

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, except Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

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 "U.S. Securities Act"), or the securities laws of any state. Accordingly, these securities may not be offered or sold, directly or indirectly, within the United States (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from the registration requirements of the U.S. Securities Act and all applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any of the securities offered hereby in the United States. 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 Partners Real Estate Investment Trust at 200-710 Redbrick Street, Victoria, British Columbia V8T 5J3, telephone: (250) 592-3395, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

August 21, 2012

PARTNERS REAL ESTATE INVESTMENT TRUST



\$30,000,000

6.0% Convertible Unsecured Subordinated Debentures

This short form prospectus qualifies the distribution of \$30,000,000 aggregate principal amount of 6.0% convertible unsecured subordinated debentures (the "**Debentures**") of Partners Real Estate Investment Trust (the "**Trust**") at a price of \$1,000 per \$1,000 principal amount of Debentures (the "**Offering**") pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated August 21, 2012 between the Trust and National Bank Financial Inc. ("**NBF**"), Scotia Capital Inc. ("**Scotia**"), Canaccord Genuity Corp., CIBC World Markets Inc. ("**CIBC**"), RBC Dominion Securities Inc., TD Securities Inc., Macquarie Capital Markets Canada Ltd., Raymond James Ltd. and M Partners Inc. (collectively, the "**Underwriters**").

The Trust is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario.

The Debentures bear interest at an annual rate of 6.0% payable semi-annually, in arrears, on March 31 and September 30 in each year (each an "**Interest Payment Date**") commencing on March 31, 2013 and have a maturity date of September 30, 2017 (the "**Maturity Date**"). Further particulars concerning the attributes of the Debentures are set out under "*Description of the Debentures and the Units – Debentures*".

Price: \$1,000 per Debenture

	Price to the Public	Underwriters' Fee⁽¹⁾	Net Proceeds to the Trust⁽²⁾
Per Debenture	\$1,000	\$40	\$960
Total Debentures ⁽³⁾	\$30,000,000	\$1,200,000	\$28,800,000

Notes:

- (1) The Underwriters' fee with respect to the Debentures is payable in full upon closing of the Offering and represents 4.0% of the aggregate principal amount of Debentures.
- (2) After deducting the Underwriters' fee but before deducting the expenses of the Offering, which are estimated to be approximately \$400,000.
- (3) The Trust has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any time until 30 days following the Closing Date (as defined herein), to purchase at the offering price additional Debentures to cover over-allotments, if any. The principal amount of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the principal amount of Debentures issued pursuant to the Offering. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Trust will be \$34,500,000, \$1,380,000 and \$33,120,000, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures offered upon the exercise of such option. A purchaser who acquires Debentures forming part of the over-allotment position acquires such Debentures under this short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Underwriters' Position	Maximum size	Exercise Period	Exercise Price
Over-Allotment Option	\$4,500,000	Exercisable for a period of 30 days following the closing of the Offering	\$1,000 per \$1,000 principal amount of Debenture

Debenture Conversion Privilege

Each Debenture will be convertible into units of the Trust (“Units”) at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption of the Debentures at a conversion price of \$10.35 per Unit (the “Conversion Price”), being a conversion rate of approximately 96.618 Units for each \$1,000 principal amount of Debentures subject to adjustment in accordance with the trust indenture (the “Indenture”) dated March 8, 2011 between the Trust and Computershare Trust Company of Canada (the “Debenture Trustee”), as supplemented by a first supplemental indenture made as of March 29, 2012 between the Trust and the Debenture Trustee and as further supplemented by a second supplemental indenture creating and setting forth the terms of the Debentures to be entered into between the Trust and the Debenture Trustee. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date (or the Closing Date (as defined herein) if converting prior to the first Interest Payment Date) to and including: (a) if the Trust is making monthly distributions to holders of the Units (“Unitholders”), the last record date set by the Trust prior to the date of conversion for determining the Unitholders entitled to receive a monthly distribution on the Units; and (b) if the Trust is not making monthly distributions to Unitholders, the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under “Description of the Debentures and the Units – Debentures – Conversion Privilege”. **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See “Certain Canadian Federal Income Tax Considerations”.**

The Debentures may not be redeemed by the Trust before September 30, 2015 (except in certain limited circumstances following a Change of Control). On or after September 30, 2015 and prior to September 30, 2016 the Debentures may be redeemed by the Trust in whole or in part from time to time, at the option of the Trust on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the Toronto Stock Exchange (the “TSX”) during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On or after September 30, 2016 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Trust will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures, which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The Trust may, at its option, on not more than 60 and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default (as defined herein) has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of and premium (if any) on the Debentures which are to be redeemed or the principal amount of and premium (if any) on the Debentures which are due on the Maturity Date, by issuing freely tradeable Units to the holders of the Debentures. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the Maturity Date, as the case may be. The Trust may elect from time to time, subject to any required regulatory approval and provided that no Event of Default has occurred and is continuing, to satisfy all or part of its interest payment obligations by delivering sufficient freely tradeable Units to the Debenture Trustee for sale, in which event holders of Debentures will be entitled to receive a cash payment equal to the interest owed, from the proceeds of the sale of the requisite number of Units by the trustee. No fractional Units will be issued on redemption or maturity but in lieu thereof the Trust shall satisfy fractional interests by a cash payment equal to the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the Maturity Date, as the case may be, of any fractional interest. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under “Description of the Debentures and the Units – Debentures”.

The terms and offering price of the Debentures were determined by negotiation between the Trust and the Underwriters. See “Plan of Distribution”. **For the purposes of applicable securities legislation, the Trust may be considered to be a connected issuer of TD Securities Inc., Scotia and CIBC as TD Securities Inc., Scotia and CIBC are wholly-owned subsidiaries of Canadian chartered banks which are lenders to the Trust. See “Plan of Distribution”.**

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “Risk

Factors". The Trust has applied to list the Debentures and the Units issuable on conversion, redemption or maturity of the Debentures offered under this short form prospectus on the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX. The Units of the Trust are listed and posted for trading on the TSX under the symbol "PAR.UN". On August 14, 2012, the last trading day prior to the announcement of the Offering, the closing price of a Unit on the TSX was \$7.90.

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Trust 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 in Canada on behalf of the Trust by McCarthy Tétrault LLP, and on behalf of the Underwriters by Torys LLP.

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 Debentures at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Debentures initially at the offering price. **After the Underwriters have made reasonable efforts to sell all of the Debentures under this short form prospectus at such price, the offering price may be decreased, and further changed from time to time, to an amount not greater than the offering price. However, in no event will the Trust receive net proceeds of less than \$960 per Debenture.** See "*Plan of Distribution*".

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be issued in "book-entry only" form through the facilities of CDS Clearing and Depository Services Inc. ("CDS"). Except as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. The closing of the Offering is expected to occur on or about September 5, 2012, or such other date as the Trust and the Underwriters may agree but in any event not later than September 19, 2012 (the "**Closing Date**").

The Trust 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 Trust is not a partnership. The Trust qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder (the "Regulations") and offers and sells its Units to the public. Neither the Debentures, nor the Units issuable upon conversion, redemption or maturity of the Debentures, are "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.

Subject to certain conditions set out under "*Eligibility for Investment*", a Debenture offered hereby and a Unit issuable upon a conversion, redemption or repayment at maturity of a Debenture will constitute a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, tax-free savings accounts, registered education savings plans and registered disability savings plans. As set out under "*Eligibility for Investment*", prospective holders of Debentures and Units who intend to hold their Debentures and Units in their tax-free savings accounts, registered retirement savings plans or registered retirement income funds should consult their own advisors regarding their particular circumstances.

Investors should be aware that the acquisition, holding and 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. See "*Certain Canadian Federal Income Tax Considerations*". **Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of the Offering.**

The head and registered office of the Trust is located at 200-710 Redbrick Street, Victoria, British Columbia V8T 5J3.

An investment in the Debentures involves certain risks that are described in the "*Risk Factors*" section of, and elsewhere in, this short form prospectus, including in the documents incorporated herein by reference and should be considered by any prospective purchaser of the Debentures.

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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. See “*Business of the Trust – Business Overview*” and “*Risk Factors*”. 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”, “endeavour” and similar expressions have been used to identify these forward-looking statements. These 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 expansions, capital expenditures, competitive conditions, general economic conditions and current levels of distributions. 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 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. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this short form prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of the date of this short form prospectus or, in the case of documents incorporated by reference herein, as of the date of 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 AND NON-GAAP FINANCIAL MEASURES

Net operating income (“**NOI**”), funds from operations (“**FFO**”) and adjusted funds from operations (“**AFFO**”) are non-IFRS and non-GAAP measures often used by Canadian real estate investment trusts as measures of operating performance. “**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board, which is incorporated into Part I of the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook. “**GAAP**” means generally accepted accounting principles determined with reference to Part V of the CICA Handbook. The Trust’s audited consolidated financial statements for the financial year ended December 31, 2011 have been prepared in accordance with IFRS with comparative figures prepared in IFRS for the prior year commencing January 1, 2010. Prior to January 1, 2011, the Trust prepared its financial statements in accordance with GAAP. The Trust’s unaudited condensed consolidated financial statements as at and for the three and six months ended June 30, 2012 have been prepared on a basis consistent with IFRS. All non-IFRS and non-GAAP financial measures are derived from information included in the annual audited consolidated financial statements for annual measures and in the unaudited condensed consolidated financial statements for quarterly measures.

NOI, FFO and AFFO are presented herein and in the documents incorporated by reference herein because management believes these non-IFRS measures are relevant measures of the operating performance of the Trust. NOI is defined as operating income (revenues from income producing properties less property operating expenses, realty taxes and property management fees) plus amortization of tenant costs. For all references to NOI in this prospectus, amortization of tenant costs is nil; thus, there are no reconciling items between NOI and operating income, which is the closest comparable IFRS measure. Operating expenses do not include costs associated with financing, administration, amortization and depreciation, income taxes, realized and unrealized gains and losses, and the equity pickup of an investment’s net earnings. The Trust calculates FFO in accordance with the recommendations of the Real Property Association of Canada. The definition is meant to standardize the calculation and disclosure of FFO across real estate

entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts (“NAREIT”) in the United States. NAREIT’s definition of FFO is net income (calculated in accordance with IFRS or GAAP) excluding gains or losses from the sale of property and fair value increases or decreases in property values, plus depreciation and amortization; adjusted for items that are not indicative of operating performance; and after adjustments for unconsolidated partnerships and joint ventures (which is also calculated to reflect FFO on the same basis). AFFO is defined as FFO net of actual leasing commissions, tenant improvements, capital expenditures that maintain the current rental operations, and straight-line rent.

NOI, FFO and AFFO are not measures recognized under IFRS or GAAP and do not have a standardized meaning prescribed by IFRS or GAAP. NOI, FFO and AFFO should not be construed as an alternative to net earnings 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.

GENERAL MATTERS

In this short form prospectus, “we”, “us” and “our” refer to the Trust unless the context otherwise requires.

All references in this short form prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise noted. The Trust’s audited consolidated financial statements for the financial year ended December 31, 2011 have been prepared in accordance with IFRS with comparative figures prepared in IFRS for the prior year commencing January 1, 2010. Prior to January 1, 2011, the Trust prepared its financial statements in accordance with GAAP. The Trust’s unaudited condensed consolidated financial statements as at and for the three and six months ended June 30, 2012 have been prepared on a basis consistent with IFRS.

You should rely only on the information contained in this short form prospectus. We have not authorized anyone to provide you with information different from that contained in this short form prospectus. We are offering the Debentures only in jurisdictions where, and to persons to whom, such offering is lawfully permitted. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Debentures.

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 Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, telephone (250) 592-3395, 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 and territories of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the Trust dated March 30, 2012 (the “AIF”);
- (b) the audited consolidated financial statements of the Trust for the financial years ended December 31, 2011 and December 31, 2010 together with the notes thereto and the auditor’s report thereon;
- (c) the amended management’s discussion and analysis of financial condition and results of operations for the Trust for the financial year ended December 31, 2011;
- (d) the unaudited condensed consolidated financial statements of the Trust as at and for the three and six months ended June 30, 2012, together with the notes thereto;
- (e) the management’s discussion and analysis of financial condition and results of operations for the Trust for the three and six months ended June 30, 2012;

- (f) the joint management information circular dated November 16, 2011 relating to the special meeting of unitholders held on December 15, 2011;
- (g) the management information circular dated April 13, 2012 relating to the annual and special meeting of unitholders held on May 11, 2012;
- (h) the material change report dated January 27, 2012 relating to the announcement of an offering of units by the Trust (the “**February 2012 Unit Offering**”);
- (i) the material change report dated February 7, 2012 relating to the closing of the acquisition by the Trust of substantially all of the assets of NorRock Realty Finance Corporation (“**NorRock**”);
- (j) the material change report dated February 14, 2012 relating to the closing of the February 2012 Unit Offering;
- (k) the material change report dated February 14, 2012 relating to the completion of the Trust’s previously announced consolidation of its issued and outstanding units;
- (l) the material change report dated March 13, 2012 relating to the closing of the over-allotment option in connection with the February 2012 Unit Offering;
- (m) the material change report dated May 24, 2012 relating to the announcement of the Washington Park acquisition and an offering of units by the Trust (the “**June 2012 Unit Offering**”); and
- (n) the material change report dated August 20, 2012 relating to the announcement of the Offering and the execution of a letter of intent with respect to a new credit facility.

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

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.

THE TRUST

The Trust is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as amended and restated with effect as of June 4, 2010, November 3, 2010, December 15, 2011, March 29, 2012 and May 11, 2012 (the “**Declaration of Trust**”), and governed by the laws of the Province of Ontario.

On March 29, 2005, Charter Realty Holdings Ltd. (“**Charter Realty**”), the predecessor to the Trust, was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta). The common shares of Charter Realty were listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) commencing on September 2, 2005. On May 10, 2007, Charter Realty completed a plan of arrangement and corporate reorganization pursuant to

which its outstanding shares and options were consolidated on a ten-for-one basis and exchanged for Units and Unit options. The Trust continued the business of Charter Realty from and after May 10, 2007.

The Trust's head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3.

BUSINESS OF THE TRUST

Business Overview

The Trust is a real estate investment trust focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market range of \$10 million to \$50 million, in both primary and secondary markets throughout Canada. The Trust's goal is to generate a reliable and growing tax-efficient return for its Unitholders.

Management is of the view that retail centres are attractive investments because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases. These centres typically provide growth opportunities through the lease-up of vacant space, contractual rent escalations and through management's active re-merchandising and re-development of the properties. The Trust will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield enhancement through re-leasing, re-development and/or development of assets which it will use for rental purposes. Currently, the Trust owns (directly or indirectly) 30 retail properties located in British Columbia, Alberta, Manitoba, Ontario and Québec comprising approximately 2.2 million square feet of leaseable space.

The Trust is currently managed by LAPP Global Asset Management Corp. (the "**Manager**"), an affiliate of IGW Public Limited Partnership ("**IGW**"). Pursuant to the terms of the management agreement between the Trust and the Manager dated March 30, 2012 (the "**Management Agreement**"), the Manager provides strategic, advisory, asset management and administrative services to the Trust. See "*Recent Developments*".

RECENT DEVELOPMENTS

NorRock Acquisition

On February 1, 2012, the Trust closed the previously announced acquisition of substantially all of the assets of NorRock, consisting of cash, cash equivalents, mortgages and other assets of NorRock, in exchange for the issuance of Units, certain rights ("**Rights**") to acquire Units, and cash. On March 29, 2012, the Trust sold three of the mortgage assets with a combined carrying value of approximately \$3.7 million for proceeds of \$3.2 million. On June 29, 2012, a mortgage receivable in the amount of \$1,500,000 was collected. On June 30, 2012, the Trust sold certain other assets it acquired pursuant to the NorRock acquisition to League Holdings Corp., an affiliate of IGW and the Manager, for a purchase price determined in accordance with the rights indenture (the "**Rights Agreement**") dated February 1, 2012 entered into between the Trust and Computershare Trust Company of Canada, as rights agent. The number of units to be issued to holders of Rights will be determined in accordance with the Rights Agreement.

Consolidation

Effective February 14, 2012, the Trust consolidated all of its issued and outstanding Units on the basis of one post-consolidation Unit for every four pre-consolidation Units (the "**Consolidation**"). Unless otherwise stated, all references to "Units" in this prospectus refer to Units as adjusted to reflect the Consolidation.

Management Agreement

On March 30, 2012, the Trust entered into the Management Agreement, which replaced the prior management agreement between the Trust and the Manager dated June 4, 2010. For a description of the Management Agreement, see the section entitled "Management of the REIT" beginning on page 42 of the AIF.

Graduation to the TSX

On April 3, 2012, the Units of the Trust commenced trading on the TSX, at which point such Units were delisted from the TSXV.

June 2012 Unit Offering

On June 13, 2012, the Trust announced that it had closed the June 2012 Unit Offering of 2,705,000 Units, at a price of \$7.40 per Unit, for aggregate gross proceeds of approximately \$20 million. In connection with the June 2012 Unit Offering, the underwriters also exercised their option to purchase up to an additional 405,750 Units at a price of \$7.40 per Unit on the same terms and conditions as the initial offering. The aggregate gross proceeds of the June 2012 Unit Offering were approximately \$23.02 million and the net proceeds to the Trust (before deducting expenses of the June 2012 Unit Offering) were approximately \$21.98 million.

Changes to Trustees and Management

On July 24, 2012, the Trust announced the appointment of Dr. Tim O'Neill as an independent trustee of the Trust. On March 27, 2012, the Trust announced the appointment of Tony Quo Vadis as Chief Financial Officer of the Trust, which became effective on April 13, 2012.

Revolving Credit Facility

On August 15, 2012, the Trust announced that it had executed a letter of intent with respect to a \$20 million revolving credit facility (the "**New Credit Facility**") with a Canadian chartered bank. The New Credit Facility is renewable annually and is expected to provide the Trust with greater financial flexibility to execute on its business plan going forward. The New Credit Facility is subject to the negotiation and completion of loan documentation satisfactory to both parties.

Acquisitions

Grand Bend, Ontario - Grand Bend Towne Centre

On May 1, 2012, the Trust announced that it had completed the acquisition of Grand Bend Towne Centre (the "**Grand Bend Acquisition**"), an existing 36,100 square foot shopping centre comprised of a Sobeys grocery store with a lease extending to April 2023 and a Shoppers Drug Mart with a lease extending to September 2017 located on Main Street East in downtown Grand Bend, Ontario. The Trust paid approximately \$8.1 million for the property, prior to an effective \$200,000 adjustment for the above market interest rate on the assumed mortgage, for a net acquisition price of \$7.9 million. The Grand Bend Acquisition was funded by the assumption of an existing mortgage of approximately \$3.2 million, originally maturing July 2017, with a stated interest rate of 5.44%, but with an effective interest rate of 3.85% taking into consideration the \$200,000 purchase price adjustment. The mortgage was increased by approximately \$0.8 million at an interest rate of 3.6% and maturing with the original mortgage. The balance of the acquisition was funded with cash on hand. The property currently generates NOI of approximately \$550,000 on an annualized basis. See "*Non-IFRS and Non-GAAP Financial Measures*".

The Trust entered into a new property management agreement with a third party with respect to the Grand Bend Acquisition. The agreement provides for a management fee of 2% of gross revenues, leasing fees ranging from \$1.50 to \$3.00 per square foot and other customary property management fees on market terms. The property management agreement has a term of one year and is terminable by either party on 90 days' notice.

Courtenay, British Columbia - Washington Park Shopping Centre

On June 18, 2012, the Trust announced that it had completed the acquisition of Washington Park, a two-building 32,912 square foot open-air shopping centre located in Courtenay, British Columbia on the east coast of Vancouver Island approximately 220 kilometres north of Victoria. Washington Park is anchored by a Tim Hortons and a Canadian chartered bank. The purchase price of \$11.95 million was satisfied by a \$7.5 million first mortgage bearing

interest at a floating rate equal to 175 basis points over five-year Government of Canada bonds with a 5-year term and a 25-year amortization period, with the balance paid in cash from the proceeds of the June 2012 Unit Offering. Washington Park is 100% occupied with approximately 45% of rental income derived from national and regional tenants, and is estimated to generate approximately \$770,000 in annualized NOI. See “*Non-IFRS and Non-GAAP Financial Measures*”.

USE OF PROCEEDS

The estimated net proceeds to the Trust from the Offering, after deducting the Underwriters’ fee of \$1,200,000 and the expenses of the Offering estimated to be approximately \$400,000, will be approximately \$28,400,000. The net proceeds from the Offering are expected to be used by the Trust to:

- pay out the Credit Facility (approximately \$14 million) (as defined below under the heading “Plan of Distribution”). The proceeds of the Credit Facility were used for property acquisitions; and
- pay out the balance of the Acquisition Facility (approximately \$5.7 million) (as defined below under the heading “Plan of Distribution”) put in place for the acquisition of Centuria Urban Village on May 16, 2011.

The balance of the net proceeds of the Offering, being approximately \$8.7 million, will be used by the Trust for future acquisitions and general Trust purposes. The payments toward the Credit Facility and the Acquisition Facility will further improve the financial profile of the Trust.

If the Underwriters exercise the Over-Allotment Option in full, the estimated net proceeds to the Trust from the Offering, after deducting the Underwriters’ fee of \$1,380,000 and the estimated expenses of the Offering of \$400,000, will be approximately \$32,720,000.

The Trust intends to spend the funds available to the Trust 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.

DESCRIPTION OF THE DEBENTURES AND THE UNITS

Debentures

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the terms of the Indenture.

The Debentures will be issued under the Indenture. The Debenture Trustee is the transfer agent, registrar and trustee for the Debentures under the Indenture.

General

The Debentures will be limited to the aggregate principal amount of \$30,000,000 (plus the aggregate principal amount of any Debentures issuable upon exercise of the Over-Allotment Option). The Trust may, however, from time to time, without the consent of the holders of the outstanding debentures of the Trust, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as of the Closing Date and will mature on the Maturity Date. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof and will bear interest from and including the date of issue at 6.0% per annum, which will be payable semi-annually in arrears on March 31 and September 30 in each year, commencing on March 31, 2013. The first interest payment will include interest accrued from the Closing Date to, but excluding, March 31, 2013.

The principal amount of the Debentures will be payable in lawful money of Canada or at the option of the Trust and subject to applicable regulatory approval, by the issuance of Units as further described under “ – *Payment upon Redemption or Maturity*”. The interest on the Debentures is payable in lawful money of Canada including, at the option of the Trust and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under “– *Interest Payment Option*”.

The Debentures will be direct obligations of the Trust and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Trust as described under “– *Subordination*”. The Indenture will not restrict the Trust from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

TSX Listing

The Trust has applied to list the Debentures and the Units issuable on conversion, redemption or maturity of the Debentures offered under this short form prospectus on the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX.

Conversion Privilege

The Debentures will be convertible at the holder’s option into fully paid Units at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at the Conversion Price, being \$10.35 per Unit and representing a conversion rate of approximately 96.618 Units for each \$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events in accordance with the provisions of the Indenture. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding an Interest Payment Date or the Maturity Date. Holders converting their Debentures will receive accrued and unpaid interest from the last Interest Payment Date (or the Closing Date if converting prior to the first Interest Payment Date) to and including: (a) if the Trust is making monthly distributions to Unitholders, the last record date set by the Trust prior to the date of conversion for determining the Unitholders entitled to receive a monthly distribution on the Units; and (b) if the Trust is not making monthly distributions to Unitholders, the date of conversion. If all conversion rights attaching to the Debentures are exercised and assuming the Over-Allotment Option is exercised in full, the Trust will be required to issue approximately 3,333,321 Units, subject to anti-dilution adjustments.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units or securities exchangeable or convertible into Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units or other securities convertible into Units at a price per Unit less than 95% of the volume weighted average trading price of the Units on the TSX during the 20 consecutive days ending on the fifth trading day preceding the record date for such issuance; and (d) the distribution to all holders of Units of any securities or assets. There will be no adjustment of the Conversion Price in respect of certain events described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date, as the case may be. The Trust will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, merger, arrangement, acquisition or business combination of the Trust with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Trust as, or substantially as, an entirety to any other entity, or a liquidation or termination of the Trust, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation or termination, be entitled to receive the number of Units or other securities or property on the exercise of the conversion right that such holder would be entitled to receive if, on the effective date thereof, it had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, arrangement, acquisition, business combination, sale, conveyance, liquidation or termination.

No fractional Units will be issued on any conversion but in lieu thereof the Trust will satisfy fractional interests by a cash payment equal to the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the relevant date of any fractional interest.

Redemption and Purchase

The Debentures may not be redeemed by the Trust before September 30, 2015 (except in certain limited circumstances following a Change of Control). On or after September 30, 2015 and prior to September 30, 2016, the Debentures may be redeemed by the Trust, in whole or in part from time to time, at the option of the Trust on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On or after September 30, 2016 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Trust on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable.

Provided that the Trust is not in default under the Indenture, the Trust will have the right to purchase Debentures in the market, by tender or by private contract.

Payment upon Redemption or Maturity

On the date of redemption or on the Maturity Date, the Trust will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The Trust may, at its option, on not more than 60 and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on the Maturity Date, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption or the Maturity Date, as the case may be.

No fractional Units will be issued on redemption or maturity but in lieu thereof the Trust shall satisfy fractional interests by a cash payment equal to the volume weighted average trading price of the Units on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the Maturity Date, as the case may be, of any fractional interest.

Cancellation

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined in the Indenture). Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture issued under the Indenture will rank *pari passu* with each other debenture except for sinking fund provisions (if any) applicable to different series of debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Trust, or to its property or assets, or in the event of

any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust, then those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Trust will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures, (b) at any time when a default, an event of default or an acceleration has occurred under any credit facility of the Trust, as amended, restated or replaced from time to time, or (c) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of the event of default has been given by or on behalf of the holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full.

The Debentures will also be effectively subordinate to claims of creditors of the Trust and the Trust's subsidiaries relating to all indebtedness, liabilities and obligations of the Trust or its subsidiaries for the payment of which the Trust is responsible or liable, whether absolutely or contingently. Specifically, the Debentures will be subordinated and postponed in right of payment to the prior payment in full of all indebtedness under any credit facility of the Trust.

Change of Control of the Trust

Within 30 days following the occurrence of a Change of Control, the Trust will be required to make an offer in writing to purchase all of the Debentures then outstanding (the "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures, (b) at any time when a default, an event of default or an acceleration has occurred under any credit facility of the Trust, as amended, restated or replaced from time to time, or (c) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of the event of default has been given by or on behalf of the holders of Senior Indebtedness to the Trust, unless the Senior Indebtedness has been repaid in full. A "**Change of Control**" will be defined in the Indenture as the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over an aggregate of 66 2/3% or more of the outstanding Units of the Trust or securities convertible into or carrying the right to acquire Units of the Trust. The Indenture will provide that a transaction involving the conversion of the Trust to a corporation will not constitute a Change of Control.

The Indenture will contain notification and repurchase provisions requiring the Trust to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control to the Debenture Trustee have been tendered to the Trust pursuant to the Debenture Offer, the Trust will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Trust to the Debenture Trustee within ten days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

Interest Payment Option

Unless an Event of Default has occurred and is continuing, the Trust may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the "Interest Obligation"), on an Interest Payment Date, (i) in cash; (ii) by delivering sufficient freely tradeable Units to the Debenture Trustee, for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units (the "Unit Interest Payment Election"); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the Trust making a Unit Interest Payment Election, the Debenture Trustee shall (i) accept delivery from the Trust of Units; (ii) accept bids with respect to, and consummate sales of, such Units, each as the Trust shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Trust; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which

mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the Trust, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Trust and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the Trust) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Trust in respect of the Interest Obligation.

Neither the Trust's making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Events of Default

The Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due, (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise (whether such payment is due in cash, Units or other securities or property or a combination thereof), (c) if a decree or order of a court having jurisdiction is entered adjudging the Trust a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Trust, or appointing a receiver of, or of any substantial part of, the property of the Trust or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days, (d) if the Trust institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Trust or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, (e) if a resolution is passed for the winding-up or liquidation of the Trust, except in the course of carrying out or pursuant to a transaction in respect of which certain conditions are duly observed and performed, (f) if, after the date of the Indenture, any proceedings with respect to the Trust are taken with respect to a compromise or arrangement with respect to creditors of the Trust generally, under the applicable legislation of any jurisdiction, (g) default in the delivery, when due, of all cash and any Units or other consideration payable on conversion with respect to the Debentures, which default continues for 15 days, (h) the Trust fails to comply with the restrictions on amalgamation, merger and sale of certain assets pursuant to Article 12 of the Indenture, or (i) default in the observance or performance of a material covenant contained in certain sections of the Indenture regarding covenants of the Trust by the Trust for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Trust specifying such default and requiring the Trust to remedy such default. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of the debentures issued under the Indenture, declare the principal of and interest on all outstanding debentures issued under the Indenture to be immediately due and payable. In certain cases, the holders of debentures representing more than 50% of the outstanding principal amount of the debentures issued under the Indenture may, on behalf of the holders of all the debentures issued under the Indenture, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for Debentures, which would be a take-over bid for Debentures within the meaning of Multilateral Instrument 62-104 "*Take-Over Bids and Issuer Bids*" if Debentures were considered equity securities and not less than 90% of the debentures issued under the Indenture (other than debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the debentures issued under the

Indenture held by the holders of debentures issued under the Indenture who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all holders of Debentures (“**Debentureholders**”) resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of debentures representing not less than 66 2/3% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each affected series.

Book-Entry System for Debentures

The Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). On the Closing Date, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “**Beneficial Debenture Owner**”) will not be entitled to receive a certificate for Debentures, or, unless requested, for the Units issuable on the conversion of the Debentures. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Debenture Owners thereof in fully registered and certificate form (the “**Debenture Certificates**”) only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Trust is unable to locate a qualified successor; (d) the Trust, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default, Participants acting on behalf of Beneficial Debenture Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Debenture Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the global certificates representing the Debentures, and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Trust will recognize the holders of such Debenture Certificates as Debentureholders under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the Trust and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal,

including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

The Trust will not assume any liability for: (a) any aspect of the records relating to the Beneficial Debenture Owners or the Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Debenture Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the Trust to CDS.

Reports to Holders of Debentures

The Trust shall file with the Debenture Trustee, within 15 days after the filing thereof with the securities commission or securities regulatory authority in the provinces and territories in which the Trust is a reporting issuer (the “**Securities Commissions**”), copies of the Trust’s information, documents and other reports that the Trust is required to file with the Securities Commissions and deliver to Unitholders. Notwithstanding that the Trust may not be required to remain subject to the reporting requirements of the Securities Commissions, the Trust shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year (or such later date as may be permitted by the principal Canadian securities regulator for the Trust), the annual financial statements of the Trust, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year (or such later date as may be permitted by such regulator), interim financial statements of the Trust which shall, at a minimum, contain such information as is required to be provided in annual filings and quarterly reports under the laws of Canada or any province thereof to security holders of a reporting issuer with securities listed on the TSX, whether or not the Trust has any of its securities so listed. Each of such reports will be prepared in accordance with Canadian disclosure requirements for Canadian reporting issuers. The Trust will provide copies of such information, documents and reports to holders of Debentures upon request.

Governing Law

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

Units

See the section entitled “Declaration of Trust and Description of Units” beginning on page 77 of the AIF for a description of the terms and provisions of the Units. As at August 20, 2012, there were 21,384,973 Units outstanding.

DISTRIBUTION POLICY OF THE TRUST

The amount of the Trust’s cash distributions is determined by, or in accordance with, guidelines established from time to time by the trustees of the Trust (the “**Trustees**”). It is the intention of the Trustees that the aggregate amount of cash distributions made in respect of a calendar year not be less than the amount necessary to ensure that the Trust will not be liable to pay income tax under Part I of the Tax Act for such year. Distributions are paid monthly. The Trustees have discretion in declaring distributions and review these distributions on a regular basis. Distributions are paid in the month following declaration.

Since January 2009, the Trust has paid monthly distributions of \$0.0533 per Unit (adjusted for the Consolidation as applicable).

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Trust as at June 30, 2012:

	As at June 30, 2012	As adjusted as at June 30, 2012 ⁽¹⁾
Indebtedness		
Mortgages Payable	\$ 221,746,435	\$ 221,746,435
Credit Facilities	20,568,077	-
Debentures	26,895,777	55,295,777
Total Indebtedness	269,210,289	277,042,212
Exchangeable LP Units⁽²⁾	2,121,750	2,121,750
Unitholders' Equity	149,220,289	149,220,289
Number of outstanding Units	21,365,216	21,365,216

Notes:

- (1) Adjusted to give effect to the receipt of net proceeds of this Offering (assuming the Underwriters' fee of \$1,200,000 and expenses of the Offering of approximately \$400,000 and assuming the Over-Allotment Option is not exercised) and the repayment of the Credit Facility and the Acquisition Facility from the net proceeds of the Offering. See "*Risk Factors*".
- (2) "Exchangeable LP Units" reflects the issuance of 287,500 partnership units in a limited partnership that are exchangeable into Units at the option of the non-controlling partner.

PRIOR SALES

The Trust has not issued any Units or securities convertible into Units for the 12-month period before the date of this prospectus, other than in connection with the February 2012 Unit Offering, the June 2012 Unit Offering and other issuances as noted in the table below. The "Number of Units" and the "Price per Unit" have been adjusted for the Consolidation.

Date of Issuance	Securities	Number of Units	Price per Unit
September 15, 2011	Units ⁽¹⁾	4,209	\$6.56
September 28, 2011	Warrants to acquire Units ⁽²⁾	625,000	\$7.20
October 17, 2011	Units ⁽¹⁾	3,705	\$6.68
November 15, 2011	Units ⁽¹⁾	3,489	\$6.96
December 19, 2011	Agreement to issue Units ⁽³⁾	287,500	\$7.20
December 15, 2011	Units ⁽¹⁾	3,174	\$7.20
January 16, 2012	Units ⁽¹⁾	2,993	\$7.48
February 1, 2012	Units ⁽⁴⁾	7,393,833	\$6.92
February 8, 2012	Units	2,688,250	\$7.44

Date of Issuance	Securities	Number of Units	Price per Unit
February 13, 2012	Units ⁽¹⁾	2,099	\$7.36
March 8, 2012	Units	360,812	\$7.44
March 15, 2012	Units ⁽¹⁾	5,467	\$7.26
April 16, 2012	Units ⁽¹⁾	6,458	\$7.31
May 15, 2012	Units ⁽¹⁾	6,802	\$7.42
June 13, 2012	Units	2,705,000	\$7.40
June 15, 2012	Units ⁽¹⁾	7,143	\$7.48
June 21, 2012	Units	405,750	\$7.40
July 16, 2012	Units ⁽¹⁾	9,433	\$7.38
August 15, 2012	Units ⁽¹⁾	10,188	\$7.75

Notes:

- (1) Units issued pursuant to the Trust's distribution reinvestment and optional unit purchase plan.
- (2) In connection with a loan facility from Firm Capital Corporation, the Trust issued 625,000 purchase warrants to Firm Capital Mortgage Fund Inc. as a funding fee.
- (3) In connection with the issuance of exchangeable limited partnership units, the Trust issued 287,500 Units at a value of \$7.20 per Unit.
- (4) In connection with the acquisition of NorRock, the Trust issued 7,393,833 Units at a value of \$6.92 per Unit.

TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the TSX under the symbol "PAR.UN". Prior to April 3, 2012, the Units were listed and posted for trading on the TSXV. The following table sets forth, for the periods indicated, the reported high and low closing trading prices and aggregate volume of trading of the Units on the TSX and the TSXV, as applicable, adjusted in each case for the Consolidation.

Period	High (\$)	Low (\$)	Volume (#)
2011			
August	7.20	6.36	466,324
September	6.88	6.40	233,592
October	7.24	6.32	173,998
November.....	7.60	6.68	294,834
December	7.36	7.16	176,731
2012			
January	7.96	7.28	360,216
February	7.36	7.04	1,318,606
March	7.39	7.26	1,221,621
April	7.48	7.15	801,923
May.....	7.69	7.35	1,743,675
June.....	7.40	7.28	1,145,545

Period	High (\$)	Low (\$)	Volume (#)
2011			
July	7.85	7.38	1,033,546
August 1-20.....	8.04	7.58	551,674

The 8.0% extendible convertible unsecured subordinated debentures (the “**8.0% Debentures**”) of the Trust are listed and posted for trading on the TSX under the symbol “PAR.DB”. Prior to April 3, 2012, the 8.0% Debentures were listed and posted for trading on the TSXV. The following table sets forth, for the periods indicated, the reported high and low closing trading prices and aggregate volume of trading of the 8.0% Debentures on the TSX and the TSXV, as applicable.

Period	High (\$)	Low (\$)	Volume (\$)
2011			
August	103.50	98.00	372,000
September	100.00	95.50	203,000
October.....	100.75	93.50	384,000
November.....	101.50	100.50	167,000
December	101.00	100.25	377,000
2012			
January	103.00	101.00	346,000
February	103.05	102.50	104,000
March	103.50	102.50	126,000
April	103.50	102.55	1,030,000
May.....	106.10	103.00	248,000
June.....	106.00	102.60	327,000
July	108.00	102.99	297,000
August 1-20.....	107.50	107.00	111,000

EARNINGS COVERAGE RATIO

The Trust’s adjusted earnings coverage ratio, after giving effect to the Offering, for the year ended December 31, 2011 and the 12–month period ended June 30, 2012 is 1.48 and 1.75 respectively.

The following table sets forth the earnings coverage ratios and the adjusted earnings coverage ratios for the year ended December 31, 2011 and the earnings coverage ratio and adjusted earnings coverage ratio for the 12-month period ended June 30, 2012. The earnings coverage ratios set forth below were prepared in accordance with applicable Canadian disclosure requirements derived from the Trust’s audited consolidated financial statements for the year ended December 31, 2011 and the unaudited condensed consolidated financial statements for the three and six-month periods ended June 30, 2012. The earnings coverage ratio for the 12-month period ended June 30, 2012 were prepared by taking financial information derived from the Trust’s audited consolidated financial statements for the year ended December 31, 2011, plus financial information derived from the unaudited condensed consolidated financial statements for the three and six-month periods ended June 30, 2012, less financial information derived from the unaudited condensed consolidated financial statements for the three and six-month periods ended June 30, 2011.

	12-Month Period Ended June 30, 2012	Year Ended December 31, 2011
Earnings Coverage Ratio:	2.00	1.76
Adjusted Earnings Coverage Ratio ⁽¹⁾ :	1.75	1.48

(in thousands of Canadian dollars)	12-Month Period Ended June 30, 2012	Year Ended December 31, 2011
As Reported		
Earnings Coverage Ratio	2.00	1.76
Earnings before interest and income taxes	24,730,642	16,830,683
Interest requirement	12,367,108	9,577,253
Earnings coverage	12,363,534	7,253,430
Adjusted⁽¹⁾		
Earnings Coverage Ratio	1.75	1.48
Earnings before interest and income taxes as above	24,730,642	16,830,683
Adjusted Earnings before interest and income taxes	24,730,642	16,830,683
Interest requirement ⁽²⁾	14,167,108	11,377,253
Earnings coverage	10,563,534	5,453,430

(1) Adjusted figures are non-IFRS measures.

(2) The adjusted earnings coverage ratios have been calculated to include the carrying charges for the Debentures of \$1.8 million.

The Trust's interest requirements, after giving effect to the Offering, amounted to \$11,377,253 for the 12-month period ended December 31, 2011 and \$14,167,108 for the 12-month period ended June 30, 2012. The Trust's earnings before interest and income tax for the 12-month period ended December 31, 2011 was \$16,830,683, which is 1.76 times the Trust's interest requirements for this period. The Trust's earnings before interest and income tax for the 12-month period ended June 30, 2012 was \$24,730,642, which is 2.00 times the Trust's interest requirements for this period.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the Underwriting Agreement, the Trust has agreed to issue and sell and the Underwriters have agreed to purchase, severally (and not jointly or jointly and severally), on the Closing Date, \$30,000,000 aggregate principal amount of Debentures at a price of \$1,000 per 1,000 principal amount of Debentures, payable in cash to the Trust against delivery by the Trust of certificates evidencing the Debentures. The Debentures are being offered to the public in all of the provinces and territories of Canada, except Québec. The terms and conditions of the Offering were determined by negotiation between the Trust and the Underwriters. The Underwriting Agreement provides that the Trust will pay, on the closing of the Offering, the Underwriters' fee of \$40 per \$1,000 principal amount of Debentures in consideration for their services in connection with the Offering. Subscriptions

for Debentures 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 Trust has granted to the Underwriters the Over-Allotment Option to purchase up to an additional \$4,500,000 principal amount of the Debentures at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Underwriters at any one time on or prior to the 30th day after the closing of the Offering, for the purposes of covering the Underwriters' over-allotment position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the price to the public relating to the Offering, the Underwriters' fee and the net proceeds to the Trust (before deducting expenses of the Offering) will be \$34,500,000, \$1,380,000 and \$33,120,000, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Debentures pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Over-Allotment Option acquires such Debentures under this short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over- Allotment Option or secondary market purchases.

The Trust has applied to list on the TSX the Debentures and the Units issuable on conversion , redemption or maturity of the Debentures offered under this short form prospectus. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX.

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. If one or more of the Underwriters fail to purchase their applicable percentages of the aggregate principal amount of the Debentures, the other Underwriters may, but are not obligated to, purchase on a *pro-rata* basis all, but not less than all, of the aggregate principal amount of the Debentures which would otherwise have been purchased by the refusing Underwriter. If the remaining Underwriters do not exercise such rights and the principal amount of Debentures to be purchased by all refusing Underwriters does not exceed 10% of the aggregate principal amount of Debentures, the remaining Underwriters will be obligated to purchase such Debentures in proportion to their obligations under the Underwriting Agreement. If the remaining Underwriters do not exercise such rights and the principal amount of Debentures to be purchased by all refusing Underwriters exceeds 10%, the remaining Underwriters shall be relieved of all obligations to the Trust on submission to the Trust of reasonable evidence of their ability and willingness to fulfill their obligations under the Underwriting Agreement at the time of closing of the Offering.

Under the Underwriting Agreement, the Trust has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, shareholders, partners, advisors and agents 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.

Subject to certain exceptions, the Trust has agreed that it, its trustees and officers, IGW and their respective affiliates will not issue, offer, announce an intention to issue, sell, contract to sell or otherwise issue any Units or securities convertible into or exercisable or exchangeable for any Units for a period of 90 days from the date of closing of the Offering without the prior written consent of NBF and Scotia, which consent may not be unreasonably withheld.

The Debentures and the underlying Units issuable upon conversion, redemption or maturity have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S of the U.S. Securities Act). Accordingly, the Debentures and the underlying Units issuable upon conversion, redemption or maturity may not be offered, sold or delivered within the United States, and each Underwriter has agreed that it will not offer, sell or deliver the Debentures and the underlying Units within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering, any offer or sale of the Debentures offered hereby or underlying Units issuable upon conversion, redemption or maturity 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 Debentures. 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,

Debentures. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSX 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 Debentures 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 Debentures to the public initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Debentures at the offering price specified on the cover page, the offering price for the Debentures 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 Debentures is less than the amount paid by the Underwriters to the Trust.

The Debentures will be issued in book-entry only form and must be purchased or transferred through a CDS participant. At closing, the Trust will cause a global certificate or certificates representing the Debentures to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Debentures must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Debentures holds such Debentures. See “*Description of the Debentures and the Units – Debentures – Book-Entry System for Debentures*”.

The Trust may be considered to be a “connected issuer” of TD Securities Inc., which is a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Trust and/or its subsidiaries (“**Bank I**”). The Trust was indebted to Bank I for an aggregate principal amount of approximately \$5.7 million as at August 20, 2012 under a revolving operating and acquisition facility credit agreement between the Trust, as borrower, and Bank I, as initial lender and administrative agent, dated as of May 16, 2011 (the “**Acquisition Facility**”). Approximately \$5.7 million of the proceeds of this Offering are intended to be applied to eliminate the indebtedness to Bank I. See “*Use of Proceeds*”. The Acquisition Facility is currently secured by a charge against Centuria Urban Village, located in Kelowna, British Columbia. The Trust is in compliance with the terms of the Acquisition Facility and no breach thereunder has been waived by Bank I since the execution of the Acquisition Facility. There has been no material change in the financial position of the Trust since the execution of the Acquisition Facility, except as described elsewhere in this short form prospectus and in the documents incorporated by reference herein. The decision by TD Securities Inc. to purchase Debentures was made independently of Bank I, which had no influence as to the determination of the terms of the distribution of the Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations between the Trust and the Underwriters, without involvement of Bank I. In addition, neither TD Securities Inc. nor Bank I will receive any benefit from the Offering, other than TD Securities Inc.’s portion of the Underwriters’ fee payable by the Trust.

The Trust may be considered to be a “connected issuer” of Scotia, which is a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Trust and/or its subsidiaries (“**Bank II**”). See “*Recent Developments – Revolving Credit Facility*”. The decision by Scotia to purchase Debentures was made independently of Bank II, which had no influence as to the determination of the terms of the distribution of the Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations between the Trust and the Underwriters, without involvement of Bank II. In addition, neither Scotia nor Bank II will receive any benefit from the Offering, other than Scotia’s portion of the Underwriters’ fee payable by the Trust.

The Trust may be considered to be a “connected issuer” of CIBC, which is a wholly-owned subsidiary of a Canadian chartered bank that is a lender to the Trust and/or its subsidiaries (“**Bank III**”). The Trust was indebted to Bank III for \$14 million in connection with a one year credit facility (the “**Credit Facility**”) which is secured against the Trust’s King George Square property located in Brantford, Ontario and Crossing Bridge Square property located in Stittsville, Ontario. The Credit Facility bears interest at a rate equal to Bank III’s prime rate plus 1.5% from February 2012 for the initial six months and Bank III’s prime rate plus 2% for the remainder of the term. Approximately \$14 million of the proceeds of this Offering are intended to be applied to pay out the Credit Facility. See “*Use of Proceeds*”. The decision by CIBC to purchase Debentures was made independently of Bank III, which had no influence as to the determination of the terms of the distribution of the Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations between the Trust and the Underwriters, without

involvement of Bank III. In addition, neither CIBC nor Bank III will receive any benefit from the Offering, other than CIBC's portion of the Underwriters' fee payable by the Trust.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, the following is a summary as at the date of this short form prospectus of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Debentures to a holder that acquires such Debentures beneficially pursuant to this Offering and to the acquisition, holding and disposition of Units to a holder that acquires such Units beneficially on a conversion, redemption or repayment at maturity of Debentures acquired by the holder pursuant to this Offering. This summary is applicable to a holder who, for purposes of the Tax Act at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Trust, and holds any Debentures as capital property and will hold any Units acquired on conversion, redemption or repayment of Debentures as capital property. Generally, Debentures and Units will be considered to be capital property to a holder provided that the holder does not hold the Debentures or Units, as applicable, in the course of carrying on a business of buying and selling securities and has not acquired the Debentures or Units in one or more transactions considered to be an adventure in the nature of trade.

Certain holders who might not otherwise be considered to hold their Debentures or Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, owned or subsequently acquired by the holder, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders interested in making this election should consult their own tax advisors for advice as to whether the election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a holder of Debentures or Units: (i) that is a "financial institution" for purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report Canadian tax results in a currency other than Canadian dollars or (v) that, at any material time, 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 Trust or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the Trust (all within the meaning of the Tax Act). Any such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Debentures or Units, as applicable.

This summary does not address the deductibility of interest by a holder who has borrowed money to acquire Debentures or Units.

This summary is based on the facts set out in this short form prospectus and in a certificate provided to counsel by an officer of the Trust (the "**Officer's Certificate**"). This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that (i) the Trust has at all times qualified and currently qualifies as a "mutual fund trust" and a "real estate investment trust" for purposes of the Tax Act (assuming the December 16th Proposals, defined below, are enacted as proposed), (ii) the Trust should continue to qualify as a "mutual fund trust" and a "real estate investment trust" under the provisions of the Tax Act while the Debentures and Units remain outstanding, and (iii) the Trust has complied and will at all times comply with the Declaration of Trust and the Indenture.

This summary is also based upon the current provisions of the Tax Act and the Regulations, taking into account proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short form prospectus (the "**Tax Proposals**"), and counsel's understanding of the current administrative and assessing policies and practices published in writing by the Canada Revenue Agency (the "**CRA**") prior to the date hereof. There can be no assurance that the Tax Proposals will be implemented in their current form or at all.

The summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative and assessing policies and practices of the CRA. There can be no assurance that such changes, if made, might not be retroactive. Modifications or amendments of the Tax Act or Tax Proposals could significantly alter the tax status of the Trust and the tax

consequences of acquiring, holding and disposing of Debentures and Units. This summary also does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the legislation and considerations discussed herein.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to acquiring, holding and disposing of Debentures and Units. The income and other tax consequences of acquiring, holding and disposing of Debentures and Units will vary depending on the particular circumstances of the holder thereof, including the province or provinces or territory or territories in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective holder. Prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Debentures and Units based on their particular circumstances.

In this summary, references to the Trust are to Partners Real Estate Investment Trust and not to any of its subsidiaries or other entities in which it holds an interest.

Taxation of Holders of Debentures

Interest on Debentures

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Debentures that accrues (or is deemed to accrue) to the holder to the end of the particular taxation year or that becomes receivable by or is received by the holder before the end of the taxation year, except to the extent that the holder included that interest in computing its income for a preceding taxation year.

Any other holder of Debentures will be required to include in computing its income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the holder, such holder will be required to include in computing income for a taxation year any interest that accrues (or is deemed to accrue) to the holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the holder's income for the year or a preceding taxation year.

Upon a conversion, redemption or repayment at maturity of a Debenture, interest accrued thereon to the date of conversion, redemption or repayment and that would otherwise be payable after that date will be included in computing the holder's income, except to the extent such amount was included in computing the holder's income for that or a preceding taxation year.

Upon a disposition or deemed disposition of a Debenture (other than on a conversion, redemption or repayment at maturity), interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income, except to the extent such amount was otherwise included in the holder's income for that or a preceding taxation year.

Exercise of Conversion Privilege

A holder that converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units (less the amount of any interest accrued, as discussed above). The holder may realize a capital gain or sustain a capital loss computed as described below under "*Taxation of Capital Gain and Capital Losses*". The cost to the holder of the Units so acquired will be equal to the fair market value thereof at the time of acquisition and must be averaged with the adjusted cost base of all other Units held by the holder as capital property immediately before the acquisition for purposes of calculating the adjusted cost base of such Units to the holder.

Disposition of Debentures

A holder who disposes of a Debenture (including a redemption prior to maturity or repayment at maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment), will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (less the amount received as accrued interest, as discussed above) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units (less the amount received as accrued interest, as discussed above). The holder may realize a capital gain or sustain a capital loss computed as described below under “– *Taxation of Capital Gains and Capital Losses*”. The cost to the holder of the Units so acquired will be equal to the aggregate fair market value thereof at the time of acquisition and must be averaged with the adjusted cost base of all other Units held by the holder as capital property immediately before the acquisition for purposes of calculating the adjusted cost base of such Units to the holder.

Any premium paid by the Trust to a holder on a redemption of a Debenture will generally be deemed to be interest received at that time by such holder but only to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of the redemption of, the interest that would have been paid or payable by the Trust on the Debenture for taxation years of the Trust ending after the date of redemption.

Taxation of Unitholders

Distributions

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year, whether such portion is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Trust, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. Returns of capital are not included in a Unitholder’s income and reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of distributions by the Trust may change over time, thus affecting the after-tax return to such Unitholders.

Such portion of the net taxable capital gains and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as is designated by the Trust in accordance with the Tax Act and paid or payable, or deemed to be paid or payable, to a Unitholder, will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the Trust, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or a related group of individuals. Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder’s income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder or deemed to be paid or payable to a Unitholder in that year will generally not be included in the Unitholder’s income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Unitholder will generally be required to reduce the adjusted cost base of the Unitholder’s Units by that amount (except to the extent it represents the Unitholder’s share of the non-taxable portion of the net realized capital gains of the Trust for the year, the taxable portion of which was designated by the Trust in respect of the Unitholder). To the extent

that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil. See “– *Capital Gains and Capital Losses*” below.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder’s income, including any capital gain or income realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder, 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 Unitholder as capital property immediately before the acquisition. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. The aggregate adjusted cost base to a Unitholder of all the Unitholder’s Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Where Units are redeemed by the distribution by the Trust of notes or other property of the Trust, the proceeds of disposition to the redeeming Unitholder will be equal to the fair market value of the notes or other property of the Trust so distributed less any income or capital gain realized by the Trust in connection with such redemption which is paid or payable by the Trust to the redeeming Unitholder. Where income (including a taxable capital gain) is realized by the Trust upon or in connection with an *in specie* distribution of property on a redemption of Units and such income is paid or payable by the Trust to the redeeming Unitholder, the Unitholder will be required to include in the Unitholder’s income such income as is paid or payable to the Unitholder. The cost of any property distributed *in specie* by the Trust to a Unitholder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder 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.

Taxation of Capital Gains and Losses

One-half of any capital gain (a “**taxable capital gain**”) realized by a holder on a disposition of a Debenture or Unit and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder will generally be included in the holder’s income for the year. One-half of any capital loss (an “**allowable capital loss**”) sustained by the holder on the disposition of a Debenture or Unit may generally be deducted by such holder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the holder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder’s capital loss from the disposition may be reduced by the amount of dividends received by the Trust and previously designated by the Trust to the Unitholder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Special Tax on Certain Corporations

A holder of Debentures or Units that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including interest on

Debentures and taxable capital gains from designations by the Trust on income distributed by the Trust to Unitholders or from dispositions or deemed dispositions of Debentures or Units by the holder.

Alternative Minimum Tax

In general terms, capital gains realized on a disposition of Debentures or Units and net income of the Trust paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as taxable dividends or as net taxable capital gains may increase the holder's liability for alternative minimum tax.

Status of the Trust

Qualification as a "Mutual Fund Trust"

This summary is based on the assumption that the Trust qualifies as a "mutual fund trust" as defined in the Tax Act and the Regulations and will continuously so qualify at all material times. If the Trust were to not qualify as a mutual fund trust at any time, the income tax considerations would, in some respects, be materially and adversely different.

Currently, a trust will not be considered to be a mutual fund trust if, among other things, it is established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. This summary assumes that the Trust was not established and is not maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. Counsel is of the view that this assumption is reasonable in light of the Officer's Certificate and restrictions on the ownership of Units and Debentures by non-residents of Canada for purposes of the Tax Act which are contained in the Declaration of Trust and the Indenture.

Qualification as a "Real Estate Investment Trust"

As discussed below, the SIFT Rules do not apply to a trust that qualifies as a "real estate investment trust" for the year (the "**REIT Exception**"). If the Trust does not satisfy the REIT Exception throughout the year, the SIFT Rules will apply to the Trust for that year. No assurances can be given that adverse consequences to the Trust and/or Unitholders will not arise as a consequence of the application of the SIFT Rules to the Trust.

The Trust's ability to comply with the REIT Exception during 2012 is predicated upon certain Tax Proposals being enacted, as described below. If the December 16, 2010 Proposals (as defined below) are not enacted in their current form, the SIFT Rules are expected to apply to the Trust during its 2012 taxation year as a result of the nature of certain assets purchased from NorRock (as described in the AIF). Management of the Trust believes that the application of the SIFT Rules would have no impact on the Trust or Unitholders and that no financial statement liability for taxes would be required as the Trust should have no taxable income in 2012 taking into consideration available tax deductions. Furthermore, to the extent that the Trust is subject to the SIFT Rules during its 2012 taxation year due solely to the acquisition of certain assets from NorRock, management of the Trust expects to dispose of such assets in 2012 so that the Trust would not be subject to the SIFT Rules in 2013. Unitholders should refer to "Risk Factors – Risks Relating to the REIT" starting on page 55 of the AIF.

SIFT Rules

The Tax Act contains rules (the "**SIFT Rules**") which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a "specified investment flow-through" ("**SIFT**") and its investors. A SIFT includes a Canadian resident trust (a "**SIFT trust**") where investments in the trust are listed or traded on a stock exchange or other public market, and the trust holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amounts 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 SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions 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. Generally, distributions that are paid as returns of capital will not attract this tax.

Distributions of a SIFT's income that are not deductible to the SIFT will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) 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.

As discussed below, the SIFT Rules do not apply to a trust that qualifies as a "real estate investment trust" for the year (the "**REIT Exception**"). If the Trust did not satisfy the REIT Exception throughout the year, the SIFT Rules would generally apply to the Trust for that year.

REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

On December 16, 2010 the Department of Finance released, for public comment, proposed amendments to the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception (the "**December 16, 2010 Proposals**"). If enacted as proposed, the amendments, which are generally relieving in nature, will be effective for the 2011 and subsequent taxation years and, on an elective basis, for earlier taxation years.

Assuming that the December 16, 2010 Proposals are enacted as proposed, 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 in a year subsequent to 2010:

- (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" (as described below) held by the trust must be at least 90% of the total 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" (as described below) for the taxation year must be derived from one or more of the following: "rent from real or immovable properties" (as described below), interest, capital gains from the disposition of "real or immovable properties" (as described below), dividends, royalties and gains from dispositions of "eligible resale properties" (as described below);
- (c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and capital gains from dispositions of real or immovable properties;
- (d) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the "equity value" of the trust at that time; and

- (e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the SIFT Rules (assuming that the December 16, 2010 Proposals are enacted as proposed):

- (a) “eligible resale property” means real or immovable property (other than capital property) of an entity, in which a trust the investments in which are listed or traded on a stock exchange or other public market holds a security, (i) that is contiguous to a particular real or immovable property that is capital property of the entity or of another entity in which the trust holds a security, and (ii) the holding of which is necessary, and incidental, to the holding of the particular real or immovable property;
- (b) “gross REIT revenue” of an entity for a taxation year means the total of all amounts each of which is (i) an amount received in the taxation year or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity otherwise than as or on account of capital, or (ii) a capital gain of the entity for the taxation year;
- (c) “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time:
 - (i) "real or immovable property" (as described below) that is capital property to the trust;
 - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s 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 interest or that are eligible resale properties of each such subject entity (other than the trust);
 - (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 and B. tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property; and
 - (iv) tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property;
- (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 in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance (“CCA”) Class 1, 3 or 31, a 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 rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered, 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 REIT Exception (both as currently enacted and as amended if the December 16, 2010 Proposals are enacted as proposed) contains a number of technical tests and the determination as to whether the Trust qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year. Based on representations as to factual matters set out in the Officer’s Certificate, the Trust has informed counsel that it believes that it has satisfied the requirements under the REIT Exception (as currently enacted) throughout each taxation year since the Trust’s inception and that it intends to continue to operate in a manner so that the Trust should continue to qualify throughout future years. For purposes of the 2012 taxation year, the Trust will only qualify for the REIT Exception assuming the December 2010 proposals are enacted. The Trust has also informed counsel that it intends to continue to operate in a manner so that the Trust should qualify for the REIT Exception in each subsequent taxation year. Counsel cannot provide any assurance in this regard. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of the non-application to the Trust of the SIFT Rules, including the availability of the REIT Exception. There can be no assurance that subsequent investments or activities undertaken by the Trust will not result in the Trust failing to comply with the REIT Exception. The Declaration of Trust provides that the Trust shall use its reasonable best efforts not to be a SIFT trust. Counsel will not review the Trust’s compliance with the conditions for the REIT Exception.

The summary assumes that the Trust has and will continue to qualify for the REIT Exception at all times. Should the Trust cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described in this summary – in particular, non-deductible distribution amounts, as previously described, could be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the Trust does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

Taxation of the Trust

The taxation year of the Trust is the calendar year. The Trust will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. Generally, the Trust may also deduct on a five-year straight line basis (subject to pro-ration for short taxation years) reasonable expenses incurred by it in the course of issuing Debentures for the purpose of earning income and of issuing Units. Counsel has been advised that in computing its taxable income, except as the Trustees otherwise determine, the Trust shall claim the maximum of CCA and other discretionary deductions available to the Trust under the Tax Act.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Trust, but excluding income and capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the Trust to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Trust, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where income of the Trust in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the Trust payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its income.

Losses incurred by the Trust cannot be allocated to Unitholders, but may be deducted by the Trust in future years in accordance with the Tax Act.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income (including taxable capital gains) realized by the Trust as a result of that redemption may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder, and will be deductible by the Trust in computing its income.

Counsel has been advised that the Trust intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Trust generally should not be liable in that year for tax under Part I of the Tax Act.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the Regulations in effect on the date hereof, provided that:

- (a) in the case of the Debentures, (i) the Debentures are listed on the TSX (or other designated stock exchange) or (ii) the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations and the Units are listed on the TSX (or other designated stock exchange); and
- (b) in the case of the Units, (i) the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations or (ii) the Units are listed on the TSX (or other designated stock exchange),

the Debentures will, on the Closing Date, be qualified investments for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered disability savings plans, deferred profit sharing plans, tax-free savings accounts (“TFSA”) and registered education savings plans (collectively, “Registered Plans”) other than a deferred profit sharing plan to which payments are made by the Trust or a person or partnership with which the Trust does not deal at arm’s length for purposes of the Tax Act, and the Units will, on the date the Units are issued, be qualified investments for trusts governed by Registered Plans.

Notwithstanding that the Debentures and the Units may be qualified investments for a trust governed by a TFSA, RRSP and RRIF, the holder of a TFSA or annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax if the Debentures or Units are a “prohibited investment” for the TFSA, RRSP or RRIF. A Debenture or Unit will generally be a “prohibited investment” if the holder of a TFSA does not deal at arm’s length (for purposes of the Tax Act) with the Trust or has a “significant interest” (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust with which the Trust does not deal at arm’s length for purposes of the Tax Act. A “significant interest” of a holder in a trust generally means the ownership by the holder, either alone or together with persons and partnerships with which the holder does not deal at arm’s length for purposes of the Tax Act, of interests as a beneficiary under the trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the trust. Prospective holders of Debentures or Units who intend to hold Debentures or Units in their TFSA, RRSP or RRIF should consult their own advisors regarding their particular circumstances. The Department of Finance has recently indicated that it is prepared to recommend further amendments to the prohibited investment rules contained in the Tax Act that will narrow the circumstances in which a holder of a TFSA or an annuitant of an RRSP or RRIF will have a “significant interest”, however, no Tax Proposals have been released as at the date hereof. Holders of a TFSA and annuitants under a RRSP or RRIF should consult their own tax advisors as to whether the Units will be a “prohibited investment” in their particular circumstances.

RISK FACTORS

An investment in securities of the Trust involves risk. In addition to the below, any prospective investor should carefully consider the risk factors set forth in the AIF (starting on page 55) and other information incorporated by reference herein, and all of the other information contained in this short form prospectus before purchasing any of the securities distributed under this short form prospectus. From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Trust's securities for reasons unrelated to the Trust's performance. Additionally, the Trust's securities are subject to market value fluctuations based upon factors which influence the Trust's operations, such as the tax status of the Trust, global economic conditions, concentration of the Trust's assets, government regulation, environmental matters, risks related to acquisitions and the integration thereof, lease renewal and occupancy rates, dependence on the relationship with the Manager, and continued access to financing and the interest rates thereon. Additional risks and uncertainties not currently known to the Trust, or that the Trust currently deems immaterial, may also materially and adversely affect its business.

Risks Relating to the Debentures

The Trust may not be Able to Satisfy Payments of Interest and Principal on the Debentures

There is no guarantee that the Trust will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of the Trust and the ability of the Trust to earn revenues.

Market for the Debentures

The Debentures constitute a new issue of securities of the Trust for which there is currently no public market. The listing of the Debentures and the Units issuable upon conversion, redemption or maturity of the Debentures to be distributed pursuant to the Offering is conditional upon approval of the TSX. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSX. There can be no assurance that the minimum listing requirements of the TSX will be met with respect to the Debentures. There can be no assurance that a secondary market for trading in the Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Debentures does not develop, the liquidity and the trading prices for the Debentures may be adversely affected.

Absence of Covenant Protection

The Indenture will not restrict the Trust or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Trust or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed at the Trust's option, subject to certain conditions, on and after September 30, 2015 and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest, as described under "*Description of the Debentures and the Units – Debentures – Redemption and Purchase*". Holders of Debentures should assume that this redemption option will be exercised if the Trust is able to refinance at a lower interest rate or it is otherwise in the interest of the Trust to redeem the Debentures.

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of Units in such transactions. This change could

substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. See “*Description of the Debentures and the Units – Debentures – Conversion Privilege*”.

Subordination of Debentures

The Debentures are unsecured obligations of the Trust and are subordinate in right of payment to all of the Trust’s existing and future Senior Indebtedness. The Debentures will also be effectively subordinate to claims of the creditors of the Trust’s subsidiaries relating to all indebtedness, liabilities and obligations of the Trust or its subsidiaries for the payment of which the Trust is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Trust, the assets of the Trust would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the Trust’s obligations to holders of Debentures. Accordingly, all or a substantial portion of the Trust’s assets could be unavailable to satisfy the claims of the Debentures.

Credit Rating

The Trust does not have a credit rating and has no current plans to apply for a credit rating.

Dilution

The Trust may determine to redeem any outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures on the Maturity Date by issuing additional Units. The issuance of additional Units may have a dilutive effect on the Trust’s Unitholders and an adverse impact on the price of Units.

Limitation in the Trust’s Ability to Finance Purchase of Debentures

The Trust is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of certain Changes of Control. The Trust cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Trust’s ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the Trust’s credit facilities and other indebtedness and agreements that the Trust may enter into in the future which may replace, supplement or amend the Trust’s future debt. The Trust’s future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Trust of the Debentures without the consent of the lenders or other parties thereunder. If the Trust’s obligation to offer to purchase the Debentures arises at a time when the Trust is prohibited from purchasing or redeeming the Debentures, the Trust could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Trust does not obtain consent or refinance these borrowings, the Trust could remain prohibited from purchasing the Debentures under its offer.

The Trust’s failure to purchase the Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of the Trust’s other indebtedness at that time.

Market Price of the Debentures

The market price of the Debentures will be based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the Trust; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the Trust; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Units; (h) changes in the industry and competition affecting the Trust; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

Volatility of Market Price of Units and Debentures

The market price of the Units and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at a favourable price. Additionally, volatility in the market price of Units may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Units and Debentures may be due to the Trust's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Trust or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*". In addition, the market price for securities in the stock markets, including the TSX, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Units.

Restriction on Ownership of Debentures

Pursuant to the terms of the Declaration of Trust, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. As a result, the Indenture contains provisions limiting the ownership of Debentures by non-residents. These restrictions may limit or remove the rights of certain Debentureholders, including non-residents. As a result, these restrictions may limit the demand for Debentures and thereby adversely affect the liquidity and market value of the Debentures.

INTEREST OF EXPERTS

Certain legal matters in connection with the Offering will be passed upon at the time of closing on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP. Further, each of McCarthy Tétrault LLP and Torys LLP are named as having provided certain legal opinions included in this short form prospectus.

As at the date hereof, the partners and associates of each of McCarthy Tétrault LLP, as a group, and Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision 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.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Deloitte & Touche LLP of Calgary, Alberta are the Trust's auditors.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal offices located in Toronto, Canada. The transfer agent, registrar and trustee for the Debentures under the Indenture is Computershare Trust Company of Canada, at its principal office located in Toronto, Canada.

INDEPENDENT AUDITOR'S CONSENT

We have read the short form prospectus of Partners Real Estate Investment Trust (the "Trust") dated ●, 2012 relating to the issue and sale of 6.0% convertible unsecured subordinated debentures of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Trust on the consolidated statements of financial position of the Trust as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010. Our report is dated March 15, 2012.

(to be signed)
Chartered Accountants
Calgary, Alberta
●, 2012

CERTIFICATE OF THE TRUST

August 21, 2012

This short form prospectus, together with the documents incorporated herein 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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon.

(signed) "*Adam Gant*"
Chief Executive Officer

(signed) "*Tony Quo Vadis*"
Chief Financial Officer

On Behalf of the Trustees
of the Trust

(signed) "*Paul Dykeman*"
Trustee

(signed) "*Saul Shulman*"
Trustee

CERTIFICATE OF THE UNDERWRITERS

August 21, 2012

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein 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 British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon.

NATIONAL BANK FINANCIAL INC.

By: (signed)

“Andrew Wallace”

SCOTIA CAPITAL INC.

By: (signed)

“Bryce Stewart”

CANACCORD GENUITY CORP.

By: (signed)

“Justin Bosa”

CIBC WORLD MARKETS INC.

By: (signed)

“Mark Johnson”

RBC DOMINION SECURITIES INC.

By: (signed)

“Dino Ferrari”

TD SECURITIES INC.

By: (signed)

“John Mishra”

**MACQUARIE CAPITAL MARKETS
CANADA LTD.**

By: (signed)

“John Bartkiw”

RAYMOND JAMES LTD.

By: (signed)

“Graham Fell”

M PARTNERS INC.

By: (signed)

“Tom Kofman”