be granted 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. Pursuant to the Second Acquisition Agreement, the vendor of the property has agreed to provide a guarantee and indemnity agreement in favour of the REIT which will be 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 currently expires on April 30, 2014, had been extended to April 30, 2018.

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 87.1% occupied by nine tenants, including Sobeys, The Brick, and Shoppers Drug Mart, and is shadow anchored by a Canadian Tire store. The REIT expects that the vendor of the property will enter into a 12-month Vendor Lease with the REIT on terms that will be substantially similar in respect of two leases aggregating 3,415 square feet of GLA that are being reclaimed in order to reconfigure a small component of the property to accommodate another tenant's expansion.

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 99,700 square feet of GLA. The vendor of the property has committed to a Vendor Lease with

respect to 10,445 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.

ASSESSMENT AND VALUATION OF THE INITIAL PROPERTIES

Appraisals

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

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

The Appraisals were each given as at an effective date of October 1, 2013. Based on the Appraisals, the aggregate market value of the Initial Properties was estimated to be \$61.8 million. Furthermore, Colliers performed additional analysis to determine the value of the Initial Properties on a portfolio basis. Colliers concluded that the estimated aggregate market value of the Initial Properties on a portfolio basis, as at October 1, 2013, ranged between \$63.0 million and \$64.2 million, including a portfolio premium of 2% to 4%.

The following table sets out the individual appraised values of each of the Initial Properties, without regard to the portfolio premium applied by Colliers.

Property	Location	Appraiser	Appraisal Date	Direct Capitalization Approach	Discounted Cash Flow Value	Final Appraised Value
				\$	\$	\$
3200-3260 Guénette Street	St. Laurent, QC	CBRE	Oct 1, 2013	16,000,000	16,160,000	16,100,000
370 Connell Street	Woodstock, NB	Colliers	Oct 1, 2013	15,680,000	15,850,000	15,850,000
1670 Notre Dame Street ⁽¹⁾	L’Ancienne Lorette, QC	CBRE	Oct 1, 2013	7,630,000	7,710,000	7,650,000
55 Technology Drive.	Saint John, NB	Colliers	Oct 1, 2013	6,810,000	6,900,000	6,900,000
135 Main Street ⁽¹⁾⁽²⁾	Moncton, NB	Colliers	Oct 1, 2013	6,095,000	6,165,000	6,165,000
2 Lawrence Street ⁽¹⁾	Amherst, N S	Colliers	Oct 1, 2013	3,830,000	3,960,000	3,960,000
26-32 Prince Arthur/11-15 Princess	Amherst, NS	Colliers	Oct 1, 2013	3,700,000	3,700,000	3,700,000
449 Principale Street ⁽¹⁾	Daveluyville, QC	Colliers	Oct 1, 2013	1,470,000	1,450,000	1,450,000
Total				<u>61,215,000</u>	<u>61,895,000</u>	<u>61,775,000</u>

(1) Property currently owned by the REIT. The other properties are proposed to be acquired by the REIT pursuant to the Acquisition Agreements. See “The Acquisition Agreements”.

(2) Final appraised value includes value of excess land of \$585,000.

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

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

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

Environmental Site Assessments

A Phase I Environmental Site Assessment (“**Phase I ESA**”) was prepared for each of the Initial Properties 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 Initial Properties that they believe would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially adversely affect the REIT or the values of these properties, taken as a whole, as determined by the independent third party environmental consultant.

Building Condition Assessments

Each of the Initial Properties has been the subject of certain building condition assessment reports prepared by an independent engineering firm between December 2012 and May 2013. Building condition assessment reports were prepared for each of such properties based on a review of available construction documents and reports, visual reviews by professional engineers and technicians (including life safety, site conditions, building conditions, building systems, and interior finishes and furnishings) to observe and document existing conditions as well as interviews with property management and maintenance personnel.

The building condition assessment reports for the Initial Properties identified approximately \$1.8 million in possible capital expenditures relating to deferred maintenance and capital replacements over the next ten years, of which approximately \$575,000 is expected to be incurred over the next five years. Of this amount, management estimates approximately \$284,000 (or 49%) will be either recoverable or paid directly by tenants. On an ongoing basis, the REIT expects to incur approximately \$75,000 in annual maintenance capital expenditures on the Initial Properties, which the REIT intends to fund with cash flow from operations.

DEBT STRATEGY

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 REIT intends to obtain debt financing primarily on a fixed rate basis, with terms to maturity that are appropriate having regard to the lease maturity profile for each property.

The REIT intends to finance a portion of the Acquisitions through a combination of assumed mortgages, new mortgage financing, and a draw on the Revolving Credit Facility (as defined below). As a significant portion of the REIT's pro forma indebtedness will be new first mortgages, the REIT intends to use this opportunity to lock in historically low interest rates and ensure debt maturities are spread evenly over time, such that there are no substantial debt maturities occurring in any given year. The Revolving Credit Facility will be used by the REIT for general corporate purposes, including working capital requirements and acquisitions.

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.

Composition of Indebtedness

Following the closing of the Acquisitions and the Offering, the REIT estimates that its total consolidated indebtedness will be \$37.8 million, representing approximately 59.1% of Gross Book Value (based on the appraised value of the assets of the REIT and its subsidiaries). Total debt is expected to include approximately \$30.0 million of fixed interest rate, long-term secured mortgage financing with a weighted average interest rate of 4.14% and a weighted average remaining term to maturity of approximately 4.8 years. The REIT estimates that it will maintain a balance of \$1.0 million on a short term operating facility bearing interest at 8.5% per annum and maturing in April 2016. The REIT also estimates that it will maintain a balance of approximately \$0.3 million on the Bridge Loan, bearing interest at 8.5% per annum and maturing July 2014. In addition, the REIT expects to have drawn \$6.7 million on a Revolving Credit Facility that has a term of 2 years and bears interest at a floating rate equal to the prevailing banker's acceptance rate plus 263 basis points. As at November 18, 2013, the effective interest rate on the Revolving Credit Facility would be approximately 3.85%.

Following the closing of the Acquisitions and the Offering, the REIT's outstanding indebtedness is expected to be comprised of: (i) \$8.8 million of first mortgages on properties that the REIT owns as at the date hereof; (ii) \$1.7 million of first mortgages that are to be assumed in connection with certain of the Acquisitions; (iii) \$19.8 million of new mortgage financing that the REIT is seeking to put in place in connection with certain of the Acquisitions; (iv) a \$1.0 million draw on a short term operating facility; (v) a Bridge Loan in the amount of \$0.3 million; and (vi) a \$6.7 million draw on the Revolving Credit Facility that the REIT is seeking to establish.

As at the date hereof, the REIT has drawn \$5.4 million on a short term operating facility (the "**Operating Facility**"). The Operating Facility bears interest at a rate of 8.5% per annum, matures in April 2016, and can be drawn up to a maximum amount of \$7.2 million. The REIT expects that the Operating Facility availability will be reduced to a maximum of \$4.0 million on the completion of the Offering. The Operating Facility is secured by mortgages on certain of the real estate properties of the REIT as well as by security over the personal property thereof. The REIT also has \$250,000 outstanding under the Bridge Loan. The REIT intends to use the proceeds of the Offering to repay a portion of the amounts currently outstanding under the Operating Facility.

Existing Mortgages

As at the date hereof, the REIT has three outstanding mortgages with an aggregate principal amount of \$8.8 million, bearing interest at a weighted average rate of 4.51% per annum, maturing between March 2015 and March 2023. The mortgages are secured by first charges against the properties located at 135 Main Street (\$2.8 million bearing interest at a fixed rate of 4.13% per annum), 2 Lawrence Street (\$2.3 million bearing interest at a fixed rate of 4.15% per annum), and 1670 Notre Dame Street (\$3.7 million bearing interest at a fixed rate of 5.03% per annum).

Assumed Mortgage

Following the closing of the Acquisitions and the Offering, the REIT's aggregate indebtedness is expected to include the assumption of one existing mortgage on the property located at 26-32 Prince Arthur/11-15 Princess (the "**Assumed Mortgage**"). The assumed mortgage has an outstanding amount of approximately \$1.7 million, matures on April 1, 2017, and bears interest at a fixed rate of 5.67% per annum.

New Mortgage

The REIT has received a commitment to finance from a lender to provide \$19.8 million of first mortgage financing to be secured against the two properties located at 3200 – 3260 Guenette and 370 Connell Street (collectively, the "**New Mortgage**"). The New Mortgage is expected to have twenty-five year amortization and a 4.5 year term at a fixed interest rate that will be based on the applicable Government of Canada bond rates at the date the interest rate is fixed on the mortgage plus typical lender mortgage spreads. The interest rate on the New Mortgage is estimated to be 3.85%.

Revolving Credit Facility

The REIT has received a commitment to finance from a Canadian chartered bank with respect to a revolving credit facility (the "**Revolving Credit Facility**"). The REIT expects that the Revolving Credit Facility will have a maximum principal amount of \$6.9 million, will bear interest at a floating rate equal to either the prevailing prime rate plus 163 basis points or the prevailing banker's acceptance rate plus 263 basis points, at the REIT's option, with an initial term of 24 months. As at November 18, 2013, the effective interest rate on the Revolving Credit Facility would be approximately 3.85%. The REIT intends to use the Revolving Credit Facility to fund a portion of the Acquisitions, for working capital purposes, and for future acquisitions.

The Revolving Credit Facility will be secured by first mortgages on the properties located at 449 Principale Street and 55 Technology Drive, and second charges on the properties located at 135 Main Street, 1670 Notre Dame, and 26 – 30 Prince Arthur & 11 – 15 Princess (the "**Borrowing Base**"). The REIT will be 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. Based upon the appraised value of the Initial Properties in the Borrowing Base on Closing, the REIT estimates that approximately \$6.9 million will be available for drawdown on Closing and that approximately \$6.7 million of the Revolving Credit Facility will be drawn down on Closing in order to complete the Acquisitions.

The Revolving Credit Facility will include 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 will include certain restrictions regarding properties to qualify for inclusion in the Borrowing Base under such facility.

Debt Maturity Profile

The following table sets out the principal instalments and debt maturities of the REIT that are expected to be in place on Closing and paid over the periods indicated.

Year Ending December 31	Payments of Principal	Debt Maturing During Year	Total Principal Payments	Percentage of Total Debt	Weighted Average Interest Rate of Maturing Debt
	\$	\$	\$		
2013	263,607	—	263,607	0.7%	—
2014	797,307	250,000	1,047,307	2.7%	8.50%
2015	742,746	10,255,869 ⁽¹⁾	10,998,615 ⁽¹⁾	28.7%	4.26%
2016	755,830	1,040,000	1,795,830	4.7%	8.50%
2017	712,704	1,356,782	2,069,486	5.4%	5.67%
2018	289,762	17,565,796	17,855,558	46.5%	3.85%
2019 and Thereafter	620,495	3,719,933	4,340,428	11.3%	4.14%
Total	4,182,451	34,188,380	38,370,831	100.00%	

(1) Includes approximately \$6.7 million under the Revolving Credit Facility.

THE ACQUISITION AGREEMENTS

The Acquisition Agreements

The REIT has entered into agreements in connection with the potential acquisition of a total of four commercial properties (collectively, the “**Acquisitions**” and individually, an “**Acquisition**”) from four separate and unrelated vendors. The Acquisitions will be completed pursuant to various purchase and sale agreements (the “**Acquisition Agreements**”) between a subsidiary of the REIT and the respective vendors of the Acquisition properties. The Acquisition Agreements are respectively for the acquisition of the following properties:

The first acquisition agreement is in respect of the property located at 370 Connell Street, Woodstock, New Brunswick (the “**First Acquisition Agreement**”). The aggregate purchase price payable by the REIT under the First Acquisition Agreement is approximately \$13.95 million, excluding closing and transaction costs, of which approximately \$1.4 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price. The REIT expects that the vendor will enter into a 12-month Vendor Lease with the REIT on terms that will be substantially similar in respect of two leases aggregating 3,415 square feet of GLA that are being reclaimed in order to reconfigure a small component of the property.

The second acquisition agreement is in respect of the property located at 26-32 Prince Arthur Street and 11-15 Princess Street, Amherst, Nova Scotia (the “**Second Acquisition Agreement**”). The purchase price payable under the Second Acquisition Agreement is approximately \$3.2 million, excluding closing and transaction costs. The Province of Nova Scotia currently leases 12,785 square feet of GLA at this property. The initial term of the lease to the Province of Nova Scotia expired on April 30, 2013 and a renewal of such lease for a term of five years was initially a condition to the REIT’s acquisition of the property. The Province of Nova Scotia has renewed the lease for a term of 12 months commencing May 1, 2013, as a longer renewal term would have necessitated a tender process. Accordingly, an affiliate of the vendor has agreed to provide a guarantee to the REIT pursuant to which an affiliate of the vendor will guarantee, if required, from May 1, 2014, the payment of all rent and other amounts payable by the Province of Nova Scotia under its lease (at the current rate) as if the lease to the Province of Nova Scotia, which currently expires on April 30, 2014, had been extended to April 30, 2018.

The third acquisition agreement is in respect of the property located at 55 Technology Drive, Saint John, New Brunswick (the “**Third Acquisition Agreement**”). The purchase price payable under the Third Acquisition Agreement is approximately \$6.6 million, excluding closing and transaction costs of which approximately \$0.4 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price.

The fourth acquisition agreement is in respect of the property located at 3200-3260 Guénette Street, St-Laurent, Québec (the “**Fourth Acquisition Agreement**”). The purchase price payable under the Fourth Acquisition Agreement

is approximately \$15.25 million, excluding closing and transaction costs, of which approximately \$4.0 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price. The vendor of this property has committed to a Vendor Lease with respect to 10,445 square feet of GLA for a term expiring December 2015.

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

The vendors under the various Acquisition Agreements will indemnify the REIT for any damages incurred or losses suffered by the REIT arising from the breach of such representations and warranties by the vendors. The maximum liability of the vendors under the Acquisition Agreement is generally not limited. Under the First Acquisition Agreement, no claim may be made until the aggregate losses exceed \$50,000. The maximum liability of the vendor under the Fourth Acquisition Agreement is \$50,000.

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

It is not expected that approval under the *Competition Act* (Canada) will be required for the Acquisitions. If for whatever reason certain of the conditions to the closing of the Acquisitions are not satisfied and are not waived or the REIT is not satisfied with the due diligence on the Acquisitions, the REIT may choose to not complete one or more of the Acquisitions. The Manager will receive an Acquisition Fee of approximately \$0.4 million in cash upon closing of the Acquisitions. See "Arrangements with the Manager – Fees".

Two of the properties that make up the Acquisitions, being 3200-3260 Guénette Street and 370 Connell Street, will be subject to the Vendor Leases. It is expected that the REIT will be provided with guarantees and indemnifications from the vendors of such properties with respect to their obligations under the respective Vendor Lease.

The following table provides an overview of the Vendor Leases:

<u>Property</u>	<u>GLA (square feet)</u>	<u>% of Total GLA</u>	<u>Year 1 Base Rent</u>	<u>% of Forecast Base Rent</u>	<u>Proposed Term</u>	
					<u>From</u>	<u>To</u>
3200-3260 Guénette Street	10,445	2.6%	\$ 77,815	1.7%	Closing	Dec 31, 2015
370 Connell Street	3,415	0.9%	\$ 55,859	1.2%	Closing	Nov 1, 2014
Total	13,860	3.5%	\$133,674	2.9%		

Class B LP Units Issued to Certain Vendors as Consideration

The respective vendors of the properties located at 3200-3260 Guénette Street, 370 Connell Street and 55 Technology Drive have agreed to accept an aggregate of \$5.8 million of Class B LP Units as partial consideration for the sale of such properties, all at a price per Class B LP Unit equal to the Offering Price.

A significant shareholder of the vendor of the property located at 3200-3260 Guénette Street is Broccolini Construction Inc. ("**Broccolini**"). Founded in 1949, Broccolini is distinguished as a single-source provider of real estate development and construction services in the industrial, commercial and institutional markets in Quebec and Ontario. The vendor of the property located 3200-3260 Guénette Street has agreed to accept \$4.0 million of Class B LP Units as partial consideration for the sale the property.

The vendor of the property located at 370 Connell Street is a national publicly traded real estate investment trust. The vendor has agreed to accept \$1.4 million of Class B LP Units as partial consideration for the sale the 370 Connell Street property.

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 forecast period in respect of the Initial Properties. Following the forecast period, the Manager and the REIT will 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 the properties owned by the REIT that are located in Québec and a third party property manager, Compass Commercial Realty, is currently managing the properties that are located in the Maritimes. The REIT expects that following the closing of the Acquisitions, the properties acquired by the REIT will be managed by a third party property manager. The REIT is in discussions with certain property managers and intends to retain the services of at least one third party property manager upon the closing of the Acquisitions. The market rates for property management 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 will be 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 name, municipality of residence, positions held with the REIT and principal occupations of each of the five Trustees of the REIT and of its executive officers during the past five years:

<u>Name and Municipality of Residence</u>	<u>Position with the REIT</u>	<u>Principal Occupation During the Past Five Years</u>
John Levitt ⁽¹⁾ Toronto, Ontario, Canada	Independent Trustee and Chairman of the Board of Trustees	Partner at EDEV Real Estate Advisors, Trustee of CANMARC Real Estate Investment Trust
G��rard A. Limoges ⁽²⁾ Montr��al, Qu��bec, Canada	Independent Trustee	Corporate Director, Trustee of CANMARC Real Estate Investment Trust
Vitale A. Santoro ⁽³⁾ Montr��al, Qu��bec, Canada	Trustee and Corporate Secretary	Partner at Osler, Hoskin & Harcourt LLP
Ronald E. Smith ⁽⁴⁾ Yarmouth, Nova Scotia, Canada	Independent Trustee	Corporate Director
James W. Beckerleg ⁽⁵⁾ Montr��al, Qu��bec, Canada	Trustee, President and Chief Executive Officer	Principal of Labec Realty Advisors Inc., President and Chief Executive Officer of CANMARC Real Estate Investment Trust, President of Belwest Capital Management Corp.
Gordon G. Lawlor Halifax, Nova Scotia, Canada	Chief Financial Officer	Principal of Labec Realty Advisors Inc., Chief Financial Officer of CANMARC Real Estate Investment Trust, Chief Financial Officer of Homburg Canada Inc.

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- (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 a majority of their time to the REIT.

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. Gérard A. Limoges is currently a corporate director and sits on the board of directors of several public companies. He is also a member of the board of directors of private companies and not-for-profit organizations, including the Orchestre Symphonique de Montréal. He was formerly deputy Chairman of Ernst & Young Canada until retirement in September 1999, after a career of 37 years with this firm. He has vast experience in the areas of accounting, audit, mergers and acquisitions and has worked for clients in a wide range of industries including service companies, retail, communications, transportation, real estate, financial institutions, insurance, manufacturing and pulp and paper. He is a member of the Institute of Corporate Directors, of the Québec 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 Montréal 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 Université de Montréal (Montréal, Québec) and a B.A. (Economics) from Concordia University (Montréal, Québec).

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, including the Acadia University Board of Governors where he was chair from 2004 to 2009 and the national board of The Arthritis Society where he is currently treasurer. From 2000 to 2004, he was Senior Vice President and Chief Financial Officer of Emera Inc., a publicly-traded energy company, with responsibility for all financial functions; including risk management policies and oversight related to electric utility and fuel commodity trading businesses. From 1987 to 1999, Ron was Chief Financial Officer of MTT, a publicly-traded telecommunications company and had responsibility for all financial functions. Prior to MTT, he had a 16 year career at Clarkson Gordon/Woods Gordon (now 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, Québec Region for Homburg Canada Inc. Mr. Beckerleg has many years of experience in corporate finance, mergers and acquisitions and has served as an executive and director of several public companies, including CANMARC and several other companies in the real estate sector. He has a B.Sc (Mathematics) from McGill University (Montréal, Québec) and an MBA from Concordia University (Montréal, Québec).

Gordon G. Lawlor, 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.

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 which provides that the Audit Committee shall assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including (i) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) 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; (iv) assessing the REIT's financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; and (vii) 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" within the meaning of NI 52-110. Each of these individuals are "independent" within the meaning of NI 52-110. 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 – Trustees and Executive Officers".

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 will be 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: (i) 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; (ii) organizing an orientation and education program for new Trustees; (iii) 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 (iv) 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: (i) considering questions of management succession; (ii) administering any unit option or purchase plan of the REIT and any other compensation incentive programs; (iii) assessing the performance of management of the REIT; (iv) reviewing and approving the compensation paid by the REIT, if any, to the officers, advisers and consultants of the REIT; and (v) 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 – 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 – 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 will (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 – 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 forecast period, until the REIT acquires additional properties following the closing of the Acquisitions, with the intent of maintaining the sustainability of the REIT’s cash flows. Following the forecast period, 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. See “Trustees and Executive Officers of the REIT – Long Term Incentive Plan”.

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 OBCA 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 PRO REIT 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 PRO REIT 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 PRO REIT 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 PRO REIT 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 (iii) any entity for which any Trustee acts as a director or in another similar capacity or permitting PRO REIT LP to do any of the foregoing;
- (f) 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;

- (g) 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
- (h) a change to the compensation of any officer of the REIT.

Long Term Incentive Plan

The following information is intended to be a brief description of the LTIP and is qualified in its entirety by the full text of the LTIP, a copy of which is available on SEDAR at www.sedar.com.

Eligible Participants may participate in the LTIP. “Eligible Participants” under the LTIP consist of (a) all Trustees (other than employees of the Manager), directors, employees and consultants of the REIT and its Affiliates, and (b) employees of consultants or the Manager. The LTIP provides the REIT with the option to grant to Eligible Participants Deferred Units and Restricted Units. 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. Eligibility to participate does not confer upon any individual a right to receive an award of Restricted Units or Deferred Units pursuant to the LTIP.

Each Restricted Unit and Deferred Unit is equivalent in value to a Unit, credited on the REIT’s books. Unless otherwise specified when granting an award to an Eligible Participant, one third of each Restricted Unit and Deferred Unit granted to Eligible Participants granted in any year shall vest (a) on January 1st of the following year (the “Initial Vesting Date”); (b) on the first anniversary of the Initial Vesting Date; and (c) on the second anniversary of the Initial Vesting Date. Restricted Units shall be settled on the date that the Restricted Units vest whereas Deferred Units shall be settled only after the participant has ceased, as applicable, to provide services as a Trustee, director, employee or consultant of the REIT and its Affiliates or as an employee of a consultant or the Manager. Under the LTIP, an eligible Trustee has the right to receive up to 50% of his or her meeting fees for the calendar year through the issuance of Deferred Units.

The aggregate of the Units: (i) issued to Insiders of the REIT, within any one year period; and (ii) issuable to insiders of the REIT, at any time, under the LTIP shall not exceed 10% of the REIT’s total issued and outstanding Units. Any Restricted Units or Deferred Units held by a participant immediately vest on the retirement or death of the participant or if a participant is terminated by the REIT without cause or becomes disabled. If a participant resigns or is terminated for cause, any of the participant’s Restricted Units and Deferred Units which have not already vested immediately expire.

Upon the occurrence of a change of control event, the vesting of all Deferred Units and Restricted Units held by a participant shall be accelerated to provide that such Deferred Units and Restricted Units shall be fully vested and settlement shall be effective immediately prior to the completion of the change of control.

The Board of Trustees of the REIT may review and confirm the terms of the LTIP from time to time and may, subject to the TSXV rules, amend or suspend the LTIP in whole or in part as well as terminate the LTIP without prior notice as it deems appropriate. However, subject to the terms of the LTIP, no amendment may adversely affect the Deferred Units or Restricted Units previously granted under the LTIP without the consent of the affected Eligible Participant.

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 prospectus 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 prospectus, bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gérard A. Limoges, a trustee of the REIT, was a director of Supratek Pharma Inc. when it made an application under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in January 2009. Supratek Pharma Inc. completed its statutory plan of arrangement under the CCAA in October 2009. 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.

DISTRIBUTION POLICY

The following outlines the proposed distribution policy of the REIT. Determinations as to the amounts actually distributable will be made in the sole discretion of the Trustees.

Distribution Policy

The REIT does not currently make distributions on the Units. The REIT intends to adopt a distribution policy pursuant to which it will make monthly cash distributions *pro rata* to holders of Units and holders of Class B LP Units (subject to an election by a Unitholder to utilize the DRIP (as defined herein) that the REIT intends to adopt) equal to, on an annual basis, approximately 92.8% of AFFO. It is currently anticipated that the monthly cash distributions will represent an annualized distribution yield of 8.75% based on the Offering Price.

Management of the REIT believes that the 92.8% payout ratio initially set by the REIT should allow 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. Although the REIT intends to commence making distributions of a portion of its available cash to Unitholders, as described herein, these 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 a distribution date will have an entitlement on and after that day to receive distributions in respect of that month on such distribution date. 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. 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. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the first distribution will be for the period from Closing to December 31, 2013 and will be paid on or about January 15, 2014 to Unitholders of record on December 31, 2013 and will be in the amount of \$0.0198 per Unit (assuming that Closing occurs on November 26, 2013). The REIT intends to make subsequent monthly distributions on the 15th of the month, or the first business day thereafter should the 15th not be a business day, in the estimated amount of \$0.0175 per Unit commencing on February 17, 2014.

Distribution Reinvestment Plan

Following the Closing, the REIT intends to implement, subject to regulatory approval, a distribution reinvestment plan (the “**DRIP**”) pursuant to which holders of Units and holders of Class B LP Units may elect to have all cash distributions of the REIT and PRO REIT LP, as applicable, automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average closing price of Units on the TSXV for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Units equal in value to 3% of each distribution that was reinvested by the Unitholder.

No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all administrative costs will be borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be retained by the REIT to be used for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada will not be 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.

Further administrative details, including the date of the first distribution of income for which Unitholders will be entitled to elect to have distributions reinvested under the DRIP, and enrolment documents regarding the DRIP will be forwarded to beneficial owners as soon as practicable.

Tax Deferral on Distributions

The REIT estimates that, of the monthly cash distributions to be made by the REIT to Unitholders, approximately 100% in 2013 will be tax deferred by reason of the REIT’s ability to claim capital cost allowance and certain other deductions. Such estimate is based on the facts set out in this short form prospectus, the financial forecast and related assumptions, the provisions of the Tax Act in force at the date hereof, current publicly available published administrative policies and assessing practices of the CRA and the Tax Proposals (as defined herein). The adjusted cost base of Units held by a Unitholder will generally be reduced by such non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder’s Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units. The composition of REIT distributions for tax purposes may change over time thus affecting the after-tax return to a Unitholder. See “Certain Canadian Federal Income Tax Considerations”.

USE OF PROCEEDS

The estimated net proceeds to the REIT from the Offering, after deducting the Underwriters’ Fee of approximately \$601,808 and the expenses of the Offering estimated to be approximately \$1,554,400, will be approximately \$8,937,592. The net proceeds from the Offering are expected to be used by the REIT, along with cash on hand, the Assumed Mortgage, the New Mortgage and the Revolving Credit Facility, to fund the purchase of the properties pursuant to the Acquisition Agreements, the repayment of approximately \$4.3 million of the Operating Facility, the payment of the closing costs relating to the Acquisitions and for general trust and working capital purposes.

The aggregate purchase price (excluding closing costs, which are expected to be approximately \$0.9 million) for the properties to be acquired under the Acquisition Agreements is anticipated to be approximately \$39.0 million, of which approximately \$5.8 million will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price. The table below summarizes the purchase prices (before closing costs and adjustments), estimated mortgage proceeds and estimated balance of funds required by the REIT to complete the Acquisitions:

	Purchase Price	Class B LP Units	Estimated Mortgage Proceeds	Estimated Proceeds Required to Close
	\$	\$	\$	\$
First Acquisition Agreement	13,950,000	1,400,000	10,300,000	2,250,000
Second Acquisition Agreement	3,200,000	—	1,667,000	1,533,000
Third Acquisition Agreement	6,600,000	400,000	—	6,200,000
Fourth Acquisition Agreement	15,250,000	4,000,000	9,540,000	1,710,000
Sub-total	39,000,000	5,800,000	21,507,000	11,693,000
Net closing adjustments ⁽¹⁾				(599,206)
Total				11,093,800

(1) Net closing adjustments are comprised of real estate transaction costs (\$0.6 million), financing costs (\$0.3 million), estimated expenses of the Offering (\$1.6 million), the Underwriters' Fee (\$0.6 million), the partial repayment of the Operating Facility (\$4.3 million), the payment of accrued payables (\$1.5 million), net of existing cash on hand (\$0.9 million), non-cash working capital (\$1.8 million), and the amount expected to be drawn on the Revolving Credit Facility (\$6.7 million).

The balance of the net proceeds of the Offering and any proceeds that remain in the event that one or more of the Acquisitions is not completed will be used by the REIT to fund future acquisitions and for general trust purposes in accordance with its investment guidelines and operating policies, which are contained in the Declaration of Trust. See "Debt Strategy" and "Risk Factors".

If the Underwriters exercise the Over-Allotment Option in full, the estimated net proceeds to the REIT from the Offering, after deducting the Underwriters' Fee of approximately \$701,653 and the estimated expenses of the Offering of approximately \$1,554,400, will be approximately \$10,501,817. The REIT intends to use any additional funds to fund future acquisitions and for general trust purposes in accordance with its investment guidelines and operating policies. The REIT intends to spend the funds available to the REIT as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the REIT as at June 30, 2013:

	As at June 30, 2013 ⁽¹⁾	As adjusted as at June 30, 2013 ⁽²⁾ (without giving effect to the issuance of Class B LP Units to the vendors of certain properties)	As adjusted as at June 30, 2013 ⁽³⁾
Indebtedness			
Long-term debt	\$14,647,699	\$31,166,899	\$31,166,899
Class B LP Units	\$ 1,687,496	1,687,496	\$ 7,487,496
Revolving Credit Facility	—	\$ 6,665,000	\$ 6,665,000
Total indebtedness	\$16,335,195	\$39,519,395	\$45,319,395
Unitholders' equity	\$ 4,471,000	\$13,259,173	\$13,259,173
Number of outstanding Units	2,377,442⁽⁴⁾	6,999,859⁽⁵⁾	6,999,859⁽⁵⁾

(1) On a non-diluted basis.

(2) Adjusted to give effect to the receipt of net proceeds of this Offering (assuming the Underwriters' Fee of \$601,808 and expenses of the Offering of approximately \$1,554,400 and assuming the Over-Allotment Option is not exercised) and the financing of the Acquisitions as described under the heading "Debt Strategy".

- (3) Adjusted to give effect to the receipt of net proceeds of this Offering (assuming the Underwriters' Fee of \$601,808 and expenses of the Offering of approximately \$1,554,400 and assuming the Over-Allotment Option is not exercised), significant transactions subsequent to June 30, 2013, including the financing of the Acquisitions as described under the heading "Debt Strategy", including the issuance of 2,416,667 Class B LP Units as partial satisfaction of the purchase price of certain of the Initial Properties pursuant to the Acquisition Agreements. See "The Acquisition Agreements".
- (4) Excludes 503,730 issued and outstanding Class B LP Units.
- (5) Excludes 503,730 issued and outstanding Class B LP Units and the 2,416,667 Class B LP Units estimated to be issued as partial satisfaction of the purchase price of certain of the Initial Properties pursuant to the Acquisition Agreements. See "The Acquisition Agreements".

FINANCIAL FORECAST

The following financial forecast was prepared by management of PRO Real Estate Investment Trust (the "REIT"), using assumptions with an effective date of November 18, 2013, and was approved by the Trustees on November 18, 2013. Pursuant to applicable securities policies, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with the measurement, presentation and disclosure of financial forecasts established in Part 4A and 4B of National Instrument 51-102 – *Continuous Disclosure Obligations*. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this short form prospectus to be completed before or concurrently with the Closing. The forecast assumes the Closing occurred on or about October 1, 2013.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation by the REIT that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Notice Regarding Forward-Looking Statements".

The financial forecast should be read in conjunction with the unaudited pro forma combined financial statements of the REIT, the audited annual and unaudited interim financial statements of the REIT contained in this prospectus. See "Documents Incorporated by Reference" and "Index to Financial Statements".

INDEPENDENT AUDITOR'S REPORT

To the Trustees of PRO Real Estate Investment Trust

The accompanying consolidated financial forecast of PRO Real Estate Investment Trust (the “**REIT**”) consisting of the consolidated statements of forecasted comprehensive earnings for each of the three month periods ending December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014, and the twelve month period ending September 30, 2014 has been prepared by management of the REIT using assumptions with an effective date of November 18, 2013. We have examined the support provided by management for the assumptions, and the preparation and presentation of this consolidated financial forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline set out in CPA Canada Handbook – Assurance. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- (a) as of the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the consolidated financial forecast;
- (b) the consolidated financial forecast reflects such assumptions; and
- (c) the consolidated financial forecast complies with the presentation and disclosure standards for financial forecasts set out in CPA Canada Handbook – Accounting.

Since this consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

(Signed) MNP LLP

Chartered Professional Accountants
Montréal, Québec
November 18, 2013

PRO REAL ESTATE INVESTMENT TRUST

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PRO REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF FORECASTED COMPREHENSIVE EARNINGS
FOR THE PERIOD OCTOBER 1, 2013 TO SEPTEMBER 30, 2014
(Canadian dollars)

	Three-month periods ending				Twelve-month period ending
	Dec-13	Mar-14	Jun-14	Sep-14	Sept. 30, 2014
	\$	\$	\$	\$	\$
Property income	1,751,887	1,777,330	1,826,470	1,826,477	7,182,164
Property operating expenses	(685,570)	(686,370)	(687,984)	(687,983)	(2,747,907)
Net property income	1,066,317	1,090,960	1,138,486	1,138,494	4,434,257
Other income and expenses					
General and Administrative expenses	(98,871)	(98,871)	(98,871)	(98,871)	(395,484)
Interest and financing costs	(591,130)	(589,075)	(586,998)	(584,899)	(2,352,102)
Profit for the period before fair value adjustments to investment properties	376,316	403,014	452,617	454,724	1,686,671
Fair value adjustments to investment properties	—	—	—	—	—
Net Comprehensive Earnings	<u>376,316</u>	<u>403,014</u>	<u>452,617</u>	<u>454,724</u>	<u>1,686,671</u>
Earnings per unit					
Basic	0.054	0.058	0.065	0.065	0.242
Diluted	0.054	0.058	0.065	0.065	0.242

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED STATEMENTS OF FORECASTED COMPREHENSIVE EARNINGS
FOR THE PERIOD OCTOBER 1, 2013 TO SEPTEMBER 30, 2014
(Canadian Dollars)

1. REPORTING ENTITY

PRO Real Estate Investment Trust (the “**REIT**”) is an unincorporated open ended real estate investment trust established pursuant to a declaration of trust dated February 7, 2013 and amended on March 11, 2013 and was established under the laws of the Province of Ontario.

A predecessor trust established under the laws of the Province of Quebec on November 14, 2012 incorporated PRO REIT General Partner Inc. (“**PRO REIT GP**”) on November 14, 2012, and together with PRO REIT GP formed PRO REIT Limited Partnership (“**PRO REIT LP**”) on November 14, 2012 and then transferred its ownership in PRO REIT GP and PRO REIT LP to the REIT. The REIT invests primarily in commercial properties.

Taggart Capital Corp., now known as PRO REIT Management Inc. (“**Taggart**”), was formed as a capital pool company on March 26, 2010 and completed its initial public offering (“**IPO**”) on October 26, 2011. The common shares were listed on the TSX Venture Exchange (the “**TSXV**”) on October 31, 2011. It completed its Qualifying Transaction on January 29, 2013 which involved three components:

- (i) the purchase of a 10,574 square foot two-storey commercial retail property located at 135 Main Street in Moncton, New Brunswick,
- (ii) the introduction of a new management team through the resignation of the then current directors and officers of Taggart and the replacement thereof by a new management team and board, and
- (iii) the completion of two separate private placements for aggregate gross proceeds of approximately \$6,583,000 (the “**Private Placements**”). The Private Placements were comprised of two separate transactions completed through (i) the issuance of 21,108,566 common shares at a price per share of \$0.30, and (ii) the issuance of 1,587,302 common shares at a price per share of \$0.1575.

Prior to the completion of an arrangement of Taggart made pursuant to a plan of arrangement under the Business Corporations Act (Ontario) (the “**Arrangement**”), approved by Taggart’s shareholders on March 8, 2013 and the TSXV on March 11, 2013, there were 28,569,368 common shares of Taggart issued and outstanding. On April 25, 2013, Taggart changed its name to PRO REIT Management Inc. Pursuant to the Arrangement, Taggart’s shareholders either transferred their common shares to PRO REIT LP in consideration for trust units of the REIT (“**Units**”), and/or in the case of electing shareholders, for Class B limited partnership units (“**Class B LP Units**”) of PRO REIT LP and related voting and exchange rights. In addition, outstanding share options to purchase common shares in Taggart were exchanged for Unit options having identical terms, subject to the adjustment of the number of units based on the exchange ratio of one Unit for every ten common shares held. The REIT is now the continuing public entity with its Units listed on the TSXV, under the symbol PRV.UN. The principal, registered and head office of the REIT is located at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5.

At November 18, 2013, the REIT owns four commercial properties located in the Provinces of New Brunswick, Nova Scotia and Quebec (the “**Current Properties**”).

The REIT has entered into agreements in connection with four potential acquisitions of commercial properties (collectively, the “**Acquisitions**” or the “**Acquisition Portfolio**”). All Acquisitions are located in the Provinces of Quebec, New Brunswick and Nova Scotia. The Acquisitions consist of four individual properties.

2. PURPOSE OF THE CONSOLIDATED FINANCIAL FORECAST

The consolidated forecast has been prepared by management of the REIT for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

3. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL FORECAST

This consolidated forecast consists of the consolidated statements of forecasted comprehensive earnings of the REIT for each of the three month periods ended December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014, and for the twelve month period ending September 30, 2014. This consolidated forecast has been prepared using assumptions with an effective date of November 18, 2013 and reflects the assumptions described in note 5.

This consolidated forecast has been prepared using assumptions that reflect management’s intended course of action for the periods presented, given management’s judgment as to the most probable set of economic conditions. This consolidated financial forecast will be compared with the reported results for the forecast periods and any significant differences will be disclosed in the annual or interim Management’s Discussion and Analysis for such periods. The actual results achieved during the forecast periods will vary from the forecast results, and these variations may be material.

The REIT’s reporting and functional currency is Canadian dollars.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial forecast has been prepared in accordance with parts 4A and 4B of National Instrument 51-102 – *Continuous Disclosure Obligations* and has been prepared in accordance with the accounting policies that the REIT expects to use to prepare its historical

financial statements for the periods covered by this forecast. Those financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS).

The accounting policies set out below have been applied consistently by all the REIT's entities and to all periods presented in the consolidated statements of forecasted comprehensive earnings.

Principles of consolidation

The consolidated financial forecast includes the financial statements of the REIT and its subsidiaries (PRO REIT GP, Pro Reit Acquisition (1) Inc. and Taggart), and its interests in partnerships (PRO REIT LP and PRO REIT Acquisition (1) LP) over which the REIT has control. Control is present when the REIT has all of the following:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the its returns (the power, directly or indirectly, to control the financial and operational policies of the controlled entity).

Income and expenses of properties forecasted to be acquired during the forecast period are included in the consolidated statements of forecasted comprehensive earnings from the effective date of the acquisition and up to the effective date of the disposal, as appropriate.

On consolidation, all inter-entity transactions and balances have been eliminated.

Property acquisitions and business combinations

Where property is acquired, management considers the substance of the assets and activities acquired in determining whether the acquisition represents the acquisition of a business. The basis of the judgment is set out below.

Where such acquisitions are not judged to be an acquisition of a business, they are treated as asset acquisitions. The cost to acquire the property is allocated between the identifiable assets and liabilities acquired based on their relative fair values at the acquisition date, and no goodwill arises.

Where acquisitions are judged to be businesses, they are accounted for using the acquisition method. The acquisition is recognized at the aggregate of the consideration transferred, measured on the acquisition date at fair value and the amount of any non controlling interest in the acquiree. For each business combination, the REIT measures the non controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed in the statement of comprehensive income.

When the REIT acquires a business, it makes an assessment of the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the REIT's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the REIT will be recognized as a liability at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration is recognized in the statement of comprehensive income.

Investment properties

Property is determined to be an investment property when it is principally held to earn rental income or capital appreciation or both. It includes land, buildings, leasehold improvements, and paving which are not occupied substantially for use by the REIT. The REIT applies IAS 40 – Investment Property, and has chosen the fair value method of presenting its investment properties in the financial statements.

Investment property is measured initially at cost including transaction costs. Transaction costs include expenses such as transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the statement of comprehensive income during the period in which they arise.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investment properties is based on valuation estimates prepared by an independent appraiser.

Financial Instruments

Non-derivative financial instruments are recognized when the REIT becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are measured at fair value and are classified as one of the following:

Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. The REIT had no assets in this category.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Assets in this category include cash and tenants and other receivables,

Financial liabilities at fair value through profit or loss

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. Liabilities in this category include Class B LP Units and units under long-term incentive plan.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts payable and other liabilities and long-term debt.

The REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset measured at amortized cost is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are accounted for as part of the respective asset's or liability's carrying value at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Long term debt is initially recognized at fair value less directly attributable transaction costs. After initial recognition, long term debt is measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation. The amortization is included in interest and financing costs in the statement of income.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Fair Value Hierarchy

The REIT classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 ("L1") – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 ("L2") – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 ("L3") – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Revenue recognition

The total amount of contractual rent to be received from operating leases is recognized on a straight line basis over the term of the lease; straight line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. Contingent rental income or percentage rents are recognized when the required level of sales has been achieved. Lease cancellation fees are recognized as revenue when the tenant foregoes the rights and obligations from the use of the space. Lease incentives are charged to rental income evenly over the lease term, even if the payments are not made on such a basis.

Recoveries from tenants for taxes, insurance and other operating expenses are recognized as service charge income in the period in which the applicable costs are incurred. Services charges and other such receipts are included gross of the related costs in property income, as management

considers that the REIT acts as principal in this respect. Recoveries for repair and maintenance costs capitalized with investment property are recognized on a straight line basis over the expected life of the items. Parking and other incidental revenues are recognized when the services are provided.

Income and capital taxes

The REIT currently qualifies as a “mutual fund trust” for income tax purposes. The REIT expects to distribute or designate all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, except for the REIT’s subsidiaries, no provision for income taxes payable is required.

The legislation relating to the federal income taxation of a specified investment flow through (“SIFT”) trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT’s taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax. Under the SIFT rules, the new taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT’s assets and income. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Conditions.

However, certain of the REIT’s subsidiaries are incorporated companies. For these companies, the REIT follows the tax liability method for determining income taxes. Under this method, deferred income taxes and liabilities are determined according to differences between the carrying amounts and tax bases of specific assets and liabilities. Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in the statement of income as they occur. It was determined that no current or deferred income tax provisions were required for the periods presented in the consolidated financial forecast.

Earnings per unit

Basic earnings per unit are computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted earnings per unit are calculated giving effect to the potential dilution that would occur if unit options or other dilutive instruments were exercised or converted to units. The dilutive impact is determined by assuming that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase units at the average market price of the units during the period.

Payment of distributions

The determination to declare and make payable distributions from the REIT is at the sole discretion of the Board of Trustees of the REIT, and until declared payable by the Board of Trustees of the REIT, the REIT has no contractual requirement to pay cash distributions to unitholders of the REIT or holders of Class B LP Units.

Class B LP Units

The Class B LP Units are classified as “financial liabilities”, as they are indirectly exchangeable into Units of the REIT on a one for one basis at any time at the option of the holder. Class B LP Units are measured at fair value and presented as part of non current liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the Class B LP Units is determined with reference to the market price of Units on the date of measurement. Distributions on Class B LP Units are recognized as interest and financing costs in the statement of comprehensive earnings when declared.

Long-term incentive plan

The REIT has adopted a long term incentive plan which provides for the grant of deferred units (“DU”) and restricted units (“RU”) of the REIT to directors, employees, trustees and consultants of the REIT and its subsidiaries. The RU’s and DU’s are considered to be financial liabilities in the statement of financial position because there is a contractual obligation for the REIT to deliver Units upon conversion of the RU’s and DU’s. As a result of this obligation, the RU’s and DU’s are exchangeable into a liability as the Units are a liability by definition in accordance with IAS 32 and the Puttable Instrument Exemption does not apply to IFRS 2 share based payment (“IFRS 2”). In accordance with IAS 32, the long term incentive plan is presented as a liability and is measured at fair value in the statement of financial position in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Fair market value is determined with reference to observable market price of the REIT’s Units.

The compensation expense relating to the long term incentive plan is recognized over the vesting period based on the fair value of the Units at the end of each reporting period and includes additional compensation expense relating to additional DU’s and RU’s issued as a result of distributions on the underlying Units. Once vested, the liability is re-measured at the end of each reporting period and at the date of settlement, with any fair value adjustment recognized in the statement of comprehensive income for the period. Distributions declared on vested DU’s and RU’s are also recorded in the statement of comprehensive earnings.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and risks specific to the obligation. Provisions are re-measured at each financial reporting date using the current discount rate. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date.

5. SIGNIFICANT ASSUMPTIONS

(a) Public offering

The REIT plans to complete the issue of units to the public pursuant to the offering for gross proceeds of \$11,093,800 through the issuance of 4,622,417 units at a price of \$2.40 per unit on November 26, 2013. For the purposes of this consolidated financial forecast, it is assumed that the issuance of units occurred on October 1, 2013.

(b) Revolving credit facility

Upon closing it is expected that the REIT will enter into a revolving operating and acquisition facility of approximately \$6.9 million with a Tier 1 Canadian financial institution, bearing interest at the 30 day banker's acceptance rate plus 2.63% (the "**Revolving Credit Facility**"). Deferred financing costs of approximately \$35,000 will be amortized over the term of the facility.

(c) Acquisitions

The Acquisitions are scheduled to close at the end of November 2013. For the purposes of this consolidated financial forecast, it is assumed that the closing of the Acquisitions occurred on October 1, 2013.

On closing, it is assumed that the total cost of the Acquisition Portfolio, including estimated closing costs of \$0.6 million (including approximately \$0.4 million of acquisition fees payable to the Manager in cash), will be \$39.6 million. Closing costs include acquisition fees as stipulated by the management agreement with Labec Realty Advisors Inc. (the "**Manager**"). The total cost of the Acquisition Portfolio will be capitalized in accordance with the REIT's accounting policy for investment properties.

Approximately \$5.8 million of the acquisition financing will be satisfied through the issuance of Class B LP Units at a price per Class B LP Unit equal to the Offering Price in Note 3(a) above.

No other acquisitions or disposals of investment properties have been assumed to occur during the forecast period.

(d) Property income

Forecasted property income is based on rents from existing leases as well as potential revenue from leasing space that is vacant and re-leasing of space that becomes vacant during the forecast period at renewal rates based on market rents.

Property income includes all property income receivable from the properties and earned from tenants under lease agreements. These include base rents adjusted for the straight-lining of rent, property specific operating cost recoveries, based on the operating costs associated with each individual property and their recoverability per lease terms, parking revenue, management fees and other incidental income.

In preparing this financial forecast, it is assumed that substantially all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the duration of the forecast period, subject to estimated credit losses.

One of the properties located at 3200 – 3260 Guenette is partially vacant and as such, the REIT has negotiated that the vendor, at the closing of the purchase of the property, be subject to a lease on the vacant space until December 2015. Also, the vendor of the property located at 370 Connell Street will enter into a 12-month vendor lease with the REIT on terms that will be substantially similar in respect of two leases aggregating 3,415 square feet of GLA that are being reclaimed in order to reconfigure a small component of the property to accommodate another tenant's expansion. For the purposes hereof, such leases are referred to as the "**Vendor Leases**" and such tenants are referred to as the "**Vendor Lease Tenants**".

For purposes of this consolidated financial forecast, all property income, including base rent adjusted for the straight-lining of rent, property specific operating cost recoveries, and expected lease payments from Vendor Leases have been included in the "Property income" line within the consolidated statements of forecasted comprehensive income.

The assumed weighted average occupancy at the beginning of the forecast period is 91.5%. Leases covering approximately 1.3% of the REIT's total rentable space expire during the forecast period. It is assumed that 100% of those leases will renew upon expiry. As a result of renewals and new leasing, the assumed occupancy rates which factor in all rental revenue assumptions previously noted are 91.5%, 94.2%, 95.3% and 95.2% at

the end of each of the three month periods ending December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014, respectively. The forecast assumes lease up of approximately 15,000 square feet of vacant space beginning in month five of the forecast period based on current leasing prospects and opportunities with respect to certain of those square feet.

(e) Property operating expenses

Property operating expenses have been forecasted with reference to operating plans and budgets obtained from the property vendors or their managers and are consistent with the re-leasing assumptions in Note 5(d). This financial forecast reflects historical data adjusted for change in costs due to inflation, realty taxes, and other market trends. The major components of operating expenses are realty taxes, property management fees, utilities, insurance, security, repairs and maintenance and amortization of recoverable building improvements.

Property management fees are based on the agreement with the Manager and range from 2% to 4% of the gross property income from the property.

(f) General and administrative expenses

General and administrative expenses reflect management's best estimate of office salaries, rent, trustee fees, audit and legal fees, regulatory costs and transfer agent fees. General and administrative expense also includes asset management fees which are based on the management agreement with the Manager and are equal to 0.25% of the Adjusted Cost Base value of the REIT's assets. In addition, general and administrative expenses include the employment expenses of the personnel of the Manager who are involved in the operations of the REIT, including, but not limited to, REIT related salaries and benefits (excluding the salaries and benefits of the Chief Executive Officer and the Chief Financial Officer) as well as other third party consultants costs.

Other general and administrative expenses are based on management's future operating plans and related quotes.

(g) Interest and financing costs

Total debt outstanding at October 1, 2013 is assumed to be approximately \$38.3 million, which includes \$21.5 million in debt financing related to the Acquisition Portfolio. The REIT intends to finance the Acquisition Portfolio with \$1.7 million of assumed mortgages, \$19.8 million of new mortgage financing for which the REIT has received indicative terms from a lender and the balance with the Revolving Credit Facility referred to in Note 5(b).

Interest and financing costs for the twelve-month period are forecasted to be \$2.4 million. This amount was calculated based on the terms of current property mortgages, Operating facility, Bridge Loan, and the proposed Revolving Credit Facility, as well the terms of the assumed property mortgage, and the property mortgages the REIT is seeking that are associated with the Acquisition Portfolio, using the effective interest method, with effective annual interest rates between 3.85% – 8.5%.

Interest and financing costs includes amortization of financing costs in the amount of \$139,160 for the twelve month period ended September 30, 2014 (\$34,790 for each of the three month periods ended December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014).

Interest and financing costs also includes distributions estimated to be declared on the Class B LP Units of \$613,284 for the twelve month period ended September 30, 2014 (\$153,321 for each of the three month periods ended December 31, 2013, March 31, 2014, June 30, 2014 and September 30, 2014). Expected distributions on the Class B LP Units were calculated to provide an expected annual yield of 8.75%. The actual yield may differ materially from this amount.

(h) Income taxes

It is assumed that on closing of the Acquisitions, the REIT will qualify as a mutual fund trust and will not be a SIFT as described in note 5. The Trustees intend to distribute all taxable income directly earned by the REIT to Unitholders and to deduct such distributions for income tax purposes. Accordingly, except for the REIT's subsidiaries, no net current income tax expense or deferred income tax assets or liabilities have been recorded in this consolidated financial forecast in respect of the REIT.

(i) Capital and leasing expenditures

Non-recoverable capital expenditures for on-going repairs and maintenance, including any capital expenditure fees stipulated by the management agreement with the Manager in respect of the investment properties are forecast to be approximately \$75,000 for the twelve-month period ended September 30, 2014. Tenant inducements and leasing costs, are forecast to be approximately \$45,700 during the twelve month period ended September 30, 2014. Capital and leasing expenditures are to be paid by the REIT and will be financed through non-distributed cash generated from operations. For purposes of this consolidated financial forecast, it has been assumed that all capital and leasing expenditures will be offset by equal fair value adjustments and therefore these expenditures have not been reflected in the consolidated financial forecast. Management estimated the normalized leasing reserves based on the cash flow forecasts utilized by the Appraisers, which use standard lease renewal assumptions, market rental rates, and expected costs for tenant inducements and leasing costs. In certain instances, management deducted certain future tenant inducements and leasing costs in order to estimate a normalized level of leasing reserves. Such circumstances include tenant inducements and leasing costs incurred in connection with (i) the lease-up of currently vacant space beyond the Forecast Period; (ii) the anticipated renewal of certain leases that the Appraisers had assumed to expire; and (iii) properties where the vendor has agreed to pay for such costs.

(j) Acquisition and disposal of investment properties

This financial forecast does not reflect any potential sale or acquisition of investment properties other than the Acquisition Portfolio referred to in note 5(c). It is possible that purchases and sales of investment properties will occur during the forecast period. These will only be undertaken on a basis considered by management to be advantageous to the REIT and approved by Trustees.

(k) Fair value change to investment properties and Class B LP Units

The REIT has adopted the fair value model for investment properties requiring the fair value of the property to be determined at each reporting date. This consolidated financial forecast does not reflect any changes in the fair values of the investment properties, neither upward nor downward. As a result, the actual results may differ from those reported.

Class B LP Units will be adjusted to their fair values at each reporting period, with changes in fair value recorded in earnings. For purposes of this financial forecast, no changes in fair value of Class B LP Units have been assumed.

(l) Earnings per unit

Both basic and diluted earnings per unit have been calculated using forecasted net comprehensive earnings as the numerator.

The weighted average number of units outstanding for purposes of calculating basic earnings per unit is assumed to be 6,999,858 which includes 4.6 million units assumed to be issued to the public prior to October 1, 2013 pursuant to the offering for gross proceeds of \$11.1 million.

The weighted average number of units outstanding for purposes of calculating diluted earnings per unit is assumed to exclude the dilutive effect of the exchange of 2,920,397 Class B LP Units on a one for one basis into REIT units and includes 2,416,667 Class B LP Units assumed to be issued prior to October 1, 2013 pursuant to the acquisition agreements for gross proceeds of \$5.8 million.

(m) Other matters

No significant changes in economic conditions and government legislation with respect to taxes are anticipated during the forecast period.

PRINCIPAL UNITHOLDERS

To the knowledge of the Trustees and officers of the REIT, the only persons beneficially owning, directly or indirectly, or exercising control or direction over more than 10% of the voting rights attached to all of the outstanding Units or Special Voting Units of the REIT as of the date of this short form prospectus are:

<u>Name</u>	<u>Number of Units or Special Voting Units Held</u>	<u>Percentage of Total Issued and Outstanding Voting Units</u>
James W. Beckerleg	302,238 Special Voting Units	10.5%

As at the date hereof, the Trustees and the officers of the REIT and the Manager, as a group, beneficially own, directly or indirectly, or have direction and control over, 630,395 Units or Special Voting Units (approximately 21.9% of the issued and outstanding Units or Special Voting Units of the REIT).

On Closing, the Trustees, the management of the REIT and the Manager are expected to own, directly or indirectly, an aggregate of 7.7% of the issued and outstanding Units of Special Voting Units of the REIT, assuming no exercise of the Over-Allotment Option.

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;
- (b) the Management Agreement; and
- (c) the Underwriting Agreement.

Copies of the foregoing may be inspected at the head office of the REIT during normal business hours upon reasonable prior notice.

PRIOR SALES

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

On December 21, 2012, Taggart issued 21,108,566 subscription receipts at a price per subscription receipt of \$0.30 (approximately 2,110,857 subscription receipts at a price per subscription receipt of \$3.00 after taking into account the Exchange Ratio) for aggregate gross proceeds of \$6,332,570. On January 29, 2013, such subscription receipts were automatically converted into common shares of Taggart at closing of the Qualifying Transaction.

On January 29, 2013, concurrently with the completion of the Qualifying Transaction, Taggart issued 1,587,302 common shares at a price of \$0.1575 per share (approximately 158,730 common shares at a price of \$1.575 per common share, after taking into account the Exchange Ratio) for cash consideration of \$250,000.

On February 7, 2013, in connection with the establishment and organization of the REIT, the REIT issued one Unit for \$100. This Unit was purchased for cancellation by the REIT on closing of the Arrangement at its issue price.

On March 11, 2013, in connection with the closing of the Arrangement, 23,532,066 common shares of Taggart were converted into 2,353,206 Units.

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 short form prospectus, 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 April 3, 2013, 24,235 Units were issued to Canaccord Genuity Corp. following the exercise of its options.

On July 5, 2013, the REIT has agreed, subject to regulatory approval, to issue to Canaccord Genuity Corp. in connection with the disbursement of the Bridge Loan warrants to purchase up to 35,118 Units at an exercise price per Unit equal to \$3.35.

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 12-month period before the date of this short form prospectus, 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 following the approval of the LTIP by the Shareholders of Taggart.

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
November (until November 18)	2.50	2.40	4,000
October	2.51	2.10	8,650
September	3.00	2.75	25,000
August	3.05	2.86	32,703
July	3.50	2.46	41,350
June	3.35	2.75	25,000
May	3.35	3.00	26,150
April	5.00	3.00	18,036
March (as of March 13)	4.50	4.40	49,332

DESCRIPTION OF UNITS AND CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the Units. A more detailed summary of the attributes of the Units can be found in the Circular under “Declaration of Trust and Description of Units”. The following summary is qualified in its entirety by reference to the text of the Declaration of Trust, which is available electronically on SEDAR at www.sedar.com.

General

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 Board of Trustees without the approval of the Unitholders. The REIT has 2,377,441 outstanding Units and 503,730 outstanding Special Voting Units.

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 in the Circular under “Declaration of Trust and description of Units – Redemption Right” and “Declaration of Trust and description of 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 *Canada Business Corporations Act* 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 PRO REIT 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.

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; (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.

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 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 and does not hold such Voting Units for the benefit of non-residents.

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.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Underwriting Agreement, the REIT has agreed to issue and sell, and the Underwriters have agreed to purchase, on November 26, 2013 or on such other date as the REIT and the Underwriters may agree, but in any event not later than December 3, 2013, an aggregate of 4,622,417 Units at a price of \$2.40 per Unit, payable in cash to the REIT against delivery of such Units, for gross proceeds to the REIT of \$11,093,800. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The obligations of the Underwriters to purchase the Units are several (and not joint or joint and several). The terms of the Offering and the prices of the Units have been determined by negotiation between the REIT and the Underwriters.

The Underwriting Agreement provides that the REIT will pay, on the Closing, the Underwriters a fee of \$0.144 per Unit, or 6% of the gross proceeds of the Offering, but excluding therefrom proceeds from the sale of Units sold to

purchasers on the President's List, for which the Underwriters will be paid a commission of \$0.072 per Unit, or 3% of the gross proceeds of such sales. In addition, the Underwriters have agreed to waive their entitlement to the Underwriters' Fee in connection with purchases by certain specified parties, expected to aggregate 260,400 Units for gross proceeds of \$624,960. The aggregate Underwriters Fee payable to the Underwriters by the REIT in consideration for their services in connection with the Offering is expected to be \$601,808. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The REIT has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part from time to time for a period of 30 days from the date of the Closing, to purchase up to 693,362 additional Units on the same terms set forth above, to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus also qualifies the granting of the Over-Allotment Option and the distribution of any Units issuable on the exercise of such option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public relating to the Offering, the Underwriters' Fee and the net proceeds to the REIT before deducting the expenses of the Offering will be \$12,757,870, \$701,653 and \$12,056,217, respectively.

The TSXV has conditionally accepted the listing of the Units distributed under this short form prospectus on the TSXV. Listing is subject to the REIT fulfilling all of the listing requirements of the TSXV.

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

This Offering is being made in each of the provinces of Canada. The Units have not been and will not be registered under the 1933 Act or any state securities laws and may not be offered or sold within the United States, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S of the U.S. Securities Act) unless pursuant to an exemption to the registration requirements of such laws. Accordingly, each Underwriter has agreed that it will not offer, sell or deliver the Units within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering, any offer or sale of the Units offered hereby within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act.

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

The Underwriters propose to offer the Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the offering price for the Units may be decreased and may be further changed from time to time to amounts not greater than those set forth in the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the REIT.

Canaccord Genuity Corp. has provided a bridge loan to the REIT (the "**Bridge Loan**") and TD Securities Inc. is an affiliate of a Canadian chartered bank that is among the REIT's principal mortgage holders with respect to the Existing Mortgages. As at October 22, 2013, the outstanding indebtedness of the REIT to Canaccord Genuity Corp. under the

Bridge Loan was approximately \$250,000. The indebtedness of the REIT under the Bridge Loan is unsecured and the loan agreement for the Bridge Loan contains representations, covenants, restrictions and events of default that are customary for such agreements. The REIT is in compliance with the terms of the agreements in all material respects and the lenders have at no time waived any breach during the term of the agreements. The financial position of the REIT has not materially changed since the indebtedness under the Bridge Loan was incurred. The indebtedness incurred by the REIT under the Bridge Loan was used to make a non-refundable deposit to a vendor in accordance with the terms of the First Acquisition Agreement. See “Debt Strategy – Composition of Indebtedness”, “Use of Proceeds” and “Prior Sales”.

In addition, the REIT is seeking a commitment to finance from a Canadian chartered bank that is an affiliate of TD Securities Inc. with respect to the Revolving Credit Facility (as defined herein). TD Securities Inc. is an affiliate of a Canadian chartered bank that is a lender with respect to the Assumed Mortgage (as defined herein). See “Debt Strategy – Composition of Indebtedness – Revolving Credit Facility” and “Debt Strategy – Composition of Indebtedness – Assumed Mortgages”.

Consequently, the REIT may be considered a “connected issuer” of each of Canaccord Genuity Corp., and TD Securities Inc. within the meaning of applicable securities legislation. See “Debt Strategy”, “Plan of Distribution” and “Use of Proceeds”.

The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the REIT and the Underwriters. The Canadian chartered banks of which such Underwriters are affiliates did not have any involvement in such decision or determination. As a consequence of the Offering, each of such Underwriters will receive its proportionate share of the Underwriters’ fee.

EXEMPTION

Pursuant to a pre-filing application made by the REIT under Part 8 of National Policy 11-202 – *Process of Prospectus Reviews in Multiple Jurisdictions*, the REIT has filed for exemptive relief from the requirement to file expert reports referred to in a prospectus on SEDAR so that it could file a redacted copy of the appraisal summary reports for each of the properties which comprise the Acquisitions. The relief is being granted based on the REIT’s representations and submissions that disclosure of the redacted information would be seriously prejudicial to the interests of the REIT and that the redacted information is not material to an investor’s understanding of the appraisals or necessary for an investor to make an investment decision regarding the REIT. Pursuant to Part 8 of National Instrument 44-101 – *Short Form Prospectus Distributions*, the relief from this requirement will be evidenced by the issuance of a final receipt for the short form prospectus. The redacted information will include (i) rent rolls, which contain individual tenant by tenant lease terms, including rental amounts and terms of leases, and (ii) specific comparable lease information (such that the information will be generic and will be obscured so that individual leases and properties information will remain but will not be specifically identified) and (iii) sales comparable (such that non-public information (such as leasing and tenant expires)), will not be shown.

RISK FACTORS

An investment in the Units involves risk and any prospective investor should carefully consider the risk factors set forth below, in the documents incorporated by reference into this short form prospectus and all other information contained elsewhere in this short form prospectus before purchasing any of the Units distributed under this short form prospectus.

The risks described below are not the only ones facing the REIT and Unitholders. Additional risks not currently known to the REIT or that the REIT currently deems immaterial may also impair business operations. The business, financial condition, revenues or profitability of the REIT could be materially adversely affected by any of the risks set forth in this short form prospectus, in the documents incorporated by reference or such other risks. The trading price of the Units could decline due to any of these risks and investors could lose all or part of their investment. This short form prospectus contains forward-looking statements that involve risks and uncertainties. The REIT’s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the REIT described below and elsewhere in this short form prospectus. See “Notice Regarding Forward-Looking Statements”.

Risks 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

Properties

While the REIT's investment strategy is to acquire properties in order to achieve its investment objective, the portfolio of the REIT is currently not diversified. The value of the Units and the ability of the REIT to distribute distributable income will be dependent on the ability of the REIT to derive income from its properties.

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 29% of GLA of the Initial Portfolio 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 will generate approximately 86.2% 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 results of operations 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. 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 will be 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 facilities of the REIT are also expected to contain 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. Following the closing of the Acquisitions, the REIT will be exposed to interest rate fluctuations associated with the Revolving Credit Facility. In addition, fixed interest rates on the New Mortgage will be based on the applicable Government of Canada bond rates at the date the interest rate is fixed on the mortgage plus typical lender mortgage spreads. The REIT expects that the interest rate of the New Mortgage will only be fixed one business day prior to the closing of the Acquisition that is, in part, financed by the New Mortgage. Therefore, any fluctuations in the applicable Government of Canada bond rates between the date of this short form prospectus and the date that the interest rate will be fixed will have an impact on the financial forecast.

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 the Existing Mortgages, the Assumed Mortgages, the New Mortgage, the Revolving Credit Facility and 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 will be 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 the Initial 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 the Initial Properties. See "Assessment and Valuation of the Initial Properties – 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 will 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 Risks

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 will undertake a number of procedures and PRO REIT GP and the Manager will implement 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 Initial Properties 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 retained appraisers to provide independent estimates of the fair market value for the properties 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.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Initial Properties included in this short form prospectus has been derived from the historical accounting records of the various vendors under the Acquisition Agreements. The REIT believes that the assumptions underlying such combined financial statements are reasonable. However, such combined financial statements may not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT owned the Initial Properties during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future.

Expense allocations were based on what the REIT considered to be reasonable allocations of the utilization of services provided or the benefit received by the owners of the Initial Properties. The REIT has not made adjustments to such historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Initial Properties. The estimates used in the pro forma financial information may not be similar to the REIT's actual experience going forward.

Financial Forecast

The forecast contained in this short form prospectus was prepared with assumptions that reflect management's best estimates of the REIT's activities and economic conditions. There is no assurance that these assumptions will be accurate. Actual results for the Forecast Period may vary materially from the forecast. The REIT cannot represent that forecast results will be realized by the REIT. See also "Notice Regarding Forward-Looking Statements".

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

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 2013 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 2013 or future years. See "SIFT Rules – REIT Exception".

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.

Risks Related to the Acquisitions

Possible Failure to Complete Any or All of the Acquisitions

The REIT expects to complete the Acquisitions in late-November 2013, subject to satisfactory completion of customary closing conditions. However, the REIT has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that all Acquisitions will be consummated. The REIT may proceed to acquire less than all of the properties that are subject to the Acquisition Agreements. There is no assurance that the Acquisitions will be completed or, if completed, will be on terms that are exactly the same as disclosed in this short form prospectus.

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

General Risks Relating to the Acquisitions

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

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

Financing Risks Relating to the Acquisitions

The REIT intends to finance a portion of the Acquisitions through a combination of assumed mortgages, new mortgage financing, and a draw on the Revolving Credit Facility. Following the closing of the Acquisitions and the Offering, the REIT’s outstanding indebtedness is expected to be comprised of: (i) \$8.8 million of first mortgages on properties that the REIT owns as at the date hereof; (ii) \$1.7 million of first mortgages that are to be assumed in connection with certain of the Acquisitions; (iii) \$19.8 million of new mortgage financing that the REIT is seeking to put in place in connection with certain of the Acquisitions; (iv) a \$1.0 million draw on a short term operating facility; (v) a Bridge Loan in the amount of \$0.3 million; and (vi) a \$6.7 million draw on the Revolving Credit Facility that the REIT is seeking to establish.

While the REIT is currently in negotiations with a lender for approximately \$19.8 million of first mortgage financing and is in negotiations with a Canadian chartered bank with respect to the Revolving Credit Facility as described in more detail in the section entitled “Debt Strategy”, there can be no assurance that the REIT’s borrowing availability will be sufficient to close the Acquisitions. Should sufficient funds not be available to the REIT at or prior to closing of the Acquisition, the REIT may not have sufficient funds to close one or more of the Acquisitions, which could have a material adverse impact on the REIT.

Possible Failure to Realize Expected Returns on the Acquisition

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

Risks Related to the Integration of the Properties to be Acquired into the REIT’s Existing Portfolio

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

Appraisals

The REIT retained the Appraisers to provide an independent estimate of the fair market value of each of the Initial Properties (see “Assessment and Valuation of the Initial Properties – Appraisals”). Caution should be exercised in the

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

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

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 in the Circular under "Declaration of Trust and description of 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: (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 (provided that such limitation may be waived at the discretion of the trustees); (ii) 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; (iii) 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 (iv) 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. Upon completion of the Offering, the Units will be subordinated to the debt and other obligations of the REIT and its Subsidiaries. The REIT's Subsidiaries will generate all of the REIT's revenue available for distribution and hold substantially all of the REIT's operating assets.

Tax Related Risk Factors

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

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

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

Under the Tax Proposals released by the Department of Finance on October 31, 2003 (the "**October 31 Proposals**"), a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 31 Proposals were to apply to the REIT or PRO REIT LP, deductions that would otherwise reduce the REIT's or PRO REIT LP's taxable income, as the case may be, could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposals would be released for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the REIT or PRO REIT LP.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust (including a real estate investment trust such as the REIT) may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income

earning purpose. If the CRA view were to apply to a Unitholder who borrowed money to invest in Units of the REIT, part of the interest payable by such Unitholder in connection with money borrowed to acquire such Units could be non-deductible.

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 PRO REIT LP Agreement, respectively. There is no statute governing the affairs of the REIT or PRO REIT LP equivalent to the OBCA 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 PRO REIT LP. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Class B LP Units may be liable beyond their contribution of capital and share of undistributed net income of PRO REIT LP in the event of judgment on a claim in an amount exceeding the sum of the net assets of PRO REIT GP and the net assets of PRO REIT LP. Holders of Class B LP Units remain liable to return to PRO REIT LP for such part of any amount distributed to them as may be necessary to restore the capital of PRO REIT LP to the amount existing before such distribution if, as a result of any such distribution, the capital of PRO REIT LP is reduced and PRO REIT LP is unable to pay its debts as they become due.

Dilution

The number of 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.

Change of Tax Laws

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

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the "mark-to-market" rules (within the meaning of the Tax Act); (ii) that is a "specified financial institution" (within the meaning of the Tax Act); (iii) an interest in which would be a "tax shelter investment" (within the meaning of the Tax Act); (iv) to whom the functional currency reporting rules apply; (v) that has entered or will enter into a "derivative forward arrangement" (as that term is defined in the proposed amendments contained in a Notice of Ways and Means Motion tabled by the Minister of Finance (Canada) on March 21, 2013), (vi) that is a partnership or another flow-through entity; trust and estate; government (or instrumentality or agency thereof); tax-exempt entity; insurance company; mutual fund; "real estate investment trust" (within the meaning of the Tax Act); or (vii) that is holding Units as part of a hedging or similar transaction. This summary is also not applicable to a Holder that holds Units acquired upon the exercise of rights to acquire such Units received in respect of, in the course of, or by virtue of employment with the REIT or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the REIT (all within the meaning of the Tax Act). Such Holders should consult their own tax advisors.

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

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

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

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

Status of the REIT

Qualification as a Mutual Fund Trust

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

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

SIFT Rules

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

The REIT Exception in the SIFT Rules contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. Based on the advice of its external tax advisor, management has advised counsel that the REIT will qualify for the REIT Exception at the time of closing of the Offering and that management expects the REIT to qualify for the REIT Exception throughout the remainder of 2013 and subsequent taxation years. However, there can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception. If the REIT fails to qualify for the REIT Exception, the REIT will be subject to the SIFT Rules and certain of the income tax considerations described below would, in some respects, be materially and adversely different. See “Certain Canadian Federal Income Tax Considerations – Application of the SIFT Rules”.

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

REIT Exception

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

- (a) at each time in the taxation year, the total fair market value at that time of all “non-portfolio properties” that are “qualified REIT properties” held by the trust is at least 90% of the fair market value at that time of all “non-portfolio properties” held by the trust;
- (b) not less than 90% of the trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties”, interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- (c) not less than 75% of the trust’s “gross REIT revenue” for the taxation year is from one or more of the following: “rent from real or immovable properties”, interest from mortgages or hypothecs on “real or immovable properties”, and dispositions of “real or immovable properties” that are capital properties;
- (d) at each time in the taxation year an amount, that is equal 75% or more of the “equity value” of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a “real or immovable property” that is capital property, an “eligible resale property”, an indebtedness of a Canadian corporation represented by a banker’s acceptance, cash, a deposit in a bank or credit union, or debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions (except that for taxation years that end before 2013 the foregoing list of properties will not include “eligible resale properties” and will include any “real or immovable property” whether capital or not); and
- (e) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market (the “**Publicly Listed or Traded Test**”).

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

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

- (a) “eligible resale property”, of an entity, means “real or immovable property” (other than capital property) of the entity, (i) that is contiguous to a particular “real or immovable property” that is capital property or “eligible resale property”, held by the entity or another entity affiliated with the entity, and (ii) the holding of which is ancillary to the holding of the particular property;
- (b) “gross REIT revenue” of an entity for a taxation year means the amount, if any, by which the total of all amounts received or receivable in the year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the year;

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

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

Taxation of subsidiaries of the REIT

The SIFT Rules will apply to a Subsidiary of the REIT that would otherwise qualify as a SIFT unless such Subsidiary qualifies as an “excluded subsidiary entity” (as defined in the Tax Act). Under the Tax Act, an entity will generally be an “excluded subsidiary entity” for a taxation year if none of the “equity” of such entity is at any time in the taxation year (A) listed or traded on a stock exchange or other public market, nor (B) held by any person or partnership other than (i) a “real estate investment trust”, (ii) a “taxable Canadian corporation”, (iii) a “SIFT trust”, (iv) a “SIFT partnership”, or (v) an “excluded subsidiary entity” (all within the meaning of the Tax Act) for the taxation year.

Management has advised counsel that it expects that each direct or indirect subsidiary of the REIT that might otherwise qualify as a SIFT will qualify as an “excluded subsidiary entity” at all relevant times and therefore will not be subject to tax under the SIFT Rules. If PRO REIT LP or any other Subsidiary of the REIT does not qualify as an “excluded subsidiary entity” the income tax consequences described herein would in some respects be materially and adversely different.

Taxation of the REIT

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

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

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

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

Losses incurred by the REIT cannot be allocated to Holders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act (including the October 31 Proposals discussed below).

Under the October 31 Proposals, for taxation years beginning after 2004 a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, and can reasonably be expected to carry on, the business or has held, and can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. The October 31 Proposals, if enacted in the form proposed, could limit losses of the REIT from a particular source or deductions that would otherwise reduce the REIT's taxable income (including interest deductions in respect of any Indebtedness), thereby reducing after tax returns to Holders. On February 23, 2005, the Department of Finance announced that it had developed an alternative proposal to the October 31 Proposals, which was expected to be released for comments at an early opportunity. To date no such alternative proposal has been released.

Taxation of PRO REIT LP

Management has advised counsel that it expects that PRO REIT LP will qualify as an "excluded subsidiary entity" at all relevant times. As a result, PRO REIT LP will not be subject to tax under the SIFT Rules. If PRO REIT LP does not qualify as an "excluded subsidiary entity," the income tax consequences described herein would in some respects be materially and adversely different.

Generally, each partner of PRO REIT LP, including the REIT, is required to include in computing the partner's income, the partner's share of the income (or loss) of PRO REIT LP for PRO REIT LP's fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of PRO REIT LP will be computed for each fiscal year as if PRO REIT LP were a separate person resident in Canada. Losses of PRO REIT LP could be limited by the October 31

Proposals, discussed above, or any alternative proposal thereto. In computing the income or loss of PRO REIT LP, deductions generally may be claimed in respect of available capital cost allowances, its reasonable administrative and other expenses (including interest in respect of debt of PRO REIT LP) incurred for the purpose of earning income from business or property to the extent permitted under the Tax Act. The income or loss of PRO REIT LP for a fiscal year will be allocated to the partners of PRO REIT LP, including the REIT, on the basis of their respective share of such income or loss as provided in the PRO REIT LP, subject to the detailed rules in the Tax Act.

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

Taxation of Holders

Distributions by the REIT

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

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

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

Dispositions of Units

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

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments. The cost to a Holder of Units received in lieu of a cash distribution will be equal to the

amount of income distributed by the issuance of such Units. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. The cost of Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Holder's Units as a result of the receipt of the further distribution under the DRIP; however, the adjusted cost base per Unit will be reduced.

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

Capital Gains and Capital Losses

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

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

A Holder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6⅔% on certain types of income, including taxable capital gains.

Alternative Minimum Tax

In general terms, the net income of the REIT paid or payable to a Holder who is an individual, or a trust of certain types, that is designated as net taxable capital gains, and capital gains realized on the disposition of Units may increase the Holder's liability for alternative minimum tax.

Application of the SIFT Rules

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

holds securities of the subject entity that, together with securities held by the SIFT in entities affiliated with the subject entity have a total fair market value greater than 50% of the equity value of the SIFT. Amounts distributed which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax designed to emulate the combined federal and provincial corporate tax rates.

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

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

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. In the event that the SIFT Rules apply to the REIT, they may adversely affect the after-tax returns of investors, the marketability of the Units and the amount of cash available for distributions.

INTEREST OF EXPERTS

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

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

As of the date of this short form prospectus, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, beneficially own, directly or indirectly, approximately 1.4% of the outstanding securities of the REIT. Vitale A. Santoro, partner at Osler, Hoskin & Harcourt LLP, is a Trustee of the REIT and holds approximately 0.35% of the outstanding voting securities of the REIT (10,000 Units). Osler, Hoskin & Harcourt LLP has indicated to the REIT that it intends to acquire 124,983 Units under the Offering.

As of the date of this short form prospectus, the partners and associates of Cassels Brock & Blackwell LLP, as a group, beneficially own, directly or indirectly, less than 1.0% of the outstanding securities of the REIT. Cassels Brock & Blackwell LLP has indicated to the REIT that it intends to acquire 135,417 Units under the Offering.

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

MSCM LLP were the auditors who audited the financial statements of Taggart, prior to its merger with MNP LLP effective June 1, 2013, as at November 30, 2012, November 30, 2011 and December 1, 2010 and for the years ended November 30, 2012 and November 30, 2011 and the carve-out financial statements relating to the Main Street Property as at December 31, 2012, both of which are incorporated by reference herein. MSCM LLP has advised that it is independent within the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

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.

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

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

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PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SEVEN MONTH PERIOD ENDED JUNE 30, 2013
AND FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2012

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PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2013
(In thousands of Canadian dollars)
(Unaudited)

	PRO Real Estate Investment Trust	Acquisition Portfolio (Schedule A)	Pro Forma Adjustments	Total
ASSETS				
Non-current assets				
Investment properties (Note 4(i))	\$18,995	\$39,579	\$ (380)	\$58,194
Deposits (Note 4(j))	1,600	—	(1,600)	—
Property and equipment	69	—	—	69
	<u>20,664</u>	<u>39,579</u>	<u>(1,980)</u>	<u>58,263</u>
Current assets				
Receivables and other	1,856	—	(1,472)	384
Cash (Note 4(k))	877	—	(877)	—
	<u>2,733</u>	<u>—</u>	<u>(2,349)</u>	<u>384</u>
TOTAL ASSETS	<u><u>\$23,397</u></u>	<u><u>\$39,579</u></u>	<u><u>\$(4,329)</u></u>	<u><u>\$58,647</u></u>
LIABILITIES AND UNITHOLDERS' EQUITY				
Non-current liabilities				
Long-term debt (Note 4(l))	14,648	21,507	(4,988)	31,167
Class B LP Units	1,688	5,800	—	7,488
Long-term incentive plan	68	—	—	68
	<u>16,404</u>	<u>27,307</u>	<u>(4,988)</u>	<u>38,723</u>
Current liabilities				
Revolving Operating Facility (Note 4(m))	—	—	6,665	6,665
Accounts payable and other liabilities (Note 4(n))	2,522	—	(2,522)	—
	<u>2,522</u>	<u>—</u>	<u>4,143</u>	<u>6,665</u>
Total liabilities	<u>18,926</u>	<u>27,307</u>	<u>(845)</u>	<u>45,388</u>
Unitholders's equity	<u>4,471</u>	<u>12,272</u>	<u>(3,484)</u>	<u>13,259</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u><u>\$23,397</u></u>	<u><u>\$39,579</u></u>	<u><u>\$(4,329)</u></u>	<u><u>\$58,647</u></u>

See accompanying notes to pro forma consolidated financial statements

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the seven month period ended June 30, 2013
(In thousands of Canadian dollars)
(Unaudited)

	PRO Real Estate Investment Trust	Current Properties (Schedule B)	Acquisition Portfolio (Schedule C)	Total
Property income	\$ 469	\$538	\$2,892	\$3,899
Property operating expenses	<u>153</u>	<u>153</u>	<u>1,269</u>	<u>1,575</u>
	<u>316</u>	<u>385</u>	<u>1,623</u>	<u>2,324</u>
General and administrative expenses	144	15	58	217
Long-term incentive plan expense	68	—	—	68
Depreciation of property and equipment	7	—	—	7
Interest and financing costs	205	149	516	870
Fair value adjustment – Class B LP Units	1,163	—	—	1,163
Fair value adjustment – investment properties	<u>(22)</u>	<u>—</u>	<u>—</u>	<u>(22)</u>
Net comprehensive income (loss)	<u>\$(1,249)</u>	<u>\$221</u>	<u>\$1,049</u>	<u>\$ 21</u>
Earnings per unit				
Basic				<u>\$ 0.00</u>
Diluted				<u>\$ 0.00</u>

See accompanying notes to pro forma consolidated financial statements

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended November 30, 2012
(In thousands of Canadian dollars)
(Unaudited)

	PRO Real Estate Investment Trust	Current Properties (Schedule D)	Acquisition Portfolio (Schedule E)	Total
Property income	\$ —	\$1,435	\$4,757	\$6,192
Property operating expenses	<u>—</u>	<u>357</u>	<u>2,260</u>	<u>2,617</u>
	—	1,078	2,497	3,575
General and administrative expenses	134	38	99	271
Long-term incentive plan expense	—	—	—	—
Depreciation of property and equipment	—	—	—	—
Interest and financing costs	—	591	884	1,475
Fair value adjustment – Class B LP Units	—	—	—	—
Fair value adjustment – investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net comprehensive income (loss)	<u><u>\$(134)</u></u>	<u><u>\$ 449</u></u>	<u><u>\$1,514</u></u>	<u><u>\$1,829</u></u>
Earnings per unit				
Basic				<u><u>\$ 0.26</u></u>
Diluted				<u><u>\$ 0.18</u></u>

See accompanying notes to pro forma consolidated financial statements

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Canadian dollars, except for unit and per unit amounts)
(Unaudited)

1. Nature of operations

PRO Real Estate Investment Trust (the “**REIT**”) is an unincorporated open ended real estate investment trust established pursuant to a declaration of trust dated February 7, 2013 as amended on March 11, 2013 and was established under the laws of the Province of Ontario.

A predecessor trust established under the laws of the Province of Quebec on November 14, 2012 incorporated PRO REIT GP Inc. (“**PRO REIT GP**”) on November 14, 2012, and together with PRO REIT GP formed PRO REIT Limited Partnership (“**PRO REIT LP**”) on November 14, 2012 and then transferred its ownership in PRO REIT GP and PRO REIT LP to the REIT. The REIT invests primarily in commercial properties.

Taggart Capital Corp., now known as PRO REIT Management Inc. (“**Taggart**”), was formed as a capital pool company on March 26, 2010 and completed its initial public offering (“**IPO**”) on October 26, 2011. The common shares were listed on the TSX Venture Exchange (the “**TSXV**”) on October 31, 2011. It completed its Qualifying Transaction on January 29, 2013 which involved three components:

- (i) the purchase of a 10,574 square foot two-storey commercial retail property located at 135 Main Street in Moncton, New Brunswick (the “**Main Street Property**”);
- (ii) the introduction of a new management team through the resignation of the then current directors and officers of Taggart and the replacement thereof by a new management team and board, and
- (iii) the completion of two separate private placements for aggregate gross proceeds of approximately \$6,583 (the “**Private Placements**”). The Private Placements were comprised of two separate transactions completed through (i) the issuance of 21,108,566 common shares at a price per share of \$0.30, and (ii) the issuance of 1,587,302 common shares at a price per share of \$0.1575.

Prior to the completion of an arrangement of Taggart made pursuant to a plan of arrangement under the Business Corporations Act (Ontario) (the “**Arrangement**”) approved by Taggart’s shareholders on March 8, 2013 and the TSXV on March 11, 2013, there were 28,569,368 common shares of Taggart issued and outstanding. On April 25, 2013 Taggart changed its name to PRO REIT Management Inc. Pursuant to the Arrangement, Taggart’s shareholders either transferred their common shares to PRO REIT LP in consideration for trust units of the REIT (“**Units**”), and/or in the case of electing shareholders, for Class B limited partnership units of PRO REIT LP (“**Class B LP Units**”) and related voting and exchange rights. In addition, outstanding share options to purchase common shares in Taggart were exchanged for Unit options having identical terms, subject to the adjustment of the number of units based on the exchange ratio of one Unit for every ten common shares held. The REIT is now the continuing public entity with its Units listed on the TSXV, under the symbol “PRV.UN”. The principal, registered and head office of the REIT is located at 2000 Peel Street, Suite 758, Montréal, Québec, H3A 2W5.

2. Basis of presentation

These unaudited pro forma consolidated financial statements (“**financial statements**”) have been prepared by management of the REIT for incorporation into the prospectus of the REIT relating to an offering of 4,622,417 units of the REIT and have been prepared from the financial statements of both the REIT and the Initial Properties (as defined in Note 4) as at and for the seven month period ended June 30, 2013 and for the year ended November 30, 2012. The pro forma consolidated statements of financial position gives effect to the acquisition of the Initial Properties as if they had occurred on June 30, 2013. The pro forma consolidated statements of comprehensive income for the seven month period ended June 30, 2013 give effect to the acquisition of the Initial Properties as if they had occurred on December 1, 2012 and the pro forma consolidated statements of comprehensive income for the year ended November 30, 2012 give effect to the acquisition of the Initial Properties as if they had occurred on December 1, 2011.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and incorporate the principle accounting policies used to prepare the REIT financial statements. The pro forma financial statements are not necessarily indicative of future operating results or the financial position of the REIT.

Following the closing of the Arrangement, the year end was changed from November 30 to December 31. As a result, these financial statements include the REIT’s pro forma consolidated statement of comprehensive earnings for the seven month period ended June 30, 2013 and the REIT’s consolidated statement of financial position as at that date.

The financial statements have been prepared on a historical cost basis with the exception of investment properties, Class B LP Units and the Units under long-term incentive plan, which are measured at fair value.

The REIT’s reporting and functional currency is Canadian dollars.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Canadian dollars, except for unit and per unit amounts)
(Unaudited)

Property acquisitions and business combinations

Where property is acquired, management considers the substance of the assets and activities acquired in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are treated as asset acquisitions. The cost to acquire the property is allocated between the identifiable assets and liabilities acquired based on their relative fair values at the acquisition date, and no goodwill arises.

Where acquisitions are judged to be businesses, they are accounted for using the acquisition method. The acquisition is recognized at the aggregate of the consideration transferred, measured on the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the REIT measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed in the statement of comprehensive income.

When the REIT acquires a business, it makes an assessment of the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the REIT's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the REIT will be recognized as a liability at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration is recognized in the statement of comprehensive income.

Investment properties

Property is determined to be an investment property when it is principally held to earn rental income or capital appreciation or both. It includes land, buildings, leasehold improvements, and paving which are not occupied substantially for use by the REIT. The REIT applies IAS 40 – Investment Property, and has chosen the fair value method of presenting its investment properties in the financial statements.

Investment property is measured initially at cost including transaction costs. Transaction costs include expenses such as transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the statement of comprehensive income during the period in which they arise.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investment properties is based on valuation estimates prepared by an independent appraiser.

Property and equipment

Property and equipment is carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

The REIT allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately.

Depreciation of property and equipment is provided on the declining balance method over the estimated remaining useful lives of the assets as follows:

- Furniture and fixtures – 20%
- Computer equipment – 30%

Depreciation is determined with reference to the asset's cost, estimated useful life and residual value. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate and depreciated over their expected useful life. The asset's residual values, depreciation method and useful lives are reviewed annually and adjusted if appropriate. Assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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(Thousands of Canadian dollars, except for unit and per unit amounts)
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Cash

Cash includes balances with banks and short-term deposits with original maturities of three months or less. Cash excludes deposits on investment properties, refundable commitment fees and tenants' security deposits. At June 30, 2013, \$611,398 of the cash balance was held in trust by the REIT's legal counsel.

Financial instruments

Non-derivative financial instruments are recognized when the REIT becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are measured at fair value and are classified as one of the following:

Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. The REIT had no assets in this category.

Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest recognized on an effective yield basis. Assets in this category include cash and tenants and other receivables.

Financial liabilities at fair value through profit or loss

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein, are recognized in comprehensive income. Liabilities in this category include Class B LP units and units under long-term incentive plan.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts payable and other liabilities and long-term debt.

The REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset measured at amortized cost is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are accounted for as part of the respective asset's or liability's carrying value at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Long-term debt is initially recognized at fair value less directly attributable transaction costs. After initial recognition, long-term debt is measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation. The amortization is included in interest and financing costs in the statement of income.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Canadian dollars, except for unit and per unit amounts)
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Fair Value Hierarchy

The REIT classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value as per IFRS 7 – Financial Instruments: Disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 (“**L1**”) – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 (“**L2**”) – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 (“**L3**”) – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity)

Unitholders’ equity

The Units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities in accordance with IAS 32: Financial Instruments: presentation. In accordance with IAS 32, puttable instruments are to be presented as equity when certain conditions, called the “Puttable Instrument Exemption”, are met.

To be presented as equity, the Units must meet all of the following conditions required by the Puttable Instrument Exemption: (i) it must entitle the holder to a pro-rata share of the REIT’s net assets in the event of the REIT’s dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) must have identical features; (iv) other than the redemption feature, the Units may contain no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the Units must be based substantially on the profit or loss of the REIT or change in fair value of the Units.

The Units meet the Puttable Instrument Exemption and are classified and accounted for as equity in the statement of financial position. Distributions on Units are deducted from retained earnings.

Earnings per unit

Basic earnings per unit are computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted earnings per unit are calculated giving effect to the potential dilution that would occur if unit options or other dilutive instruments were exercised or converted to units. The dilutive impact is determined by assuming that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase units at the average market price of the units during the period.

Payment of distributions

The determination to declare and make payable distributions from the REIT is at the sole discretion of the Board of Trustees of the REIT, and until declared payable by the Board of Trustees of the REIT, the REIT has no contractual requirement to pay cash distributions to unitholders of the REIT or holders of Class B LP Units.

Class B LP Units

The Class B LP Units, issued by a limited partnership controlled by the REIT, are classified as “financial liabilities”, as they are indirectly exchangeable into Units of the REIT on a one-for-one basis at any time at the option of the holder. Class B LP Units are measured at fair value and presented as part of non-current liabilities in the statement of financial position, with changes in fair value recorded in the statement of comprehensive income. The fair value of the Class B LP Units is determined with reference to the market price of Units on the date of measurement. Distributions on Class B LP Units are recognized as finance costs in the statement of comprehensive income when declared.

Long-term incentive plan

The REIT has adopted a long-term incentive plan which provides for the grant of deferred units (“**DU**”) and restricted units (“**RU**”) of the REIT to directors, employees, trustees and consultants of the REIT and its subsidiaries. The RU’s and DU’s are considered to be financial liabilities in the statement of financial position because there is a contractual obligation for the REIT to deliver Units upon conversion of the RU’s and DU’s. As a result of this obligation, the RU’s and DU’s are exchangeable into a liability as the Units are a liability by definition in accordance with IAS 32 and the Puttable Instrument Exemption does not apply to IFRS 2 – share-based payment (“**IFRS 2**”). In accordance with IAS 32, the long-term incentive plan is presented as a liability and is measured at fair value in the statement of financial position in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Fair market value is determined with reference to observable market price of the REIT’s Units.

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The compensation expense relating to the long-term incentive plan is recognized over the vesting period based on the fair value of the Units at the end of each reporting period and includes additional compensation expense relating to additional DU's and RU's issued as a result of distributions on the underlying Units. Once vested, the liability is re-measured at the end of each reporting period and at the date of settlement, with any fair value adjustment recognized in the statement of comprehensive income for the period. Distributions declared on vested DU's and RU's are also recorded in the statement of comprehensive income.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and risks specific to the obligation. Provisions are re-measured at each financial reporting date using the current discount rate. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date.

Revenue recognition

The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received. Contingent rental income or percentage rents are recognized when the required level of sales has been achieved. Lease cancellation fees are recognized as revenue when the tenant foregoes the rights and obligations from the use of the space. Lease incentives are charged to rental income evenly over the lease term, even if the payments are not made on such a basis.

Recoveries from tenants for taxes, insurance and other operating expenses are recognized as service charge income in the period in which the applicable costs are incurred. Services charges and other such receipts are included gross of the related costs in property income, as management considers that the REIT acts as principal in this respect. Recoveries for repair and maintenance costs capitalized with investment property are recognized on a straight-line basis over the expected life of the items. Parking and other incidental revenues are recognized when the services are provided.

Deposits

Deposits are amounts on deposit associated with acquisitions to be completed subsequent to the financial statement date.

Income and capital taxes

The REIT currently qualifies as a "mutual fund trust" for income tax purposes. The REIT expects to distribute or designate all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, except for the REIT's subsidiaries, no provision for income taxes payable is required.

The legislation relating to the federal income taxation of a specified investment flow through ("**SIFT**") trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax. Under the SIFT rules, the new taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "**REIT Conditions**"). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT's assets and income. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Conditions.

However, certain of the REIT's subsidiaries are incorporated companies. For these companies, the REIT follows the tax liability method for determining income taxes. Under this method, deferred income taxes and liabilities are determined according to differences between the carrying amounts and tax bases of specific assets and liabilities. Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse. Adjustments to these balances are recognized in the statement of income as they occur. It was determined that no current or deferred income tax provisions were required for the periods presented in these financial statements.

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Canadian dollars, except for unit and per unit amounts)
(Unaudited)

4. Pro forma adjustments

Current Properties

The REIT acquired the Main Street Property on January 29, 2013 for a purchase price of \$6,088, the property located at 2 Lawrence Street, Amherst, Nova Scotia (the “**Lawrence Street Property**”) on March 27, 2013 for a purchase price of \$3,644, the property located at 449 Principale Street, Daveluyville, Québec (the “**Daveluyville Property**”) on April 30, 2013 for a purchase price of \$1,516, and the property located at 1670 Notre Dame Street, L’Ancienne-Lorette, Québec (the “**L’Ancienne-Lorette Property**”) on April 30, 2013 for a purchase price of \$7,095 (collectively the “**Current Properties**”). All purchase prices include closing and transaction costs. The acquisitions were financed in part by the proceeds of the Private Placements, \$6,599 in assumed mortgages, and \$2,275 in new mortgages, with the balance covered by a interest only term loan bearing interest at 8.5%.

- (a) As the Current Properties were purchased prior to June 30, 2013, property income was decreased by \$469, property operating expenses were decreased by \$153, general and administrative expenses were decreased by \$12 and interest and financing costs were decreased by \$196, as the amounts were already included in the REIT’s Consolidated Statement of Comprehensive Income for the seven month period ended June 30, 2013.
- (b) General and administrative expenses were adjusted by \$38 representing the estimated management fees related to the Current Properties had they been acquired on November 1, 2012.
- (c) Interest and financing costs were adjusted by \$591 to reflect the estimated amount of interest expense on the debt financing that would have been expected had the Current Properties been acquired on November 1, 2012.

Acquisition portfolio

The REIT intends to acquire the properties located at:

- (A) 3200-3260 Guénette Street, St-Laurent, Québec (the “**St. Laurent Property**”);
- (B) 55 Technology Drive, Saint John, New Brunswick (the “**Saint John Property**”);
- (C) 26-32 Prince Arthur Street and 11-15 Princess Street, Amherst, Nova Scotia (the “**Amherst Property**”); and
- (D) 370 Connell Street, Woodstock, New Brunswick (the “**Woodstock Property**”).

(collectively, the “**Acquisition Portfolio**” and, together with the “**Current Properties**”, the “**Initial Properties**”).

The total purchase price for the acquisition of the Acquisition Portfolio is \$39,579, including estimated closing costs. It is expected that the acquisitions will be financed in part by \$19,800 in new mortgages, \$1,667 of assumed mortgages, \$5,800 through the issuance of Class B LP Units at a price of \$2.40 per unit and by the proceeds of an offering of 4,622,417 Units at a price of \$2.40 per unit, for aggregate proceeds of approximately \$11,094.

- (d) A total amount of \$39,579 has been recorded to investment properties which represents the total purchase price of the Acquisition Portfolio, including closing costs, as per IAS40. A total amount of \$21,507 has been recorded to long term debt which represents the expected amount of debt financing, with effective interest rates between 3.85% and 5.67% that will be used to finance the property acquisitions based on commitments received from lenders. \$5,800 was added to Class B LP Units reflecting the partial satisfaction of the purchase price of the Acquisition Portfolio of 2,416,667 Class B LP Units at a price of \$2.40. \$12,272 was added to unitholders’ equity reflecting the estimated balance needed to finance the acquisition of the Acquisition Portfolio.
- (e) General and administrative expenses were adjusted by \$58 to reflect the estimated asset management fees to be charged by the management company of the REIT.
- (f) Interest and financing costs were adjusted by \$516 to reflect the estimated amount of interest expense related to the debt financing that is expected to be used to partially finance the acquisition of the Acquisition Portfolio.
- (g) General and administrative expenses were adjusted by \$99 to reflect the estimated asset management fees to be charged by the management company of the REIT.
- (h) Interest and financing costs were adjusted by \$884 to reflect the estimated amount of interest expense related to the debt financing that is expected to be used to partially finance the acquisition of the Acquisition Portfolio.

PRO REAL ESTATE INVESTMENT TRUST
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Canadian dollars, except for unit and per unit amounts)
(Unaudited)

Other

- (i) Investment properties was adjusted by \$380, removing the deferred transactions costs reported in the PRO Real Estate Investment Trust balance as they are already reflected in the Investment properties balance of the Acquisition Portfolio.
- (j) Deposits represent an advance of funds on the purchase of acquisition properties and as such were applied against the properties upon acquisition.
- (k) Cash was adjusted by \$877 to reflect the expected balance remaining after the acquisition of the Initial Properties.
- (l) Long-term debt was adjusted by \$4,988 consisting of the repayment of a portion of a term-loan by using the Revolving Operating Facility in the amount of \$4,710, less the deferred financing costs in the amount of \$278 expected to be incurred to secure the debt.
- (m) Revolving Operating Facility was adjusted by \$6,665 consisting of \$6,700 expected to be drawn on the facility, offset by \$35 in deferred financing costs expected to be incurred to secure the line of credit. The Revolving Operating Facility is for a maximum of \$6,900 and bears interest at the Bankers Acceptance rate plus 2.63%, based on expected commitments from lenders.
- (n) Accounts payable and other liabilities were adjusted by \$2,522 to reflect the expected balance after the acquisition of the Initial Properties.
- (o) The REIT qualifies as a mutual fund trust under the Income Tax Act (Canada). The trustees intend to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. Therefore, for purposes of these pro forma consolidated financial statements, income tax was assumed to be \$Nil.

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION –
ACQUISITION PORTFOLIO

As at June 30, 2013
(In thousands of Canadian dollars)
(Unaudited)

	<u>St. Laurent Property</u>	<u>Saint John Property</u>	<u>Amherst Property</u>	<u>Woodstock Property</u>	<u>Pro Forma Adjustments</u>	<u>Total</u>
ASSETS						
Non-current assets						
Investment properties (Note 4(d))	\$15,415	\$6,712	\$3,280	\$14,172	\$—	\$39,579
Deposits	—	—	—	—	—	—
Property and equipment	—	—	—	—	—	—
	<u>15,415</u>	<u>6,712</u>	<u>3,280</u>	<u>14,172</u>	<u>—</u>	<u>39,579</u>
Current assets						
Receivables and other	—	—	—	—	—	—
Cash	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL ASSETS	<u>\$15,415</u>	<u>\$6,712</u>	<u>\$3,280</u>	<u>\$14,172</u>	<u>\$—</u>	<u>\$39,579</u>
LIABILITIES AND UNITHOLDERS' EQUITY						
Non-current liabilities						
Long-term debt (Note 4(d))	9,540	—	1,667	10,300	—	21,507
Class B LP Units (Note 4(d))	4,000	400	—	1,400	—	5,800
Long-term incentive plan	—	—	—	—	—	—
	<u>13,540</u>	<u>400</u>	<u>1,667</u>	<u>11,700</u>	<u>—</u>	<u>27,307</u>
Current liabilities						
Revolving Operating Facility	—	—	—	—	—	—
Accounts payable and other liabilities	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>13,540</u>	<u>400</u>	<u>1,667</u>	<u>11,700</u>	<u>—</u>	<u>27,307</u>
Unitholders' equity (Note 4(d))	<u>1,875</u>	<u>6,312</u>	<u>1,613</u>	<u>2,472</u>	<u>—</u>	<u>12,272</u>
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	<u>\$15,415</u>	<u>\$6,712</u>	<u>\$3,280</u>	<u>\$14,172</u>	<u>\$—</u>	<u>\$39,579</u>

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME –
CURRENT PROPERTIES

For the seven month period ended June 30, 2013

(In thousands of Canadian dollars)

(Unaudited)

	<u>Current Properties</u>	<u>Pro Forma Adjustments</u>	<u>Total</u>
Property income (Note 4(a))	\$1,007	\$(469)	\$538
Property operating expenses (Note 4(a))	306	(153)	153
	<u>701</u>	<u>(316)</u>	<u>385</u>
General and administrative expenses (Note 4(a))	27	(12)	15
Long-term incentive plan	—	—	—
Depreciation of property and equipment	—	—	—
Interest and financing costs (Note 4(a))	345	(196)	149
Fair value adjustment – Class B LP Units	—	—	—
Fair value adjustment – investment properties	—	—	—
Net comprehensive income (loss)	<u><u>\$ 329</u></u>	<u><u>\$(108)</u></u>	<u><u>\$221</u></u>

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
ACQUISITION PORTFOLIO

For the seven month period ended June 30, 2013

(In thousands of Canadian dollars)

(Unaudited)

	<u>St. Laurent Property</u>	<u>Saint John Property</u>	<u>Amherst Property</u>	<u>Woodstock Property</u>	<u>Pro forma adjustments</u>	<u>Total</u>
Property income	\$819	\$680	\$452	\$941	\$ —	\$2,892
Property operating expenses	<u>256</u>	<u>385</u>	<u>231</u>	<u>397</u>	<u>—</u>	<u>1,269</u>
	<u>563</u>	<u>295</u>	<u>221</u>	<u>544</u>	<u>—</u>	<u>1,623</u>
General and administrative expenses (Note 4(e))	—	—	—	—	58	58
Long-term incentive plan expense	—	—	—	—	—	—
Depreciation of property and equipment	—	—	—	—	—	—
Interest and financing costs (Note 4(f))	—	—	—	—	516	516
Fair value adjustment – Class B LP Units	—	—	—	—	—	—
Fair value adjustment – investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net comprehensive income	<u><u>\$563</u></u>	<u><u>\$295</u></u>	<u><u>\$221</u></u>	<u><u>\$544</u></u>	<u><u>\$(574)</u></u>	<u><u>\$1,049</u></u>

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
CURRENT PROPERTIES

For the year ended November 30, 2012

(In thousands of Canadian dollars)

(Unaudited)

	<u>Current Properties</u>	<u>Pro Forma Adjustments</u>	<u>Total</u>
Property income	\$1,435	\$ —	\$1,435
Property operating expenses	357	—	357
	<u>1,078</u>	<u>—</u>	<u>1,078</u>
General and administrative expenses (Note 4(b))	—	38	38
Long-term incentive plan expense	—	—	—
Depreciation of property and equipment	—	—	—
Interest and financing costs (Note 4(c))	—	591	591
Fair value adjustment – Class B LP Units	—	—	—
Fair value adjustment – investment properties	—	—	—
Net comprehensive income	<u>\$1,078</u>	<u>\$(629)</u>	<u>\$ 449</u>

SCHEDULE E

PRO REAL ESTATE INVESTMENT TRUST
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME –
ACQUISITION PORTFOLIO

For the year ended November 30, 2012

(In thousands of Canadian dollars)

(Unaudited)

	<u>St. Laurent Property</u>	<u>Saint John Property</u>	<u>Amherst Property</u>	<u>Woodstock Property</u>	<u>Pro-forma adjustments</u>	<u>Total</u>
Property income	\$1,321	\$1,166	\$747	\$1,523	\$ —	\$4,757
Property operating expenses	<u>422</u>	<u>661</u>	<u>509</u>	<u>668</u>	<u>—</u>	<u>2,260</u>
	<u>899</u>	<u>505</u>	<u>238</u>	<u>855</u>	<u>—</u>	<u>2,497</u>
General and administrative expenses (Note 4(g))	—	—	—	—	99	99
Long-term incentive plan expense	—	—	—	—	—	—
Depreciation of property and equipment	—	—	—	—	—	—
Interest and financing costs (Note 4(h))	—	—	—	—	884	884
Fair value adjustment – Class B LP Units	—	—	—	—	—	—
Fair value adjustment – investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net comprehensive income	<u><u>\$ 899</u></u>	<u><u>\$ 505</u></u>	<u><u>\$238</u></u>	<u><u>\$ 855</u></u>	<u><u>\$(983)</u></u>	<u><u>\$1,514</u></u>

3200 GUENETTE STREET
CARVE-OUT FINANCIAL STATEMENTS
DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
PRO Real Estate Investment Trust

We have audited the accompanying financial statements of 3200 Guenette Street, a property owned by Guenette Real Estate Holding Inc., which comprise the statement of financial position as at December 31, 2012, and the statements of comprehensive earnings, changes in owner's net investment, and cash flows for the year ended December 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of 3200 Guenette Street as at December 31, 2012, and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

Comparative Information

The statement of financial position of 3200 Guenette Street as at December 31, 2011 and the statements of comprehensive earnings, changes in owner's net investment, and cash flows for the year ended December 31, 2011 are unaudited. Accordingly, we express no opinion on them.

(Signed) MNP LLP

Chartered Professional Accountants

Montreal, Quebec
November 18, 2013

3200 GUENETTE STREET
STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2012

	<u>Note</u>	<u>2012</u>	<u>(unaudited) 2011</u>
ASSETS			
Investment property	3	\$15,800,000	\$15,800,000
Accounts receivable		22,454	15,188
Cash		<u>1,166,490</u>	<u>415,954</u>
TOTAL ASSETS		<u><u>\$16,988,944</u></u>	<u><u>\$16,231,142</u></u>
LIABILITIES			
Accounts payable and other liabilities		<u>135,334</u>	<u>135,335</u>
Total liabilities		<u>135,334</u>	<u>135,335</u>
Owner's net investment		<u>16,853,610</u>	<u>16,095,807</u>
TOTAL LIABILITIES AND OWNER'S NET INVESTMENT		<u><u>\$16,988,944</u></u>	<u><u>\$16,231,142</u></u>

The accompanying notes are an integral part of these carve-out financial statements

3200 GUENETTE STREET
STATEMENT OF COMPREHENSIVE EARNINGS
Year Ended December 31, 2012

	<u>2012</u>	<u>(unaudited) 2011</u>
Revenue from property operations	<u>1,140,519</u>	<u>824,272</u>
Expenses		
Operating expenses	<u>39,321</u>	<u>45,759</u>
Realty taxes	<u>347,384</u>	<u>349,487</u>
Fair value adjustment on investment property	<u>(3,988)</u>	<u>(166,780)</u>
	<u>382,716</u>	<u>228,466</u>
Net comprehensive earnings	<u><u>\$ 757,803</u></u>	<u><u>\$ 595,807</u></u>

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT
For the Year Ended December 31, 2012

Owner's net investment, January 1, 2011 (unaudited)	\$15,500,000
Net comprehensive earnings for the year	<u>595,807</u>
Owner's net investment, December 31, 2011 (unaudited)	16,095,807
Net comprehensive earnings for the year	<u>757,803</u>
Owner's net investment, December 31, 2012	<u><u>\$16,853,610</u></u>

The accompanying notes are an integral part of these carve-out financial statements

3200 GUENETTE STREET
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	<u>2012</u>	<u>(unaudited) 2011</u>
Cash provided from (used in):		
Operating activities		
Net comprehensive earnings	\$ 757,803	\$ 595,807
Items not affecting cash:		
Straight-line rent adjustment	3,988	166,780
Fair value adjustment – investment property	(3,988)	(166,780)
Changes in non-cash working capital	<u>(7,266)</u>	<u>(179,853)</u>
Change in cash during the period	<u>750,536</u>	<u>514,954</u>
Cash, beginning of year	<u>415,954</u>	<u>—</u>
Cash, end of year	<u><u>\$1,166,490</u></u>	<u><u>\$ 415,954</u></u>

The accompanying notes are an integral part of these carve-out financial statements

3200 GUENETTE STREET
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. Business of the Property

3200 Guenette Street (the “**Property**”) as presented in these carve-out financial statements is not a legal entity. The Property and its related assets and liabilities are currently owned by Guenette Real Estate Holding Inc. (the “**Vendor**”), a real estate company governed by the laws of Quebec.

On May 29, 2013 the Vendor and PRO REIT Acquisition (1) LP (the “**Purchaser**”) entered into a purchase and sale agreement whereby the Purchaser agreed to acquire the Property at a price of \$15,250,000.

These carve-out financial statements have been prepared on a carve-out basis and present the financial position, financial performance and cash flows of the Property had the Property been accounted for on a stand-alone basis, and includes the Property’s share of assets, liabilities, revenue and expenses.

The Property is located at 3200 -3260 Guenette Street in St. Laurent, Quebec and as at December 31, 2012 was 89.6% leased, excluding any space to be leased by the Vendor pursuant to the applicable vendor lease.

These carve-out financial statements were authorized for issuance by management of PRO Real Estate Investment Trust on November 18, 2013.

Because the Property was part of a corporate group, these carve-out financial statements depict the owner’s net investment in net assets, representing the amount associated specifically with this Property. Management’s estimates, when necessary, have been used to prepare such allocations.

These financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

2. Significant Accounting Policies

Basis of presentation

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards (“**subsection 3.11(6)**”), for carve-out financial statements. Subsection 3.11(6) requires the Property to select from a specified list of financial reporting frameworks.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and using accounting policies described herein.

The financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value noted hereafter, and are presented in Canadian dollars, the Property’s functional currency.

Investment property

The Property selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the Property. The capitalization rate applied is reflective of the characteristics, location and market of the Property. The stabilized cash flows of the Property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. External valuations are performed annually by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to the Property and the cost can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments which management has allocated to the operations of the Property. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2012, there were no cash equivalents.

3200 GUENETTE STREET
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Revenue recognition

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with its tenant as operating leases.

Revenue from investment property includes all rental income earned from the property, including commercial tenant rental income and all other miscellaneous income paid by the tenant under the terms of their existing lease. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Income taxes

Provision has not been made for income taxes, as the Property is not a legal entity.

Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive earnings and presented in the fair value reserve in owner's net investment. The Property derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Property's cash and accounts receivable have been designated as loans and receivables, and the accounts payable and other liabilities have been designated as other liabilities. The Property does not have FVTPL, available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Critical judgments and estimates

The preparation of carve-out financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the carve-out financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property

The critical assumptions and estimates used when determining the fair value of investment property are capitalization rates and future cash flows. Further information on investment property estimates is provided in note 3.

(ii) Other

Critical judgment and estimates used are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Property to its counterparties; the credit risk of the Property's counterparties relative to the Property; the estimated future cash flows; and discount rates.

3200 GUENETTE STREET
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Future changes in accounting policies

The Property has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the carve-out financial statements.

3. Investment Property

Based on the key valuation assumptions noted below, the fair market value of the Property was determined by an Independent Appraiser.

	2012	(unaudited) 2011
Balance, beginning of year	\$15,800,000	\$15,800,000
Straight-line rent adjustment	(3,988)	(166,780)
Fair value adjustment	3,988	166,780
Balance, end of year	<u>\$15,800,000</u>	<u>\$15,800,000</u>

The key valuation assumptions for the Property are set out below:

Capitalization rates	6.25%
Occupancy rate	100%
Market rental rates – average per square foot	\$ 10.56

4. Risk Management and Fair Value

(a) Risk management

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Credit risk:

Credit risk is the risk of financial loss to the Property associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments.

As at December 31, 2012, the Property is not exposed to credit risk with respect to its tenants.

(ii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy in managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments. The Property is a rental property located in Canada. The Property's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(b) Fair Values

The fair value of the Property's financial asset, which includes cash, approximates its recorded fair value due to its short-term nature.

3200 GUENETTE STREET
UNAUDITED INTERIM CARVE-OUT FINANCIAL STATEMENTS
JUNE 30, 2013

3200 GUENETTE STREET
INTERIM STATEMENT OF FINANCIAL POSITION
Unaudited

	<u>Note</u>	<u>June 30 2013</u>	<u>December 31 2012</u>
ASSETS			
Investment property	3	\$15,800,000	\$15,800,000
Accounts receivable		22,454	22,454
Cash		1,591,346	1,166,490
TOTAL ASSETS		<u>\$17,413,800</u>	<u>\$16,988,944</u>
LIABILITIES			
Accounts payable and other liabilities		135,334	135,334
Total liabilities		<u>135,334</u>	<u>135,334</u>
Owner's net investment		<u>17,278,466</u>	16,853,610
TOTAL LIABILITIES AND OWNER'S NET INVESTMENT		<u>\$17,413,800</u>	<u>\$16,988,944</u>

The accompanying notes are an integral part of these carve-out financial statements

3200 GUENETTE STREET

STATEMENT OF COMPREHENSIVE EARNINGS

For the Six Month Period Ended June 30

Unaudited

	<u>2013</u>	<u>2012</u>
Revenue from property operations	<u>\$633,729</u>	<u>\$549,910</u>
Expenses		
Operating expenses	<u>22,950</u>	19,660
Realty taxes	<u>176,355</u>	173,692
Fair value adjustment – on investment property	<u>9,568</u>	(1,994)
	<u>208,873</u>	191,358
Net comprehensive earnings	<u><u>\$424,856</u></u>	<u><u>\$358,552</u></u>

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT

For the Six Month Period Ended June 30

Unaudited

Owner's net investment, January 1, 2012	\$16,095,807
Net comprehensive earnings for the period	<u>358,552</u>
Owner's net investment, June 30, 2012	<u>\$16,454,359</u>
Owner's net investment, January 1, 2013	<u>\$16,853,610</u>
Net comprehensive earnings for the period	<u>424,856</u>
Owner's net investment, June 30, 2013	<u><u>\$17,278,466</u></u>

The accompanying notes are an integral part of these carve-out financial statements

3200 GUENETTE STREET
STATEMENT OF CASH FLOWS
For the Six Month Period Ended June 30
Unaudited

	<u>2013</u>	<u>2012</u>
Cash provided from (used in):		
Operating activities		
Net comprehensive earnings	\$ 424,856	\$358,552
Items not affecting cash:		
Straight-line rent adjustment	(9,568)	1,994
Fair value adjustment – investment property	9,568	(1,994)
Change in cash during the period	<u>424,856</u>	<u>358,552</u>
Cash, beginning of period	<u>1,166,490</u>	<u>415,954</u>
Cash, end of period	<u><u>\$1,591,346</u></u>	<u><u>\$774,506</u></u>

The accompanying notes are an integral part of these carve-out financial statements

1. Business of the Property

3200 Guenette Street (the “**Property**”) as presented in these carve-out financial statements is not a legal entity. The Property and its related assets and liabilities are currently owned by Guenette Real Estate Holding Inc. (the “**Vendor**”), a real estate company governed by the laws of Quebec.

On May 29, 2013 the Vendor and PRO REIT Acquisition (1) LP (the “**Purchaser**”) entered into a purchase and sale agreement whereby the Purchaser agreed to acquire the Property at a price of \$15,250,000.

These carve-out financial statements have been prepared on a carve-out basis and present the financial position, financial performance and cash flows of the Property had the Property been accounted for on a stand-alone basis, and includes the Property’s share of assets, liabilities, revenue and expenses.

The Property is located at 3200 -3260 Guenette Street in St. Laurent, Quebec and as at June 30, 2013 was 89.6% leased, excluding any space to be leased by the Vendor pursuant to the applicable vendor lease.

These carve-out financial statements were authorized for issuance by management of PRO Real Estate Investment Trust on November 18, 2013.

Because the Property was part of a corporate group, these carve-out financial statements depict the owner’s net investment in net assets, representing the amount associated specifically with this Property. Management’s estimates, when necessary, have been used to prepare such allocations.

These financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

2. Significant Accounting Policies

Basis of presentation

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards (“**subsection 3.11(6)**”), for carve-out financial statements. Subsection 3.11(6) requires the Property to select from a specified list of financial reporting frameworks.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and using accounting policies described herein.

The financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value noted hereafter, and are presented in Canadian dollars, the Property’s functional currency.

Investment property

The Property selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the Property. The capitalization rate applied is reflective of the characteristics, location and market of the Property. The stabilized cash flows of the Property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. External valuations are performed annually by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to the Property and the cost can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at June 30, 2013, there were no cash equivalents.

Revenue recognition

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with its tenant as operating leases.

Revenue from investment property includes all rental income earned from the property, including commercial tenant rental income and all other miscellaneous income paid by the tenant under the terms of their existing lease. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Income taxes

Provision has not been made for income taxes, as the Property is not a legal entity.

Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive earnings and presented in the fair value reserve in owner's net investment. The Property derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Property's cash and accounts receivable has been designated as loans and receivables, and accounts payable and other liabilities have been designated as other liabilities. The Property does not have FVTPL, available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Critical judgments and estimates

The preparation of carve-out financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the carve-out financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property

The critical assumptions and estimates used when determining the fair value of investment property are capitalization rates and future cash flows. Further information on investment property estimates is provided in note 3.

(ii) Other

Critical judgment and estimates used are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Property to its counterparties; the credit risk of the Property's counterparties relative to the Property; the estimated future cash flows; and discount rates.

Future changes in accounting policies

The Property has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the carve-out financial statements.

3. Investment Property

Based on the key valuation assumptions noted below, the fair market value of the Property was determined by an Independent Appraiser.

	June 30 2013	December 31 2012
Balance, beginning of period	\$15,800,000	\$15,800,000
Straight-line rent adjustment	9,568	(3,988)
Fair value adjustment	(9,568)	3,988
Balance, end of period	\$15,800,000	\$15,800,000

The key valuation assumptions for the Property are set out below:

Capitalization rates	6.25%
Occupancy rate	100%
Market rental rates – average per square foot	\$ 10.56

4. Risk Management and Fair Value

(a) Risk management

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Credit risk:

Credit risk is the risk of financial loss to the Property associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments.

As at June 30, 2013, the Property is not exposed to credit risk with respect to its tenants.

(ii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy in managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments. The Property is a rental property located in Canada. The Property's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(iv) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments. The Property is a rental property located in Canada. The Property's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(b) Fair Values

The fair value of the Property's financial asset, which includes cash, approximates its recorded fair value due to its short-term nature.

370 CONNELL STREET
CARVE-OUT FINANCIAL STATEMENTS
DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
PRO Real Estate Investment Trust

We have audited the accompanying financial statements of 370 Connell Street, a property owned by a real estate company governed by the laws of Nova Scotia, which comprise the statement of financial position as at December 31, 2012, and the statements of comprehensive earnings, changes in owner's net investment, and cash flows for the year ended December 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of 370 Connell Street as at December 31, 2012, and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with the financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards for carve-out financial statements.

Comparative Information

The statement of financial position of 370 Connell Street as at December 31, 2011 and the statements of comprehensive earnings, changes in owner's net investment, and cash flows for the year ended December 31, 2011 are unaudited. Accordingly, we express no opinion on them.

(Signed) MNP LLP

Chartered Professional Accountants

Montreal, Quebec
November 18, 2013

370 CONNELL STREET
STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2012

	<u>Note</u>	<u>2012</u>	<u>(unaudited) 2011</u>
ASSETS			
Investment property	3	\$15,260,000	\$15,260,000
Cash		<u>1,813,338</u>	<u>908,508</u>
TOTAL ASSETS		<u>\$17,073,338</u>	<u>\$16,168,508</u>
LIABILITIES			
Total liabilities		<u>—</u>	<u>—</u>
Owner's net investment		<u>17,073,338</u>	<u>16,168,508</u>
TOTAL LIABILITIES AND OWNER'S NET INVESTMENT		<u>\$17,073,338</u>	<u>\$16,168,508</u>

The accompanying notes are an integral part of these carve-out financial statements

370 CONNELL STREET
STATEMENT OF COMPREHENSIVE EARNINGS
Year Ended December 31, 2012

	<u>2012</u>	<u>(unaudited) 2011</u>
Revenue from property operations	\$1,539,358	\$1,537,327
Expenses		
Operating expenses	319,943	321,609
Realty taxes	298,020	290,645
Fair value adjustment – investment property	16,565	16,565
	<u>634,528</u>	<u>628,819</u>
Net comprehensive earnings	<u>\$ 904,830</u>	<u>\$ 908,508</u>

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT
For the Year Ended December 31, 2012

Owner's net investment, January 1, 2011 (unaudited)	\$15,260,000
Net comprehensive earnings for the year	908,508
Owner's net investment, December 31, 2011 (unaudited)	16,168,508
Net comprehensive earnings for the year	904,830
Owner's net investment, December 31, 2012	<u>\$17,073,338</u>

The accompanying notes are an integral part of these carve-out financial statements

370 CONNELL STREET
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	<u>2012</u>	<u>(unaudited) 2011</u>
Cash provided from (used in):		
Operating activities		
Net comprehensive earnings	\$ 904,830	\$908,508
Items not affecting cash:		
Straight-line rent adjustment	(16,565)	(16,565)
Fair value adjustment – investment property	16,565	16,565
Change in cash during the year	<u>904,830</u>	<u>908,508</u>
Cash, beginning of year	<u>908,508</u>	<u>—</u>
Cash, end of year	<u><u>\$1,813,338</u></u>	<u><u>\$908,508</u></u>

The accompanying notes are an integral part of these carve-out financial statements

1. Business of the Property

370 Connell Street (the “**Property**”) as presented in these carve-out financial statements is not a legal entity. The Property and its related assets and liabilities are currently owned by a real estate company governed by the laws of Nova Scotia (the “**Vendor**”).

On May 14, 2013 the Vendor and PRO REIT Acquisition (1) LP (the “**Purchaser**”) entered into a purchase and sale agreement subsequently amended and restated on October 2, 2013 whereby the Purchaser agreed to acquire the Property at a price of \$13,950,000.

These carve-out financial statements have been prepared on a carve-out basis and present the financial position, financial performance and cash flows of the Property had the Property been accounted for on a stand-alone basis, and includes the Property’s share of assets, liabilities, revenue and expenses.

The Property is located at 370 Connell Street in Woodstock, New Brunswick and as at December 31, 2012 was 83.2% leased, excluding any space to be leased by the Vendor pursuant to the applicable vendor lease.

These carve-out financial statements were authorized for issuance by management of PRO Real Estate Investment Trust on November 18, 2013.

Because the Property was part of a corporate group, these carve-out financial statements depict the owner’s net investment in net assets, representing the amount associated specifically with this Property. Management’s estimates, when necessary, have been used to prepare such allocations.

These financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

2. Significant Accounting Policies

Basis of presentation

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards (“**subsection 3.11(6)**”), for carve-out financial statements. Subsection 3.11(6) requires the Property to select from a specified list of financial reporting frameworks.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and using accounting policies described herein.

The financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value noted hereafter, and are presented in Canadian dollars, the Property’s functional currency.

Investment property

The Property selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the Property. The capitalization rate applied is reflective of the characteristics, location and market of the Property. The stabilized cash flows of the Property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. External valuations are performed annually by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to the Property and the cost can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments which management has allocated to the operations of the Property. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at December 31, 2012, there were no cash equivalents.

Revenue recognition

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with its tenant as operating leases.

Revenue from investment property includes all rental income earned from the property, including commercial tenant rental income and all other miscellaneous income paid by the tenant under the terms of their existing lease. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Income taxes

Provision has not been made for income taxes, as the Property is not a legal entity.

Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive earnings and presented in the fair value reserve in owner's net investment. The Property derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Property's cash has been designated as loans and receivables. The Property does not have FVTPL, available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Critical judgments and estimates

The preparation of carve-out financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the carve-out financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property

The critical assumptions and estimates used when determining the fair value of investment property are capitalization rates and future cash flows. Further information on investment property estimates is provided in note 3.

(ii) Other

Critical judgment and estimates used are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Property to its counterparties; the credit risk of the Property's counterparties relative to the Property; the estimated future cash flows; and discount rates.

Future changes in accounting policies

The Property has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the carve-out financial statements.

3. Investment Property

Based on the key valuation assumptions noted below, the fair market value of the Property was determined by an Independent Appraiser.

	2012	(unaudited) 2011
Balance, beginning of year	\$15,260,000	\$15,260,000
Straight-line rent adjustment	16,565	16,565
Fair value adjustment	(16,565)	(16,565)
Balance, end of year	\$15,260,000	\$15,260,000

The key valuation assumptions for the Property are set out below:

Capitalization rates	7.50%
Occupancy rate	85%
Market rental rates – average per square foot	\$ 11.46

4. Risk Management and Fair Value

(a) Risk management

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Credit risk:

Credit risk is the risk of financial loss to the Property associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments.

As at December 31, 2012, the Property is not exposed to credit risk with respect to its tenants.

(ii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy in managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments. The Property is a rental property located in Canada. The Property's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(b) Fair Values

The fair value of the Property's financial asset, which includes cash, approximates its recorded fair value due to its short-term nature.

370 CONNELL STREET

**UNAUDITED INTERIM CARVE-OUT FINANCIAL STATEMENTS
JUNE 30, 2013**

370 CONNELL STREET
INTERIM STATEMENT OF FINANCIAL POSITION
Unaudited

	<u>Note</u>	<u>June 30</u> <u>2013</u>	<u>December 31</u> <u>2012</u>
ASSETS			
Investment property	3	\$15,260,000	\$15,260,000
Cash		<u>2,265,759</u>	<u>1,813,338</u>
TOTAL ASSETS		<u>\$17,525,759</u>	<u>\$17,073,338</u>
LIABILITIES			
Total liabilities		<u>—</u>	<u>—</u>
Owner's net investment		<u>17,525,759</u>	<u>17,073,338</u>
TOTAL LIABILITIES AND OWNER'S NET INVESTMENT		<u>\$17,525,759</u>	<u>\$17,073,338</u>

The accompanying notes are an integral part of these carve-out financial statements

370 CONNELL STREET**STATEMENT OF COMPREHENSIVE EARNINGS**

For the Six Month Period Ended June 30

Unaudited

	<u>2013</u>	<u>2012</u>
Revenue from property operations	\$776,695	\$ 769,679
Expenses		
Operating expenses	159,542	159,972
Realty taxes	156,450	149,010
Fair value adjustment – investment property	8,282	8,282
	<u>324,274</u>	<u>317,264</u>
Net comprehensive earnings	<u>\$452,421</u>	<u>\$ 452,415</u>

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT

For the Six Month Period Ended June 30

Unaudited

Owner's net investment, January 1, 2012	\$16,168,508
Net comprehensive earnings for the period	<u>452,415</u>
Owner's net investment, June 30, 2012	<u>\$16,620,923</u>
 Owner's net investment, January 1, 2013	 \$17,073,338
Net comprehensive earnings for the period	<u>452,421</u>
Owner's net investment, June 30, 2013	<u>\$17,525,759</u>

The accompanying notes are an integral part of these carve-out financial statements

370 CONNELL STREET
STATEMENT OF CASH FLOWS
For the Six Month Period Ended June 30
Unaudited

	<u>2013</u>	<u>2012</u>
Cash provided from (used in):		
Operating activities		
Net comprehensive earnings	\$ 452,421	\$ 452,415
Items not affecting cash:		
Straight-line rent adjustment	(8,282)	(8,282)
Fair value adjustment – investment property	8,282	8,282
Change in cash during the period	<u>452,421</u>	<u>452,415</u>
Cash, beginning of period	<u>1,813,338</u>	<u>908,508</u>
Cash, end of period	<u>\$2,265,759</u>	<u>\$1,360,923</u>

The accompanying notes are an integral part of these carve-out financial statements

1. Business of the Property

370 Connell Street (the “**Property**”) as presented in these carve-out financial statements is not a legal entity. The Property and its related assets and liabilities are currently owned by a real estate company governed by the laws of Nova Scotia (the “**Vendor**”).

On May 14, 2013 the Vendor and PRO REIT Acquisition (1) LP (the “**Purchaser**”) entered into a purchase and sale agreement subsequently amended and restated on October 2, 2013 whereby the Purchaser agreed to acquire the Property at a price of \$13,950,000.

These carve-out financial statements have been prepared on a carve-out basis and present the financial position, financial performance and cash flows of the Property had the Property been accounted for on a stand-alone basis, and includes the Property’s share of assets, liabilities, revenue and expenses.

The Property is located at 370 Connell Street in Woodstock, New Brunswick and as at June 30, 2013 was 87.1% leased, excluding any space to be leased by the Vendor pursuant to the applicable vendor lease.

These carve-out financial statements were authorized for issuance by management of PRO Real Estate Investment Trust on November 18, 2013.

Because the Property was part of a corporate group, these carve-out financial statements depict the owner’s net investment in net assets, representing the amount associated specifically with this Property. Management’s estimates, when necessary, have been used to prepare such allocations.

These financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

2. Significant Accounting Policies

Basis of presentation

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards (“**subsection 3.11(6)**”), for carve-out financial statements. Subsection 3.11(6) requires the Property to select from a specified list of financial reporting frameworks.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“IASB”) and using accounting policies described herein.

The financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value noted hereafter, and are presented in Canadian dollars, the Property’s functional currency.

Investment property

The Property selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the Property. The capitalization rate applied is reflective of the characteristics, location and market of the Property. The stabilized cash flows of the Property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. External valuations are performed annually by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to the Property and the cost can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at June 30, 2013, there were no cash equivalents.

Revenue recognition

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with its tenant as operating leases.

Revenue from investment property includes all rental income earned from the property, including commercial tenant rental income and all other miscellaneous income paid by the tenant under the terms of their existing lease. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Income taxes

Provision has not been made for income taxes, as the Property is not a legal entity.

Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive earnings and presented in the fair value reserve in owner's net investment. The Property derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

The Property's cash has been designated as loans and receivables. The Property does not have FVTPL, available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Critical judgments and estimates

The preparation of carve-out financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the carve-out financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property

The critical assumptions and estimates used when determining the fair value of investment property are capitalization rates and future cash flows. Further information on investment property estimates is provided in note 3.

(ii) Other

Critical judgment and estimates used are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Property to its counterparties; the credit risk of the Property's counterparties relative to the Property; the estimated future cash flows; and discount rates.

Future changes in accounting policies

The Property has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. In the current circumstances, it does not expect any of these to have a material impact on the carve-out financial statements.

3. Investment Property

Based on the key valuation assumptions noted below, the fair market value of the Property was determined by an Independent Appraiser.

	June 30 2013	December 31 2012
Balance, beginning of year	\$15,260,000	\$15,260,000
Straight-line rent adjustment	8,282	16,565
Fair value adjustment	(8,282)	(16,565)
Balance, end of year	\$15,260,000	\$15,260,000

The key valuation assumptions for the Property are set out below:

Capitalization rates	7.50%
Occupancy rate	85%
Market rental rates – average per square foot	\$11.46

4. Risk Management and Fair Value

(a) Risk management

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Credit risk:

Credit risk is the risk of financial loss to the Property associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments.

As at June 30, 2013, the Property is not exposed to credit risk with respect to its tenants.

(ii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy in managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments. The Property is a rental property located in Canada. The Property's operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk.

(b) Fair Values

The fair value of the Property's financial asset, which includes cash, approximates its recorded fair value due to its short-term nature.

CERTIFICATE OF THE REIT

Dated: November 19, 2013

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

PRO REAL ESTATE INVESTMENT TRUST

(Signed) James W. Beckerleg
Chief Executive Officer

(Signed) Gordon G. Lawlor
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) John Levitt
Trustee

(Signed) Gérard A. Limoges
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: November 19, 2013

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

CANACCORD GENUITY CORP.

By: (Signed) Justin Bosa

TD SECURITIES INC.

By: (Signed) Andrew Phillips

SCOTIA CAPITAL INC.

By: (Signed) Bryce Stewart

NATIONAL BANK FINANCIAL INC.

By: (Signed) Benoit Véronneau

DESJARDINS SECURITIES INC.

By: (Signed) Mark Edwards

GMP SECURITIES L.P.

By: (Signed) Eric Desrosiers

DUNDEE SECURITIES LTD.

By: (Signed) Brad Cutsey

