



## **ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2018**

**Dated March 29, 2019**

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## **PARTNERS REAL ESTATE INVESTMENT TRUST**

### **ANNUAL INFORMATION FORM**

*In this Annual Information Form, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and the statistical and financial data are presented as of December 31, 2018.*

#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains “forward-looking statements” to the Unitholders within the meaning of applicable securities legislation. These forward-looking statements reflect management’s current beliefs and are based on assumptions and information currently available to management of Partners Real Estate Investment Trust. In some cases, forward-looking statements can be identified by terminology such as “may”, “would”, “could”, “will”, “expect”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “predict”, “estimate”, “outlook”, “potential”, “continue”, “should”, “likely”, or the negative of these terms or other comparable terminology, and are not historical fact. Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the REIT to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.

In making the forward-looking statements in this AIF, the REIT has applied material assumptions including, but not limited to, the assumption that: (1) commercial real estate markets continue to remain fluid; (2) demand for vacant units at the REIT’s properties remains strong enabling the REIT to generate additional rents and enhance recovery ratios; and (3) the REIT is able to refinance maturing debt at favourable interest rates. Other assumptions are discussed throughout this AIF; in particular under *Risk Factors*

Forward-looking statements include statements related to acquisitions, development and capital expenditure activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes.

Factors that could cause actual results, performance, or achievements to differ materially from those set forth in the forward-looking statements and information include, but are not limited to: general economic conditions, local real estate conditions, including the development of properties in close proximity to the REIT’s properties, timely leasing of newly developed properties and releasing of occupied square footage upon expiration, dependence on tenants’ financial condition, changes in operating costs, government regulations and taxation, the uncertainties of real estate development and acquisition activity, the ability to effectively integrate acquisitions, interest rates, availability of equity and debt financing, the ability of the REIT to maintain stable cash flows and distributions, the timing and amount of any special distribution in the event the REIT completes the proposed sale of its Quebec properties, and other risks and factors described from time to time in the documents filed by the REIT with securities regulators. The REIT undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REIT’s filings with securities regulators, including the REIT’s most recently filed Financial Statements and Management’s Discussion and Analysis which are available on the REIT’s website at [www.partnersreit.com](http://www.partnersreit.com) and on at [www.sedar.com](http://www.sedar.com).

These forward-looking statements are made as of March 29, 2019 and disclosure of this material information is current to that date, unless otherwise noted.

## STRUCTURE

### Name, Address and Incorporation

The REIT is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as last amended and restated on December 10, 2018 and governed by the laws of the Province of Ontario.

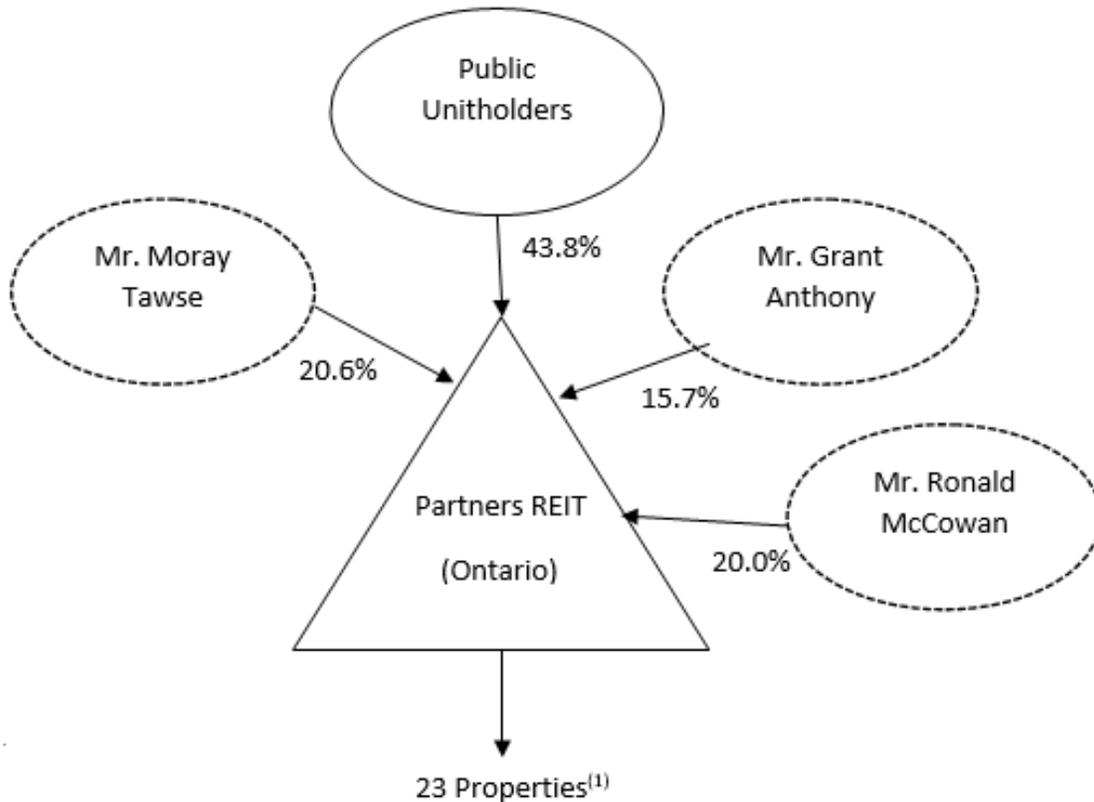
Effective November 3, 2010, the REIT changed its name from “Charter Real Estate Investment Trust” to “Partners Real Estate Investment Trust”.

The REIT’s head and registered office is located at 249 Saunders Road, Unit #3, Barrie, Ontario, L4N 9A3.

### Inter-corporate Relationships

#### CORPORATE STRUCTURE

At December 31, 2018



**Note:**

1. These properties are held through various Nominee Corporations

## DESCRIPTION OF THE BUSINESS

### Business Overview

Partners REIT is focused on the ownership and management of a portfolio of necessity based retail and mixed-use retail community and neighbourhood shopping centres. These properties are located in both primary and secondary markets in Manitoba, Ontario and Quebec. The majority of rents at these types of properties are derived from national and regional retailers with multi-year leases in the core businesses of grocery, pharmacy, liquor and other service uses.

As at December 31, 2018, the REIT's portfolio consisted of 23 properties that comprised approximately 1.7 million square feet of Gross Leasable Area ("GLA").

Please note the General Developments of the Business section below.

### GENERAL DEVELOPMENT OF THE BUSINESS

#### Three Year History –

In 2016 property management operations were internalized at all properties across Canada except those in Quebec which were consolidated under a single external property manager.

Washington Park Shopping Centre was sold in December 2016 for \$12.8 million and Thunder Power Centre was sold in June 2017 for \$39.8 million.

In July, 2017, the REIT closed a rights offering raising gross proceeds of \$35.4 million, which resulted in the issuance of 11,418,466 Units. Using the proceeds from the rights offering, mortgage refinancing, and property sales, the REIT repaid 50% of the \$34.5 million Series II Debentures plus accrued interest. In August, 2017 the REIT repaid the remaining 50% of the Series II Debentures and 67% of the \$23.0 million Series III Debentures.

In January 2018, Sears Canada Inc., a tenant located at Cornwall Square Shopping Centre representing approximately 4.1% of the GLA of the REIT, terminated its lease. In 2017, Sears Canada Inc. had been granted an order from the Ontario Superior Court of Justice which provided it with protection from creditors under the provisions of the *Companies' Creditors Arrangement Act* (Canada).

On January 17, 2018, the REIT repaid the final 33% of the Series III Debentures plus accrued interest to that date using proceeds from refinancing activities.

In February 2018, the REIT underwent a reorganization of all property divisions and corporate operations which was aimed to reduce property and administrative costs in the long-term.

On September 6, 2018, the REIT completed the sale of Mariner Square for \$39.0 million.

In October 2018, the REIT disposed of nine properties in Western Canada. Following this transaction, the REIT returned approximately \$40 million to Unitholders through a special distribution of \$0.87 per unit. As a consequence of these dispositions and the special distribution to Unitholders, the REIT reduced its regular monthly distribution from the annualized rate of \$0.25 per unit to \$0.18 per unit. The REIT also terminated its Distribution Re-Investment and Optional Unit Purchase Plan effective November 2018.

At a Special Meeting of Unitholders held on December 10, 2018, Unitholders voted approximately 96% in favour of a special resolution approving certain amendments to the REIT's Declaration of Trust in relation to a sale of all or substantially all of the assets of the REIT. On the same day, the REIT completed the sale of Cornwall Square for \$8.4 million.

In January, 2019, the REIT entered into the Quebec Sale Transaction for its 11 properties located in Quebec. On March 11, 2019 the purchaser of the 11 Quebec properties waived its due diligence conditions. Completion of the sale remains subject to a number of closing conditions. The closing is expected to take place during April 2019. In the event that the Quebec Sale Transaction is completed, the board of trustees of the REIT (“the Board”) expects to consider the payment of a special cash distribution to all unitholders of a portion of the net cash proceeds from such sale transaction. The Board will meet after the closing of the sale transaction and decide on the amount of the special cash distribution based upon, amongst other things, the ongoing cash requirements of the REIT. Also the Board will review the appropriateness of Partners’ current normal monthly distribution of \$0.015 per unit (\$0.18 per unit annually), including whether such distribution should be reduced or discontinued in light of the smaller size of the remaining portfolio and other relevant factors.

### Strategy of the REIT

In the event that the Quebec Sale Transaction is completed, the REIT’s portfolio will comprise 11 retail properties in Ontario and one property in Manitoba, aggregating approximately 623,000 square feet of leasable space.

Following the expected closing of the Quebec Sale Transaction, the Board of Trustees intends to review the REIT’s strategic alternatives, taking into account a variety of factors, including, among others, general industry, retailer and economic conditions in the markets in which the REIT then operates, and the anticipated impact of those conditions on the REIT and its remaining properties. Those alternatives will likely include a possible sale of either the REIT itself or its remaining properties, together with other options that are in the best interests of the REIT and its Unitholders.

### Sequence of Property Acquisitions and Dispositions

In the past three years, the REIT has not acquired any properties. The REIT has sold thirteen properties in the past three years.

<b>Date</b>	<b>Name and location of property</b>	<b>Disposition Price (in millions of \$)</b>
December 22, 2016	Washington Park, Courtenay, British Columbia	\$12.8
June 30, 2017	Thunder Centre, Thunder Bay, Ontario	\$39.8
September 6, 2018	Mariner Square Shopping Centre, Campbell River, British Columbia	\$39.0
October 24, 2018	Centuria Urban Village, Kelowna, British Columbia Evergreen Shopping Centre, Sooke, British Columbia 137th Avenue, Edmonton, Alberta Cobblestone Shopping Centre, Grand Prairie, Alberta Manning Crossing, Edmonton, Alberta Shoppers Drug Mart Property, Brandon, Manitoba Shoppers Drug Mart Property, Steinbach, Manitoba Shoppers Drug Mart Property, Winnipeg (Pembina), Manitoba Shoppers Drug Mart Property, Winnipeg (Sherbrook), Manitoba	\$94.7
December 11, 2018	Cornwall Square Shopping Centre	\$8.4

### Changes to the Capital of the REIT

On October 22, 2015, the REIT completed a Rights Offering raising gross proceeds of approximately \$20.6 million. The REIT applied the net proceeds from the Rights Offering along with the proceeds generated from the refinancing of mortgages towards the full redemption of the \$28.8 million Series 1 Debentures.

On July 18, 2017 the REIT closed a Rights Offering raising proceeds of approximately \$35.4 million. The REIT applied the proceeds of the rights offering to redeem the Series 2 Debentures in July and August 2017 and 67% of the Series 3 Debentures in August 2017. Subsequent to December 31, 2017, on January 17, 2018 the REIT repaid the remaining outstanding Series III Debentures. For a complete description of the Series 1, Series 2 and Series 3 Debentures, refer to their respective prospectuses as described below:

Series 1 – \$28,750,000, 8.0% Convertible Unsecured Subordinated Debentures issued February 25, 2011  
Series 2 - \$34,500,000, 6.0% Convertible Unsecured Subordinated Debentures issued August 28, 2012  
Series 3 - \$23,000,000, 5.5% Convertible Unsecured Subordinated Debentures issued March 5, 2013

Approximately \$40 million was paid to Unitholders as a special distribution during November, 2018. It was paid from the net proceeds of property dispositions and is a return of capital.

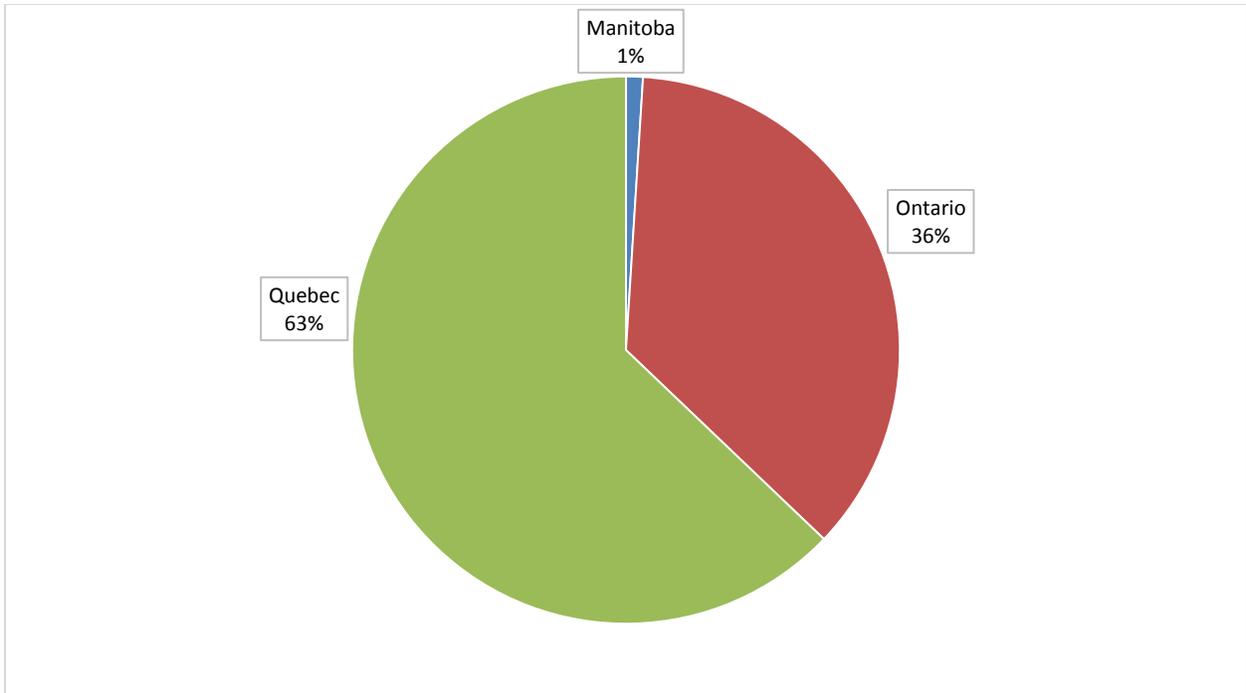
As at December 31, 2018, the REIT had 46,079,673 issued and outstanding units.

### OVERVIEW OF PROPERTY PORTFOLIO

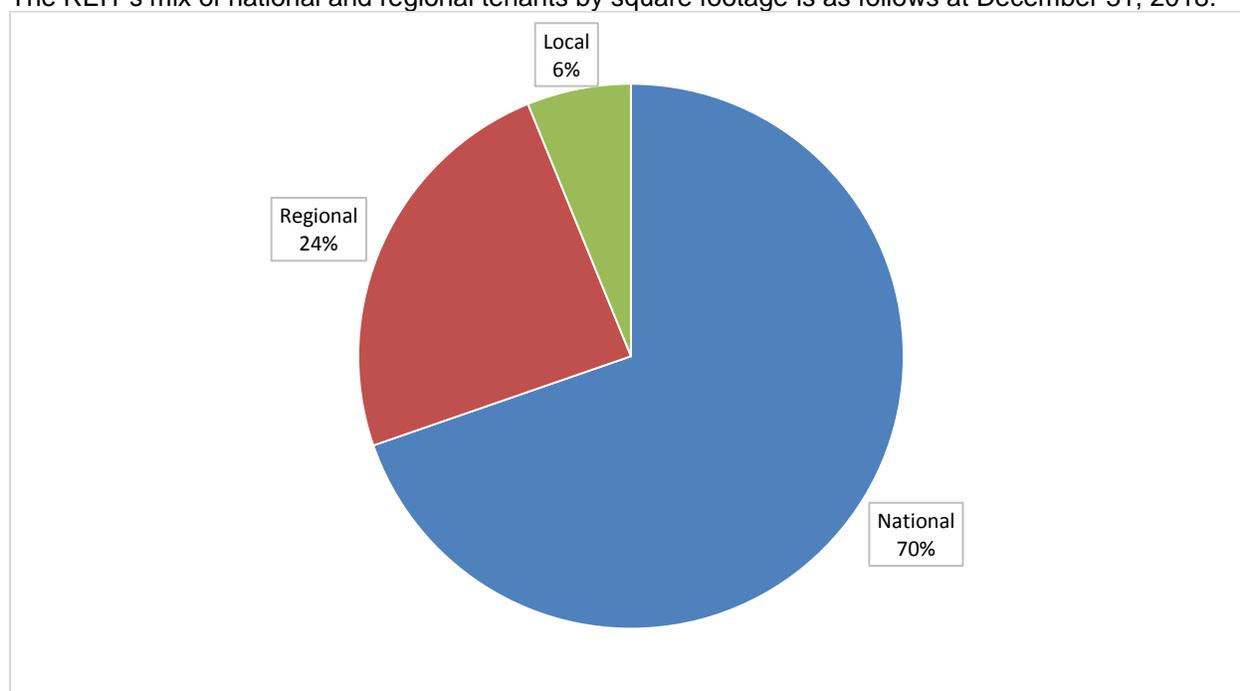
As of December 31, 2018, the property portfolio consisted of 23 properties located in three provinces in Canada. In total, these properties comprise approximately 1.7 million square feet. The REIT received 100% of its revenue of \$48.8 million in 2018 and \$52.9 million in 2017 from its retail properties.

Location	Number of properties
Manitoba	1
Ontario	11
Quebec	11

The geographic diversification of the portfolio by GLA is as follows December 31, 2018:



The REIT's mix of national and regional tenants by square footage is as follows at December 31, 2018:



As at December 31, 2018, the REIT owned 23 retail and mixed use retail properties in Ontario, Québec and Manitoba as follows:

Property and location	Property type	Date built /redeveloped	Anchor and shadow anchor tenants	Retail (sq.ft.) <sup>(1)</sup>	Occupancy <sup>(2)</sup> (3)
<b>Ontario:</b>					
Crossing Bridge Square Stittsville, Ontario	Retail Strip Centre	1995	Farm Boy, McDonalds, IDA	45,905	93.2%
Grand Bend Town Centre, Grand Bend, Ontario	Retail Strip Centre	2002	Sobey's, Shoppers Drug Mart	41,567	100.0%
King George Square Brantford, Ontario	Retail Strip Centre	1988	Shoppers Drug Mart, Dollarama	66,715	97.6%
Place Val Est Sudbury, Ontario	Retail Strip Centre	1983/1987, 1990, 1998	Metro, LCBO, RBC	111,147	95.5%
Quinte Crossroads, Belleville, Ontario	Power Centre	2005 - 2007	The Brick, Home Depot Best Buy, BMO	85,232	100.0%
Rona Property Exeter, Ontario	Free Standing	1996/2000	Rona	42,780	100.0%
Rona Property Seaforth, Ontario	Free Standing	1962/2000	Rona	19,622	100.0%
Rona Property Zurich, Ontario	Free Standing	1961/2000	Rona	24,400	100.0%
St. Clair Beach Tecumseh, Ontario	Retail Strip Centre	2004	Shoppers Drug Mart	38,923	100.0%
Timmins Power Centre Timmins, Ontario	Retail Strip Centre	2007 - 2009	MNP, Soucie Salo Safety	43,611	89.7%
Wellington Southdale London, Ontario	Retail Strip Centre	1986, 2000, 2004, 2006	Landmark Theatres, Dollarama	86,700	97.3%

Property and location	Property type	Date built /redeveloped	Anchor and shadow anchor tenants	Retail (sq.ft.) <sup>(1)</sup>	Occupancy <sup>(2)</sup> (3)
<b>Québec (Held for sale):</b>					
Centre Le Village Shopping Centre Nuns Island, Montréal, Québec	Enclosed Mall	1977, 1991, 2001, 2010, 2012	Loblaws, SAQ	96,361	92.2%
Centre Commercial Chateauguay Montréal, Québec	Mixed-use Strip Centre	1970/1994, 2010	Shoppers Drug Mart, Staples, Québec Government	117,048	100.0%
Marcel-Laurin Shopping Centre Saint Laurent, Québec	Retail Strip Centre	2011	Metro, Brunet Pharmacy	119,925	100.0%
Mega Centre Montréal, Québec	Power Centre	1973/1993, 1999, 2000, 2004, 2014	Walmart, Michaels, Brault & Martineau	277,167	100.0%
Place Desormeaux Longueuil, Québec	Enclosed Mall	1971/1998, 2009, 2010	Walmart, Metro, Québec Government	254,706	93.2%
Place Elgar Nuns Island, Montréal, Québec	Retail Strip Centre	1969, 1989	Couche Tard	10,121	100.0%
Plaza des Seigneurs Terrebonne, Québec	Retail Strip Centre	1998	Uniprix, SAQ, Banque Nationale	20,833	100.0%
Repentigny Shopping Centre Repentigny, Québec	Mixed Use Strip Centre	1988/2009	Familiprix, Dollarama, Québec Government	48,605	93.1%
Saint-Remi Shopping Centre Saint-Remi, Québec	Retail Strip Centre	2009 - 2011	Sobey's, SAQ, Uniprix, Tim Hortons	62,347	100.0%
Shoppers Drug Mart Property Gatineau, Québec	Free Standing	2007	Shoppers Drug Mart	17,028	100.0%
Sorel Shopping Centre, Sorel, Québec	Retail Strip Centre	2010 - 2012	SAQ, Tim Hortons	31,038	74.9%
<b>Manitoba:</b>					
Shoppers Drug Mart Property Selkirk, Manitoba	Free Standing	2005	Shoppers Drug Mart	16,685	100.0%
<b>Total</b>				<b>1,678,466</b>	<b>96.9%</b>
				<b>Retail (sq.ft.)<sup>(1)</sup></b>	<b>Occupancy<sup>(2)</sup> (3)</b>
<b>Province</b>					
Ontario				606,602	97.3%
Quebec (Held for sale)				1,055,179	96.6%
<b>Eastern Sub-Total</b>				<b>1,661,781</b>	<b>96.8%</b>
Manitoba (Held for sale)				16,685	100.0%
<b>Western Sub-Total</b>				<b>16,685</b>	<b>100.0%</b>
<b>Total</b>				<b>1,678,466</b>	<b>96.9%</b>

Notes:

- (1) Includes office space in mixed-use retail properties.
- (2) Committed occupancy excluding storage space.
- (3) Includes square footage of all material executed leases, regardless of occupancy date, and excludes square footage of all documented material lease terminations updated through December 31, 2018.

## Tenant Mix

Below are the top ten tenants for the property portfolio as at December 31, 2018, in terms of their percentage contribution to gross rental revenues and gross leasable area:

<b>Top Tenants by Base Rental Revenue</b>	<b>%</b>	<b>Top Tenants by Leased Area</b>	<b>%</b>
Loblaws / Shoppers Drug Mart	12.9%	Walmart	10.6%
Quebec Government	8.6%	Quebec Government	9.3%
Metro Inc.	8.1%	Loblaws / Shoppers Drug Mart	8.9%
Walmart	4.6%	Metro Inc.	8.0%
Sobeys	4.4%	Lowes / Rona	5.3%
Staples	2.9%	Brault & Martineau	4.8%
Dollarama	2.9%	Sobeys	4.2%
Leon's	2.5%	Staples	3.1%
Brault & Martineau	2.3%	Dollarama	2.5%
Michaels	2.1%	Leon's	2.2%
<b>Total</b>	<b>51.3%</b>	<b>Total</b>	<b>58.9%</b>

When excluding the REIT's eleven properties in Quebec that are under contract for sale, the following table shows the ten largest tenants by base rent and leased area:

<b>Top Tenants by Base Rent</b>	<b>%</b>	<b>WALT</b>	<b>Top Tenants by Leased Area</b>	<b>%</b>	<b>WALT</b>
Loblaws & SDM	17.3%	4.54	Lowes/Rona	14.3%	1.20
Leon's	6.8%	4.35	Loblaws & SDM	11.2%	4.54
Landmark	4.6%	6.92	Leon's	5.9%	4.35
Sobeys	4.3%	4.35	Landmark	5.6%	6.92
Canadian Tire	4.3%	2.69	Metro Inc	5.4%	5.08
Metro Inc	4.0%	5.08	Sobeys	4.3%	4.35
Best Buy	3.7%	5.09	Canadian Tire	3.8%	2.69
Dollarama	3.6%	4.92	Rossy	3.7%	1.67
Cara Operations	3.0%	9.06	Best Buy	3.3%	5.09
Pet Valu	3.0%	8.77	Dollarama	3.2%	4.92

## Occupancy Rates

Overall, the property portfolio has experienced high occupancy rates. The REIT measures occupancy on a committed basis, which includes tenants who have committed to leasing a space, but are not yet physically occupying that space and the committed occupancy rate for the property portfolio was 96.9% as at December 31, 2018. The weighted average remaining lease term for committed leases is 4.52 years.

The following table summarizes the lease maturities for the property portfolio as at December 31, 2018:

<b>Year</b>	<b>SF of space expiring</b>	<b>% of SF expiring</b>
2019	24,030	1.4%
2020	233,950	13.9%
2021	338,520	20.2%
2022	136,384	8.1%
2023	176,955	10.5%
Thereafter	716,163	42.7%
Vacant	52,464	3.1%
<b>Total</b>	<b>1,678,466</b>	<b>100.0%</b>

## **Property Descriptions**

### **Ontario**

#### *Crossing Bridge - 1250 Main Street, Stittsville, Ontario*

Crossing Bridge Square is a 45,905 sq. ft. retail plaza located in the Stittsville neighbourhood of western Ottawa. The plaza is anchored by Farm Boy, an eastern Ontario based grocery chain which occupies a newly renovated and expanded store. Other major tenants include an IDA Pharmacy, Pet Valu Canada, McDonald's Restaurants of Canada, and M&M Meats.

#### *Grand Bend Towne Centre - 55 Main Street East, Grand Bend, Ontario*

Grand Bend Towne Centre is an existing 41,567 sq. ft. shopping centre comprised of a Sobeys grocery store, a Shoppers Drug Mart, a Pet Valu Canada and a shadow anchor LCBO located on Main Street East in downtown Grand Bend, Ontario.

#### *King George Square - 185 King George Road, Brantford, Ontario*

King George Square is a 66,715 sq. ft. retail plaza located in Brantford, Ontario. The plaza has two single storey multi-tenant retail buildings. The tenants include Shoppers Drug Mart, Dollarama, Bulk Barn and Anytime Fitness.

#### *Place Val Est - 3140 Highway 69 North, Val Caron, Ontario*

Place Val Est is a 111,147 sq. ft. food-anchored retail strip centre located in the north section of Sudbury (Valley East). The property has the dominant grocery store (Metro) in the area. The property was originally developed in 1983 and has seen many additions over the last 20 years. Tenants include a Metro grocery store, Rossy (junior department store), Dollar Tree, Royal Bank of Canada, LCBO, and Tim Hortons.

#### *Quinte Crossroads - 216 Bell Boulevard, Belleville, Ontario*

Quinte Crossroads is a 85,232 sq. ft. power centre on 14.26 acres in Belleville, Ontario. Major tenants include Best Buy, The Brick, Marks, PartSource, Bank of Montreal, and the centre is shadow anchored by The Home Depot.

#### *RONA Exeter - 265 Main Street North, Exeter, Ontario*

The Exeter RONA property is located at 265 Main Street North in Exeter, Ontario (approximately 50 kilometres northwest of London, Ontario), directly across the street from the main shopping complex servicing the local area, which houses a Canadian Tire, Your Independent Grocer and Shoppers Drug Mart, among other retailers. The retail portion of the Exeter Property has 16,000 sq. ft. of finished sales area. Additionally, the Exeter Property includes three enclosed warehouse premises, covering an aggregate of 26,780 sq. ft.

#### *RONA Seaforth - 198 Main Street South, Seaforth, Ontario*

The Seaforth RONA property is located at 198 Main Street South in Seaforth, Ontario (approximately 70 kilometres northwest of London, Ontario), just south of the Seaforth "Main Street" retail area. The retail portion of the Seaforth Property has 10,154 sq. ft. of finished sales area, and an additional enclosed warehouse area of 9,468 sq. ft. is attached to the retail building.

#### *RONA Zurich - 42 Main Street, Zurich, Ontario*

The Zurich RONA property is located at 72821 Blind Line in Zurich, Ontario (approximately 70 kilometres northwest of London, Ontario), which is just off Highway No. 84, directly east of the Zurich "Main Street"

retail area. The retail portion of the Zurich Property has 8,400 sq. ft. of finished sales area. Additionally, two warehouse buildings of 11,560 sq. ft. and 4,440 sq. ft., respectively, are located on the Zurich Property.

*St. Clair Beach Town Centre - 500 Manning Road, Tecumseh, Ontario*

St. Clair Beach Town Centre is a 38,923 sq. ft. plaza anchored by Shoppers Drug Mart located on Lake St. Clair, Tecumseh, just east of Windsor. Swiss Chalet and Harvey's and two quick service restaurants (QSR) provide another strong draw to the centre. A doctor's office, a chiropractor, and a dentist provide built in clientele for Shoppers Drug Mart.

*Timmins West Power Centre - 2125, 2161, 2158 Riverside Drive, Timmins, Ontario*

Timmins Power Centre is a 43,611 sq. ft. retail centre in Timmins, Ontario. The Timmins Power Centre is an open-air centre that benefits from the close proximity to the centre of a Canadian Tire store, Home Depot outlet and Timmins Square. The property includes two stand alone buildings and one multi-tenanted building. The current tenancies include Reitmans, MNP LLP, and Soucie Salo Safety, a retailer supporting the mining, construction, forestry, government, health care, and manufacturing in apparel, safety, and other sundry items.

*Wellington Southdale Plaza - 979-995 Wellington Road, London, Ontario*

Wellington Southdale is an 86,700 sq. ft., cinema-anchored retail strip centre located on 977-995 Wellington Road South, near the intersection of Wellington Road and Southdale Road. Wellington Road is a major arterial route through London which provides heavy exposure to vehicular traffic in excess of 40,000 vehicles per day. The total size of the property is 6.97 acres with four freestanding buildings along with a multi-tenanted building. The site benefits from five access points. Tenants include Landmark Theatres, Dollarama, assorted quick service restaurants (QSR), and Chop Steakhouse.

**Québec** (All properties are held for sale)

*Centre Le Village Shopping Centre 40-42 rue Place du Commerce, Nun's Island, Québec*

Centre Le Village is a 96,361 sq. ft. retail property anchored by a Provigo grocery store and a SAQ liquor store (SAQ), as well as a branch of the Royal Bank of Canada. Management believes that the centre also offers the opportunity to enhance income through the remerchandising of the current uses and the development of new retail pad sites.

*Centre Commercial Châteauguay - 160-180 Anjou Boulevard, Châteauguay, Québec*

Centre Commercial Châteauguay is a two-storey, 117,048 square-foot mixed-use retail property located on 160-180 Anjou Boulevard, in Châteauguay (Montréal), Québec. The property contains a total of 69,782 sq. ft. of ground level retail units and 47,266 sq. ft. of second floor office units. Centre Commercial Châteauguay is anchored by Pharma Prix (Shoppers Drug Mart) and Staples on the ground floor, and by two branches of the Québec government on the second floor.

*Place Elgar - 270-284 rue Elgar, Nun's Island, Québec*

Place Elgar is 10,121 sq. ft. retail centre located in Nun's Island near the Centre Le Village Shopping Centre and is anchored by a Couche-Tard convenience store.

*Marcel Laurin - 1605 Boulevard Marcel-Laurin, Saint Laurent, Québec*

Marcel Laurin Shopping Centre is a recently constructed 119,925 sq. ft. open-air retail property, anchored by a Metro and a Brunet. The second floor is comprised of many different types of medical offices. The centre is prominently located in the primary retail node and access roads in Saint-Laurent (Montréal), Québec.

*Méga Centre - 3610-3838 Cote-Vertu Boulevard Saint Laurent, Québec*

Méga Centre is located at the intersection of Côte-Vertu Boulevard and Rue Bégin in Saint-Laurent (Montréal), Québec and is visible from Highway 40. The total size of the Méga Centre property is approximately 19.0 acres, including 277,167 sq. ft. of rentable units and surrounding lands. Méga Centre was built in 1973 and most recently renovated in 2014. Tenants include Walmart, Brault & Martineau (Econo-Max), Michaels, Staples, L'Oreal, Tim Hortons, other restaurants and quick service restaurants (QSR). A 110,000 sq. ft. RONA store is located adjacent to the property and acts as a shadow anchor, drawing customers to Méga Centre.

*Place Desormeaux - 2877 Chemin de Chambly, Longueuil, Québec*

Place Desormeaux is an enclosed community shopping centre of 254,706 sq. ft. anchored by Walmart, Super C, SAQ, the Société de l'assurance automobile du Québec (SAAQ), and two other offices of the Société Immobilière Québec (SIQ). The property includes branches of the Bank of Montreal, the National Bank of Canada, and a Dollarama. Management believes that Place Desormeaux also offers the opportunity to enhance income through the remerchandising of the current uses and the development of new retail pad sites.

*Plaza des Seigneurs - 1080-1100 Boulevard des Seigneurs, Terrebonne, Québec*

Plaza Des Seigneurs is a three-tenant retail strip centre with a total of 20,833 sq. ft. The three tenants are the SAQ, a branch of the National Bank of Canada and Uniprix.

*Repentigny Shopping Centre - 1124 Iberville Boulevard, Repentigny, Québec*

Repentigny Shopping Centre is a 48,605 sq. ft. open-air stabilized retail centre, anchored by a Familiprix, Dollarama, and Banque Nationale Du Canada. The second floor is anchored by the CLSC, the Quebec government Local community services centres which provide common health and social services. The centre is well-located on Boulevard Iberville in Repentigny, Québec, a suburb of Montréal.

*Saint Remi Shopping Centre - 810 rue Saint-Paul, Saint Remi, Québec*

Saint Remi Shopping Centre is a 62,347 sq. ft. open-air retail property, anchored by Sobeys, Uniprix, SAQ and Tim Hortons. The centre is well-situated in a primarily residential neighbourhood in a prime retail node of Saint Remi, Québec, and located 30 minutes south of downtown Montréal. There are additional development lands which are being actively marketed.

*Shoppers Drug Mart, Gatineau - 465 Boulevard de L'Hopital, Gatineau, Québec*

The Gatineau Shopper Drug Mart was built in 2006 and has 17,028 sq. ft. of rentable area on 1.61 acres. The property occupies a prominent corner location with high traffic volume and is in immediate proximity to l'Hôpital du Gatineau and various medical buildings. It is 100% leased to Shoppers Drug Mart.

*Sorel Shopping Centre - 340 Boulevard Poliquin, Sorel-Tracy, Québec*

Sorel Shopping Centre is a 31,038 sq. ft. open-air property, anchored by SAQ and Tim Hortons. Sorel is located 45 minutes northeast of downtown Montréal. The property is well-positioned and is located adjacent to the busy Highway 30.

**Manitoba** (Held for Sale)

*Shoppers Drug Mart, Selkirk - 230 Main Street, Winnipeg, Manitoba (Held for Sale)*

The Selkirk Shoppers Drug Mart property is located at 230 Main Street, Selkirk, Manitoba. It was built in 2005 and has 16,685 sq. ft. of rentable area on 1.30 acres. The property is situated along an established retail corridor, in a suburban community approximately 34 kilometres north of Winnipeg. It is 100% leased to Shoppers Drug Mart.

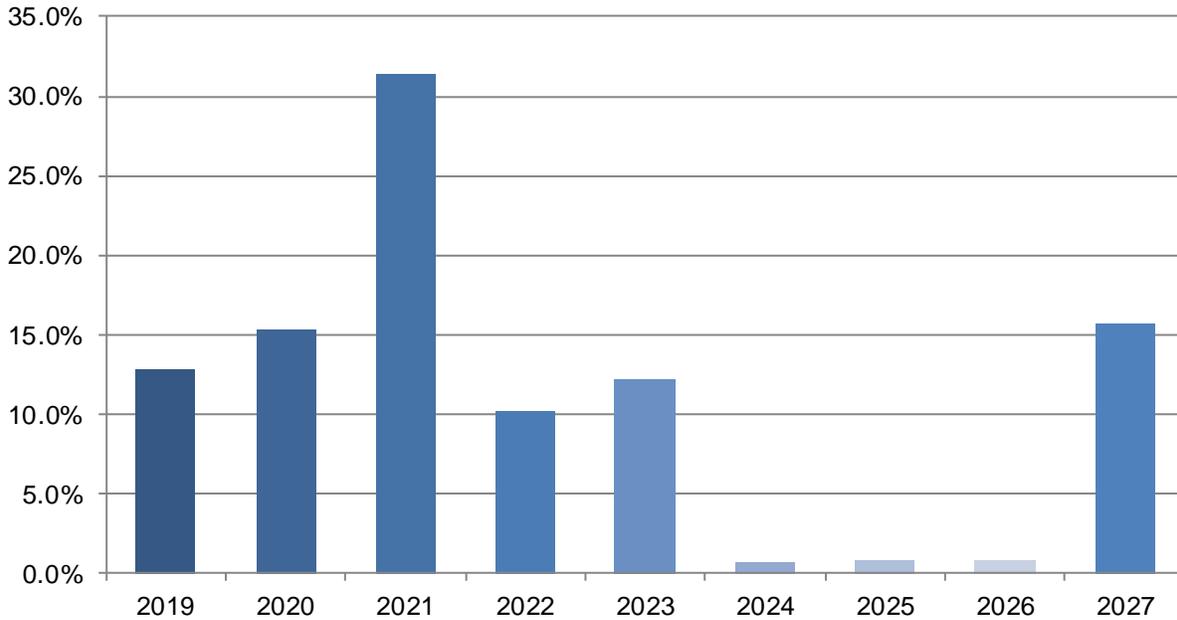
**Property Management Arrangements**

The following table summarizes the various property management arrangements in place as of December 31, 2018:

Properties Covered	Description of Property Management Arrangements
Crossing Bridge Square, Grand Bend Town Centre, King George Square, Place Val Est, Quinte Crossroads, St. Clair Beach, Timmins Power Centre, Wellington Southdale, Selkirk, Manitoba Shoppers Drug Mart, Gatineau, Québec Shoppers Drug Mart, Ontario RONA Properties (3)	Property management services are handled directly by the REIT.
Centre Le Village Shopping Centre, Place Elgar, Marcel Laurin Shopping Centre, Place Desormeaux, Repentigny Shopping Centre, St. Remi Shopping Centre, Sorel Shopping Centre, Centre Commercial Châteauguay, Mega Centre, Plaza des Seigneurs	COGIR Real Estate s.e.n.c. provides property management and leasing services for a management fee of 3.75% of gross revenues, and leasing fees ranging from 1.8% to 4% of gross rent annualized and other customary property management fees on market terms.

**Mortgages and Other Financing**

The following is a debt maturity chart for the REIT’s mortgages payable and debentures as at December 31, 2018:



Over the next two years, the REIT has approximately \$40.2 million in mortgages maturing which carry an average contractual interest rate of 3.45%. Of this balance of maturing mortgages, \$21.0 million over four properties relate to properties classified as held for sale.

### Mortgages Payable

The REIT's current weighted average term to maturity on mortgages payable is approximately three and a half years, and the weighted average contractual interest rate at December 31, 2018 was 3.68%.

Year	Principal Installment Payments	Principal Maturing	Total	Contractual Rate on Debt Maturing
2019	\$ 5,681,874	\$ 17,442,723	\$ 23,124,597	3.41%
2020	4,727,484	22,797,138	27,524,622	3.48%
2021	3,533,067	52,890,984	56,424,051	3.76%
2022	2,403,752	16,016,156	18,419,908	3.72%
2023	1,804,932	20,125,412	21,930,344	3.91%
Thereafter	5,203,240	27,382,570	32,585,810	3.67%
<b>Total</b>	<b>\$ 23,354,349</b>	<b>\$ 156,654,983</b>	<b>\$ 180,009,332</b>	<b>3.68%</b>

The REIT's objective in refinancing its property mortgages is to stagger the maturities in order to mitigate the risk of short-term volatilities in the debt markets.

### Credit Facilities

The REIT's credit facility with First National Financial matured in June 2018 and was not extended or renewed. The REIT has no credit facility as of the date of this Annual Information Form.

## INVESTMENT GUIDELINES AND OPERATING POLICIES

### Investment Guidelines

The Declaration of Trust provides for certain restrictions on investments which may be made directly or indirectly by the REIT. The assets of the REIT may be invested directly or indirectly only in accordance with the following investment guidelines:

- (a) subject to the other investment guidelines of the REIT set out below, the REIT may only invest, directly or indirectly, in:
  - (i) interests (including fee ownership and leasehold interest) in income-producing real property;
  - (ii) corporations, trusts, partnerships or other persons which principally have interests (including the ownership of leasehold interests) in income-producing real property (or activities relating or ancillary thereto); and
  - (iii) such other activities, properties or assets as are consistent with the other investment guidelines of the REIT or as may be approved by Unitholders in accordance with the terms of the Declaration of Trust;
- (b) notwithstanding anything in the investment guidelines or operating policies of the REIT, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act;

- (c) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, such as buy-sell mechanisms and provisions that limit the liability of the REIT to third parties. For purposes of this provision, a joint venture arrangement is an arrangement between the REIT and one or more other persons ("joint venturers") pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a "joint venture entity"), including without limitation a general partnership, limited partnership or limited liability company;
- (d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of Canada or of a province of Canada, short-term government debt securities, or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule I Canadian bank maturing within one year from the date of issue or except as permitted pursuant to paragraphs (a), (c), (f), (h) and (i) of these investment guidelines, the REIT may not hold securities other than:
  - (i) securities of any issuer referred to in paragraph (a) above;
  - (ii) securities of a joint venture entity;
  - (iii) securities of an entity wholly-owned by the REIT, which has been formed and operated solely for the purpose of holding a particular real property or real properties; and
  - (iv) securities of persons described in paragraph (f) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;
- (e) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (f) notwithstanding the provisions of paragraph (d) above or any other provision of the Declaration of Trust, the REIT may invest in operating businesses which are ancillary to the REIT's ownership of real property or acquire interests in limited partnerships or corporations which may operate businesses related to the REIT's real estate investments, provided that such investments would not result in the REIT failing or ceasing to qualify as a "mutual fund trust" within the meaning of the Tax Act and provided that the REIT shall use its reasonable best efforts not to be a SIFT trust;
- (g) the REIT shall not invest directly in raw land for development and ownership or for other development projects, except:
  - (i) for the purpose of renovating or expanding existing properties or facilities on adjacent properties; or
  - (ii) for the purpose of developing new properties which will be or are expected to be, upon completion, income producing, provided that the aggregate value of investments in raw land for such purpose will not, after giving effect to the proposed investment, exceed 10% of the Adjusted Unitholders' Equity;

- (h) the REIT shall invest in a mortgage or a mortgage bond (including a participating or convertible mortgage) only where:
  - (i) the real property which is security therefor is income-producing real property which otherwise meets the general investment guidelines of the REIT contained in these investment guidelines; and
  - (ii) the aggregate value of the investments of the REIT in mortgages and mortgage bonds, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;
- (i) notwithstanding any of the provisions of paragraph (h) above, the REIT may invest in any mortgage which is not a first ranking mortgage, including mezzanine financings, for purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties that would otherwise meet the investment guidelines of the REIT; provided that the aggregate value of the investments of the REIT in these mortgages, after giving effect to the proposed investments, will not exceed 20% of the Gross Book Value; and
- (j) the REIT may invest, from time to time, an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by a mortgage on such property) up to 15% of the Adjusted Unitholders' Equity of the REIT in investments which do not comply with one or more of paragraphs (d) or (g) above.

### **Operating Policies**

The Declaration of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following operating policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof; the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds* adopted by the Canadian Securities Administrators, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage and (ii) to the extent management of the REIT determines to be practicable, any written instrument which is, in the judgment of management of the REIT, a material obligation, shall contain a provision or be subject to an acknowledgement in the form provided by the Declaration of Trust;
- (c) the REIT may engage (i) in construction or development of real property in order to maintain its real properties in good repair and/or to enhance the income-producing potential of properties in which the REIT has an interest; and (ii) in the development of raw land and/or other development projects; provided that investments by the REIT in such developments are within the investment guidelines;
- (d) title to each real property shall be held by and registered in the name of the REIT, the Trustees or in the name of a corporation or other entity owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or a corporation which is a nominee of the REIT which holds registered title to such real property pursuant to a nominee agreement with the REIT;
- (e) the REIT may directly or indirectly guarantee indebtedness or liabilities of a third party, provided that such guarantee is related to the direct or indirect ownership or acquisition by

the REIT of real property that would otherwise comply with the REIT's investment guidelines and operating policies;

- (f) the REIT will obtain an independent appraisal of each property that it intends to acquire;
- (g) the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties and the cost of such coverage; and
- (h) the REIT shall obtain or review a Phase I environmental audit of each real property to be acquired by it, dated within twelve months of the proposed date of acquisition and, if the Phase I environmental audit report recommends or recommended a Phase II environmental audit be obtained, the REIT shall obtain or review a Phase II environmental audit, in each case prepared by an independent environmental consultant.

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

#### **Amendments to Investment Guidelines and Operating Policies**

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in subparagraph (b) under the heading "Operating Policies" may be amended only with the approval of at least two-thirds of the votes cast by Voting Unitholders of the REIT at a meeting of Voting Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by holders of Voting Units at a meeting of Voting Unitholders called for such purpose.

#### **RISK FACTORS**

*Income producing properties are inherently subject to certain risks and uncertainties due to their relative illiquidity and long-term nature of the investment. Partners REIT's financial results and its ability to pay monthly distributions, as may be approved by Trustees from time to time, on its outstanding units, are, therefore, dependent on the performance of its properties and by various external factors that impact the real estate industry and geographic markets in which the REIT operates. Some of the external factors that the REIT is exposed to include fluctuations in interest and inflation rates, access to debt, fulfilling legal and regulatory requirements and expansion or contraction in the economy as a whole. The REIT recently disposed of substantially all of its properties in western Canada and has announced the sale of its Quebec properties pursuant to the Quebec Sale Transaction. Completion of the Quebec Sale Transaction is subject to satisfaction of customary closing conditions. Upon completion of the Quebec Sale Transaction, the Board intends to review the REIT's strategic alternatives, which are likely to include a possible sale of either the REIT itself or its remaining properties in Ontario and Manitoba, together with a review of the appropriateness of the REIT's monthly distribution in the REIT's units. That review may result in a decision by the Board to eliminate or materially reduce the monthly distribution currently paid on the REIT's outstanding units.*

*The following is an examination of the key factors that influence Partners REIT's operations.*

#### **Risks Relating to the REIT**

##### *Industry Risk*

The REIT operates in the Canadian commercial real estate industry, and specifically within the retail asset sector. The majority of the REIT's current assets are located in Quebec, where the assets are predominately located in the greater Montreal area. There continues to be strong retailer demand for primary market locations. The remainder of the portfolio is located in Ontario plus one asset in Manitoba. Many of the REIT's Ontario assets are located in secondary or tertiary markets. In recent years, the Canadian retail real estate industry has undergone significant adverse changes that include, but are not limited to, a significant number of store closures and store count reductions. These changes have predominantly involved fashion and large format retailers, particularly in secondary and tertiary markets in Ontario and the Prairie Provinces.

The impact of these changes has been greater in the smaller, non-urban, low population growth, markets. The current economic outlook for commercial real estate in these markets is trending negatively, and the increased supply of vacant retail locations has added to the challenge of maintaining and improving rental rates.

The market for commercial retail properties has also changed in recent years, with several REITs and institutional investors having announced disposition programs. This has led to a significant increase in the supply of commercial retail properties being offered for sale in secondary and tertiary markets across Canada, and has unfavourably affected capitalization rates and valuations for these properties.

Fluctuations in commercial property market values, as well as the economic circumstances of the general industry and the retailers, can affect the terms and conditions under which financing is made available. The available financing terms and conditions may limit the REIT's ability to execute its operating and strategic plans.

#### *Investment Concentration*

If the Quebec Sale Transaction is completed, 11 of the 12 remaining properties will be located in Ontario. Any adverse economic or real estate developments in Ontario or any decrease in demand for commercial retail real estate space resulting from the local economic or business climate could adversely affect the REIT's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations. In addition, because the REIT's investments are mainly commercial retail real estate interests, the REIT will be subject to risks inherent in investments in a single industry and will not benefit from diversification by property type or geographic location. Demand for commercial retail real estate space could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of commercial retail real estate space in a particular market. In addition, under certain circumstances, some tenants are permitted under the terms of their leases to cease business operations at the premises leased to them provided that they continue to pay the same rent for such premises. While such clauses are not uncommon in leases with key tenants of commercial retail properties, if any key tenant were to cease business operations at the premises leased to them, it could have a material adverse effect on the relevant property. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the REIT's rental revenue from any of its properties at the expiry of the initial terms of any leases. Any such decrease could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

### *Restrictive Covenants*

Mortgage indebtedness and/or other credit facilities obtained by the REIT will contain covenants, including limitations on the REIT's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. In addition, mortgage indebtedness and other credit facilities will contain limitations on the REIT's ability to transfer or encumber the mortgaged properties without lender consent. These provisions may restrict the REIT's ability to pursue business initiatives or acquisition transactions that may be in its best interest. They also may prevent the REIT from selling properties at times when, due to market conditions, it may be advantageous to do so. In addition, failure to meet any of the covenants could cause an event of default under and/or acceleration of some or all of the REIT's indebtedness, which could have a material adverse effect on the REIT.

### *Occupancy and Rental Rates*

Delays in lease renewals of properties and/or increase in asset or market vacancies would reduce the REIT's revenues and could adversely affect its operating performance. In addition, lower than expected rental rates could adversely affect the REIT's rental revenues.

### *Interest Rate and Financing Risk*

The REIT attempts to stagger the maturities of its debt portfolio to effectively manage both interest rate and liquidity risks. As the REIT re-finances its existing mortgages at maturity, management seeks to obtain new financing terms that provide more balance to the current maturity profiles.

The REIT has an ongoing obligation to access debt markets to refinance maturing debt as it becomes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions that are acceptable to Partners REIT or on any terms at all.

There is interest rate risk associated with the certain variable rate mortgages since the interest rates are impacted by changes in the bank rate. There is also interest rate risk associated with the REIT's fixed interest rate and term mortgages due to the expected requirement to refinance such debts in the year of maturity. The following table outlines the impact to the REIT's annual interest expense and therefore net income, if interest rates at December 31, 2018 would have been 100 basis points higher or lower, calculated on all debts maturing over the next 24 months, with all other variables held constant.

	Approximate Change in Annual Interest Expense		Approximate Change in Interest Expense per Unit per Annum	
Mortgages	\$	402,399	\$	0.009

Partners REIT's strategy to mitigate interest rate price risk for its variable rate mortgages is to enter into interest rate swap arrangements when deemed necessary. As at December 31, 2018, Partners REIT has three mortgages whereby the Lender has imbedded swap agreements to fix the interest rate. Partners REIT does not use swaps for speculative purposes.

### *Credit Risk*

Credit risk arises primarily from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, and by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant.

The maximum credit risk exposure at December 31, 2018 relates to the carrying value of the accounts receivable balance without taking into consideration any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from tenants. The REIT establishes an allowance for doubtful accounts that represents the estimated loss in respect of rents

receivable. This amount is determined on a tenant by tenant basis based on the specific tenant related factors.

For cash and cash equivalents, accounts receivable and other short-term assets, Partners REIT's credit risk is limited to the carrying value on the statements of financial position. To reduce credit risk, cash and cash equivalents are only held at major financial institutions.

#### *Financing with Significant Unitholder*

The REIT has two property mortgage arrangements with an institutional lender, in which a significant unitholder of the REIT (with over 20% of the outstanding units) has a significant interest. In total, the REIT has mortgages with this financial institution on 2 of its 23 properties representing, by aggregate dollar value, approximately 10% of the total outstanding property mortgages (December 31, 2017 - approximately 30% over 7 properties).

#### *Liquidity Risk*

The REIT's main liquidity requirements arise from on-going working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures and distributions to Unitholders, as such distributions may be approved by the Board of Trustees from time to time. All of these liquidity requirements, except for debt repayment obligations, are generally funded from cash flows from operations or from drawing on existing cash (\$3.1 million at December 31, 2018). Property debt repayment obligations are generally funded from obtaining debt re-financing on maturing mortgages.

The REIT manages its liquidity risk by:

- staggering the maturities of its mortgages;
- planning capital spending around the availability of cash from operations or debt/equity funding; and
- reviewing the current liquidity position and forecasted cash flows in advance of the approval of the monthly distributions.

The REIT expects to generate sufficient cash from operations, financing(s) and disposition(s) activities that will provide sufficient funds for the REIT to meet its operational requirements, debt obligations, capital spending plans and the distributions to Unitholders, as may be approved by Trustees from time to time.

The REIT's financial condition and ability to meet its financial obligations would be adversely affected if it were unable to obtain additional financing either upon re-financing of its maturing obligations or from other financing sources, or if it were unable to meet its other liquidity requirements from on-going operating cash flows. Obtaining replacement capital through new debt financing, new equity raises, the sale of property(s), or any combination of these options will be essential to ensuring the REIT's continued financial flexibility.

#### *Risks Relating to Current Economic Conditions*

Canadian real estate investment trusts are subject to risks generally incident to the Canadian real estate, credit, capital, interest rates and financial markets. Global economic conditions and global financial liquidity conditions have resulted in persistent interruptions in the credit and capital markets, devaluations of assets directly or indirectly linked to the Canadian real estate finance markets and the concurrent elimination of long and short-term liquidity from the capital markets.

Sensitivity to the global economic conditions and their impact in Canada, may negatively affect the income received from the REIT's real property assets. Increased vacancy rates and difficulties re-leasing properties, commonly associated with recessionary economic conditions, may occur and may adversely affect the income received from the REIT's real property assets. All of these conditions could have an adverse effect on the REIT including causing an event of default under any of the REIT's mortgage indebtedness.

#### *Litigation*

In addition to the litigation claims described under *Legal Proceedings and Regulatory Actions*, the REIT may become subject to disputes with tenants or other commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the REIT and the other parties. Whether or not any dispute actually proceeds to litigation, the REIT may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the REIT's business. Any such resolution could involve the payment of damages or expenses by the REIT, which may be significant. In addition, any such resolution could involve the REIT's agreement to certain settlement terms that restrict the operation of its business.

#### *Tax Risks Related to the REIT's Tax Status*

If the REIT does not qualify or ceases to qualify as a "mutual fund trust" under the Tax Act, adverse consequences may arise including that: (i) the REIT may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the REIT would be reduced and Unitholders may otherwise be adversely affected) and, (ii) if at such time the Units are also not listed or cease to be listed on the TSX (or other prescribed stock exchange), the Units may not be or may cease to be qualified investments for Plans (with the result that a Plan or its annuitants may become liable to pay additional tax or penalties or may be otherwise adversely affected).

The Tax Act contains 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 REIT will not be considered a SIFT trust, and therefore will not be subject to tax under the SIFT Rules, for a taxation year if it satisfies the REIT Exception for that year. The REIT's qualification for the REIT Exception under the SIFT Rules will depend upon the REIT's ability to meet and the REIT meeting, through actual annual operating results, the various REIT conditions imposed by the SIFT Rules. If the REIT does not qualify or ceases to qualify as a "real estate investment trust" under the REIT Exception, adverse consequences could arise including that a non-deductible distributions amount would be taxable to the REIT (with the result that the amount of cash available for distribution by the REIT would be reduced) and such amount would also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends.

There can be no assurances that Canadian federal income tax laws respecting the treatment of mutual fund trusts and of REITs will not be changed, or that administrative and assessing practices of the CRA will not change or develop, in a manner which adversely affects the REIT or its Unitholders.

#### *Other Tax Related Risks*

The tax treatment of investment and real estate activities has a material effect on the advisability of an investment in the Units.

The after-tax return from an investment in Units to Unitholders who are subject to Canadian income tax can be made up of both a return on and a return of capital and will depend, in part, on the composition for tax purposes of distributions paid by the REIT (portions of which may be fully or partially taxable or may be tax deferred). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders. Subject to the SIFT Rules and the REIT qualifying for the REIT Exception, income (i.e. return on capital) is generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Amounts in excess of the income of the REIT that are paid or payable by the REIT to a Unitholder (i.e. returns of capital) are generally non-taxable to a Unitholder (and reduce the Unitholder's cost base in the Unit for tax purposes). The extent to which distributions will be tax deferred in the future as returns of capital will depend on the extent to which the REIT can shelter its taxable income by claiming capital cost allowances and other available deductions. Unitholders are advised to consult their own tax advisers with respect to the implications of the foregoing in their own circumstances.

As the Declaration of Trust provides that the REIT shall, subject to the Trustees resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate the REIT's liability for tax under Part I of the Tax Act, where the amount of net income and net

realized capital gains of the REIT in a Taxation Year (as defined in the Tax Act) exceeds the cash available for distribution in the year, such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

There can be no assurances that Canadian federal income tax laws relevant to the REIT and its investors will not be changed, or that administrative and assessing practices of the CRA will not change or develop, in a manner which adversely affects the REIT or its investors.

Investors should consult their own professional advisors as to the tax consequences to them of making an investment in and of holding, Units.

## **Risks Related to the Structure of the REIT**

### *Cash Distributions Are Not Guaranteed*

Although the REIT currently has historically made monthly cash distributions of income to the Unitholders, such cash distributions are not guaranteed. In November 2018, the monthly distribution was reduced from the annualized rate of \$0.25 per unit to \$0.18 per unit.

If the Quebec Sale Transaction is completed, the Board will consider the payment of a special cash distribution to all unitholders of a portion of the net cash proceeds from the sale of the Quebec properties. The Board will determine the amount of that special cash distribution in due course based upon, among other things, the ongoing cash requirements of the REIT.

In the event that the Quebec Sale Transaction is completed, the Board will review the appropriateness of Partners' current normal monthly distribution of \$0.015 per unit (\$0.18 per unit annually), including whether such distribution should be reduced or discontinued in light of the smaller size of the remaining portfolio and other relevant factors.

### *Structural Subordination of Units*

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the REIT and those subsidiaries before any assets are made available for distribution to the Unitholders. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the REIT and its subsidiaries. Neither the REIT nor any of its subsidiaries will be limited in its ability to incur additional secured or unsecured indebtedness.

### *Dilution*

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time and the interests of the holders of Units may be diluted thereby.

### *Limited Public Market*

The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will be maintained or, if maintained, that such a market will be sustained. A publicly traded REIT will not necessarily trade at values determined solely by reference to the underlying value of its assets.

## **Risks Relating to Real Property Ownership**

### *Government Regulation and Environmental Matters*

The REIT is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions.

Partners REIT is subject to various federal, provincial and municipal laws and regulations relating to environmental matters, which deal primarily with the costs of removal and remediation of hazardous substances. Environmental risk is relevant to the REIT's ability to sell or finance affected assets and could potentially result in liabilities for removal and remediation or legal claims against the REIT. Management frequently engages third party environmental consulting firms to assess a property, particularly in connection with acquisition and re-financings. Management is not aware of any material non-compliance with environmental laws or regulations at any of the REIT's properties, or of any pending or threatened actions, investigations or claims against the REIT relating to environmental matters.

### *Uninsured Losses*

The Declaration of Trust requires that the REIT obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, acts of terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the REIT could lose its investment in and anticipated profits and cash flows from, the affected property, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such property. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the insurance coverage could have a material adverse effect on the REIT's business, financial condition or results of operations and distributions.

## **DISTRIBUTIONS**

### **Distribution Policy**

The amount of the REIT's cash distributions is determined by, or in accordance with, guidelines established from time to time by 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 REIT will not be liable to pay income tax under Part I of the Tax Act for such year. The Trustees of the REIT have discretion in declaring distributions and review these distributions on a regular basis. Distributions are paid monthly in the month following declaration.

For the financial year ended December 31, 2018, the REIT declared distributions to Unitholders totalling \$1.1083 per Unit. The monthly distributions declared by the REIT in each month during the fiscal year are shown below. On October 24, 2018 the REIT announced that it would make an approximately \$40 million special distribution to Unitholders and this \$0.8700 per Unit was paid in November. The monthly distribution was reduced in November from the annualized rate of \$0.25 per unit to \$0.18 per Unit.

Period	2018 (\$/unit)
Monthly	Jan – Oct \$0.02083 Nov – Dec \$0.01500
Special	\$0.8700
Annual	\$1.1083

Upon the completion of the Quebec Transaction in April 2019, the Board will review the appropriateness of the REIT's current normal monthly distribution of \$0.015 per unit, including whether such distribution should be reduced or discontinued due to the smaller size of the REIT's remaining property portfolio and other relevant factors.

### **Distribution Reinvestment and Optional Unit Purchase Plan**

Until November 2018, the REIT had a Distribution Reinvestment Plan to permit eligible Unitholders to reinvest monthly Distributions in additional Units as well as an Optional Unit Purchase Plan. Both Plans were terminated effective with the November 2018 distribution.

Prior to the termination of the Distribution Reinvestment and Optional Unit Purchase Plan, to the extent permitted by applicable law and regulatory rulings, a participating Unitholder had the option to purchase Units with additional cash payments, provided that Optional Cash Payments by any Plan Participant were not be less than \$1,000 per Distribution Payment Date and not more than \$12,000 per calendar year. Plan Units were issued directly from the treasury of the REIT at a price based on the volume-weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Plan Participants received "bonus units" in an amount equal in value to 3% of each cash distribution.

### **DECLARATION OF TRUST**

The REIT is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as last amended and restated on December 10, 2018 and governed by the laws of the Province of Ontario. Although the REIT qualifies as a "mutual fund trust" as defined in the Tax Act, the REIT is not a "mutual fund" as defined by applicable securities legislation. The following summary does not purport to be complete with respect to the attributes of the Units and certain provisions of the Declaration of Trust. The following summary is qualified by reference to the terms of the Declaration of Trust, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the REIT's website at [www.partnersreit.com](http://www.partnersreit.com).

#### *Rights of Unitholders*

The rights of the Unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies an investor would have as a shareholder of a corporation governed by the OBCA, significant differences exist, some of which are described below. Many OBCA requirements relating to the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of an OBCA corporation and to elect the Trustees and appoint the auditors of the REIT. The Declaration of Trust also includes provisions comparable to those of the OBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees and procedures at such meetings and the right of Voting Unitholders to participate in the decision-making process when certain fundamental actions are proposed. The matters in respect of which Voting Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on shareholders of an OBCA corporation. Such Voting Unitholder approval rights are supplemented by securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the Exchange.

The Declaration of Trust contains "conflicts of interest" provisions similar to those contained in the OBCA that serve to protect Unitholders without creating undue limitations on the REIT. See "Trustees and Officers

— Board of Trustees — Conflict of Interest Restrictions and Provisions”. Unitholders do not have recourse to dissent rights under which shareholders of an OBCA corporation are entitled to receive the fair value of their shares if certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the REIT are entitled to receive, subject to certain conditions and limitations, their pro rata share of the REIT’s net assets through the exercise of the redemption rights provided by the Declaration of Trust as described under “Redemption Right” below. Unitholders similarly do not have recourse to the statutory oppression remedy available to shareholders of an OBCA corporation where a corporation’s actions are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of an OBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in such circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust, which permit the dissolution of the REIT pursuant to a special resolution. Shareholders of an OBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of a corporation and its affiliates is carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not allow Unitholders to pass resolutions appointing an inspector to investigate the Trustees’ performance of their responsibilities and duties. The OBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the REIT.

#### *Meetings of Voting Unitholders*

The Declaration of Trust provides that meetings of Voting Unitholders will be required to be called and held annually on a day on or before June 30 in each year, at a time and at a place in Canada set by the Trustees, for the purpose of (a) presenting the audited financial statements of the REIT for the immediately preceding fiscal year; (b) appointing Trustees; (c) appointing auditors of the REIT; and (d) transacting such other business as the Trustees may determine or as may be properly brought before the meeting.

A meeting of Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the Voting Unitholders representing not less than 10% of the votes attached to all outstanding Voting Units.

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Voting Units shall constitute a quorum for the transaction of business at all such meetings.

#### *Advance Notice Provisions*

The Declaration of Trust includes certain advance notice provisions (the “Advance Notice Provisions”), which will facilitate orderly and efficient annual or special meetings, ensure that Unitholders receive adequate notice of trustee nominations and sufficient information with respect to all nominees and to allow Unitholders to register an informed vote.

Only persons who are nominated in accordance with the Advance Notice Provisions and otherwise in accordance with the other provisions of the Declaration of Trust shall be eligible for election as trustees of the REIT. Nominations of persons for election as trustees of the REIT may be made at any annual meeting of Unitholders (or at any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of trustees) only as follows: (i) by or at the direction of the Trustees, including pursuant to a notice of meeting; (ii) by or at the direction or request of one or more Unitholders pursuant to subsection 12.1(3) of the Declaration of Trust; or (iii) by any person (a “Nominating Unitholder”): (A) who, at the close of business on the date of the giving of the notice provided for the Advance Notice Provisions and on the record date for notice of such meeting, is entered in the securities register of the REIT as a

holder of one or more Units carrying the right to vote at such meeting or who beneficially owns units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in the Advance Notice Provisions.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written in accordance with the Advance Notice Provisions.

To be timely, a Nominating Unitholder's notice to the chairman of the REIT must be made: (a) in the case of an annual meeting of Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is called for a date that is less than 50 days after the date on which the first public announcement (as defined below) of the date of the annual meeting was made (the "Notice Date"), notice by the Nominating Unitholder may be made not later than the close of business on the tenth (10th) day following the later of (i) the Notice Date and (ii) the first public announcement of the amendment to the Declaration of Trust pursuant to which the Advance Notice Provisions became part of the Declaration of Trust; and (b) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing trustees (whether or not called for other purposes), notice by the Nominating Unitholder may be made not later than the close of business on the fifteenth (15th) day following the later of (i) the day on which the first public announcement of the date of the special meeting of Unitholders was made and (ii) the first public announcement of the amendment to the Declaration of Trust pursuant to which the Advance Notice Provisions became part of the Declaration of Trust.

The chairman of the REIT shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the Advance Notice Provisions and, if any proposed nomination is not in compliance with such Advance Notice Provisions, to declare that such defective nomination shall be disregarded. In such event the chairman will provide prompt notice to the Nominating Unitholder.

Notwithstanding any of the Advance Notice Provisions, the Trustees may, in their sole discretion, waive any requirement of the Advance Notice Provisions.

#### *Amendments to Declaration of Trust*

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by special resolution at a meeting of the Voting Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast in respect of the amendment at a meeting of the Voting Unitholders called for such purpose. The Trustees may, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Trustees or the REIT, (ii) the status of the REIT as a "mutual fund trust" under the Tax Act, or (iii) the distribution of Voting Units and to the extent reasonably practicable, ensuring the REIT will not be a SIFT Trust for the purposes of the SIFT Rules or any final legislation implementing the SIFT Rules;
- (b) which, in the opinion of the Trustees, provide additional protection or added benefits for the Voting Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;

- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in generally accepted accounting principles (including accounting guidelines) or taxation or other laws or the administration or enforcement thereof;
- (e) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis; or
- (f) for any purpose (except one in respect of which a vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

In no event will the Trustees amend the Declaration of Trust if such amendment would amend Voting Unitholders' voting rights, cause the REIT to fail to qualify as a "mutual fund trust", "real estate investment trust" or "unit trust" under the Tax Act and use its best efforts not to be a SIFT Trust except where the Trustees determine that the Trust's status as a SIFT Trust would be temporary in nature and would not have adverse tax consequences to holders of Units.

### **DESCRIPTION OF CAPITAL STRUCTURE**

The REIT is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as last amended and restated on December 10, 2018 and governed by the laws of the Province of Ontario.

#### *Units and Special Voting Units*

As of December 31, 2018, there were 46,079,673 issued and outstanding Units and no issued and outstanding Special Voting Units.

The beneficial interests in the REIT are divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in the REIT, in any distributions from the REIT whether of net income, net realized capital gains or other amounts and in the net assets of the REIT in the event of a termination or winding-up of the REIT. Units are not subject to future calls or assessments and entitle a holder thereof to one vote for each whole Unit held at all meetings of Voting Unitholders or in respect of any written resolution of Voting Unitholders. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Special Voting Units may only be issued in connection with or in relation to securities exchangeable, directly or indirectly, for Units in each case for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Currently, there are no Special Voting Units outstanding. However, if the Trustees so determine, Special Voting Units may be issued in the future in conjunction with and will be attached to Exchangeable Securities to which they relate and will be evidenced only by the certificates representing such Exchangeable Securities. Special Voting Units will not be transferable separately from the Exchangeable Securities to which they are attached. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Exchangeable Security to which it is attached. Upon the exchange, redemption or conversion of an Exchangeable Security for Units, the Special Voting Unit that is attached to such Exchangeable Security will immediately be cancelled without any further action of the Trustees and the former holder of such Special Voting Unit will cease to have any rights with respect thereto. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of Voting Unitholders. Any exchange agreement entered into in respect of Special Voting Units will be subject to the requirements of the TSX.

Fractions of Units may be issued, including pursuant to distributions of additional Units to all Unitholders. No certificates will be issued for fractional Units. Fractional Units shall not, except to the extent that they

may represent in the aggregate one or more whole Units, entitle the holder thereof to notice of, or to attend or to vote at meetings of Unitholders. Subject to the foregoing, fractions of Units will carry the rights and be subject to the provisions hereof applicable to whole Units in the proportion that they bear to one Unit. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of such act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

#### *Purchases of Units*

The REIT may from time to time purchase Units (or other securities of the REIT which may be issued and outstanding from time to time) for cancellation in accordance with the requirements of applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies.

#### *Redemption Right*

Units are redeemable at any time on demand by the Unitholders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed.

#### *Issuance of Units*

Subject to the investment guidelines and operating policies of the REIT, the REIT may issue new Units and other securities of the REIT (including Special Voting Units issued in conjunction with the issuance of Exchangeable Securities) from time to time, in such manner, for such consideration and to such person, persons or class of persons as the Trustees shall determine. Unitholders do not have any pre-emptive rights whereby securities proposed to be issued are first offered to existing Unitholders.

Any income of the REIT that is unavailable for cash distribution will, to the extent necessary to ensure that the REIT does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, the number of Units held by a Unitholder prior to the non-cash distribution will be deemed to represent the same number of Units held by the Unitholder after the non-cash distribution and the consolidation. Where amounts so distributed represent income, Non-Resident Unitholders will be subject to withholding tax and the consolidation will not result in such Non-Resident Unitholders holding the same number of Units.

#### *Limitation on Ownership*

The REIT will not be considered a “mutual fund trust” under the Tax Act 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. Accordingly, the Declaration of Trust and the Indenture provide that the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. The Trustees may require the REIT to refuse to accept a subscription for securities of the REIT (including Units) from a beneficial owner or require beneficial owners to sell Units, or issue or register a transfer of securities of the REIT unless the person provides a declaration that the securities of the REIT are not owned by a Non-Resident.

### *Information and Reports*

The REIT will furnish to Voting Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Voting Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each annual or special meeting of Voting Unitholders, the Trustees will provide the Voting Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the OBCA. In preparing its management's discussion and analysis of financial results, the REIT will provide, to the extent possible, comparative financial information.

### *Transfer and Exchange of Units*

Transfers of beneficial ownership of Units represented by Global Unit Certificates will be effected through records maintained by the depository for such Global Unit Certificates or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT elects, in its sole discretion, to prepare and deliver definitive Unit certificates, Beneficial Owners who are not participants in the depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Unit Certificates, may do so only through participants in the depository's system.

The ability of a Beneficial Owner of an interest in a Unit represented by a Global Unit Certificate to pledge the Unit or otherwise take action with respect to such owner's interest in the Unit represented by a Global Unit Certificate (other than through a participant) may be limited due to the lack of a physical certificate.

## **MARKET FOR SECURITIES**

### **Units**

The Units are listed and posted for trading on the TSX under the symbol "PAR.UN". 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.

<b>2018</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (#)</b>
January	3.03	2.96	652,858
February	3.09	2.92	402,167
March	3.04	2.9	242,642
April	3.11	2.91	499,792
May	3.06	2.98	213,652
June	3.07	2.98	277,296
July	3.05	2.97	317,204
August	3.05	2.96	184,942
September	3.14	2.95	342,412
October	3.13	2.98	281,596
November	3.39	2.08	927,274
December	2.22	2.04	546,516

### **Series 3 Debentures**

The following table sets forth, for the period indicated, the reported high and low closing trading prices and aggregate volume of trading of the Series 3 Debentures previously listed and posted for trading on the TSX under the symbol "PAR.DB.B". The REIT redeemed the outstanding Series 3 Debentures on January 22, 2018.

	High (\$)	Low (\$)	Volume (#)
January, 2018	100.70	82.50	70,203

## GOVERNANCE OF THE REIT

### Board of Trustees

#### *General*

The investment guidelines and operating policies of the REIT are subject to the control and direction of the Board of Trustees, a majority of whom must be resident Canadians and a majority of whom must be Independent Trustees.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the OBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### *Conflict of Interest Restrictions and Provisions*

The Declaration of Trust contains “conflict of interest” provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the OBCA, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to (i) his or her remuneration as a Trustee, director or officer of the REIT or a subsidiary thereof, or (ii) insurance or indemnity.

#### *Mandate of the Board of Trustees*

The role of the REIT’s Board of Trustees is one of stewardship and oversight of the REIT and its business. The Board of Trustees is responsible for overseeing management and approving major decisions. In fulfilling its mandate, the Board of Trustees is responsible, among other things, for: (i) participating in the development of and approving the strategy of the REIT; (ii) identifying and managing risk exposure; (iii) ensuring the integrity and adequacy of the REIT’s internal controls and management information systems; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management of the REIT; (vi) assessing the performance of management; (vii) reviewing the REIT’s debt management strategy; (viii) succession planning; (ix) ensuring effective and adequate communication with the Unitholders and other stakeholders as well as the public at large; and (x) establishing committees of the Board of Trustees, where required or prudent and defining their mandate.

#### *Relationship of the Board of Trustees and Management*

The REIT’s Board of Trustees has in place appropriate structures to ensure that it can function independently of management, including the requirement that all committees, with the exception of the Audit Committee, be comprised of a majority of Independent Trustees. The Audit Committee is comprised entirely of Independent Trustees.

The responsibilities of the Chair of the Board of Trustees includes overseeing the Board of Trustees' discharge of its responsibilities. The Chair's role and responsibility is to manage the affairs of the Board of Trustees and monitor its effectiveness.

Management's responsibilities are determined by the REIT's Board of Trustees. All major policy decisions relating to the business of the REIT are made by the Board of Trustees or a committee thereof.

#### *Governance Committee*

The REIT's Governance Committee is currently comprised of three Independent Trustees. The Governance Committee consists of C. Ian Ross, Allan Kimberley and Michael Woollcombe, with Mr. Ross serving as Chair. The Governance Committee is responsible for assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees, assessing the performance of management and overseeing the recruitment and selection of candidates.

#### *Audit Committee*

The REIT's Audit Committee is currently comprised of four Independent Trustees. The Audit Committee consists of Colin Chapin, C. Ian Ross, Allan Kimberley and Michael Woollcombe, with Mr. Chapin serving as Chair. All members of the Audit Committee are financially literate. The Audit Committee assists the Trustees in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the REIT, the adequacy of internal accounting controls and procedures and the quality and integrity of financial statements of the REIT. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors to be appointed by the holders of Voting Units. The Audit Committee charter is set out in Schedule A to this AIF.

<b>Audit Committee member</b>	<b>Relevant Education and Experience</b>
Colin Chapin, Chair	<ul style="list-style-type: none"> <li>• Finance executive with over 35 years' experience in private equity, public company and professional firm environments.</li> <li>• Chief Financial Officer of the Stronach Group</li> <li>• Former Chief Financial Officer and Secretary of Trizec Canada Inc.</li> <li>• Former Tax Partner at PwC (formerly Coopers &amp; Lybrand) where he specialized in international, M&amp;A and insolvency related tax matters.</li> <li>• Serves on the board of the Corporation of Massey Hall &amp; Roy Thompson Hall (Audit, Property, and Building Committees)</li> </ul>
Allan Kimberley	<ul style="list-style-type: none"> <li>• Trustee of Minto Apartment REIT, a director of Orlando Corporation and a member of the board of Ontario Science Centre</li> <li>• Bachelor of Commerce from McMaster University and a Masters of Business Administration degree from University of Toronto.</li> <li>• Audit committee member of other entities and previous Vice-Chair and Managing Director at CIBC World Markets Inc.</li> </ul>
Michael Woollcombe	<ul style="list-style-type: none"> <li>• Executive Vice-President of VC &amp; Co. Incorporated and a Partner of Voorheis &amp; Co. LLP since 1997, providing strategic and other advice to investors in undervalued, underperforming or mismanaged Canadian public and private companies and in other special situations.</li> <li>• President of VWK Capital Management Inc., the investment manager for VWK Partners Fund LP.</li> <li>• Former director of various Canadian publicly traded and private companies.</li> </ul>

Audit Committee member	Relevant Education and Experience
C. Ian Ross	<ul style="list-style-type: none"> <li>• Senior Director, Administration at the Richard Ivey School of Business at the University of Western Ontario from 1997 to September 2003</li> <li>• Audit committee member with various entities including serving as the Chair of the Audit Finance and Risk Committee of the Nuclear Waste Management Organisation until 2017.</li> </ul>

The Board has determined that each member of the Audit Committee is “independent” and “financially literate” as defined in Multilateral Instrument 52-110 – *Audit Committees*.

**Reliance on Certain Exemptions**

At no time since May 10, 2007 (the date of formation of the REIT) has the REIT relied on any exemptions set forth in National Instrument 52-110 — *Audit Committees*.

**Pre-approval Policies and Procedures**

The Audit Committee approves, on a case by case basis, all non-audit services provided to the REIT thereof by the REIT’s external auditors.

**External Auditor Service Fees (By Category)**

The fees paid or payable by the REIT to KPMG LLP, the REIT’s current external auditors, for the periods noted below for audit and non-audit services were as follows:

	2018	2017
<b>KPMG LLP</b>		
Audit Fees <sup>(1)</sup>	\$146,250	\$198,570
Audit-Related Fees <sup>(2)</sup>	\$117,988	\$114,367
Tax Fees <sup>(3)</sup>	\$45,716	\$47,036
All Other Fees <sup>(4)</sup>	\$44,440	\$10,000
<b>Subtotal .....</b>	<b>\$354,394</b>	<b>\$369,973</b>

	<u>2018</u>	<u>2017</u>
<b>Grant Thornton LLP</b>		
Audit Fees <sup>(1)</sup>	\$0	\$0
Audit-Related Fees <sup>(2)</sup>	\$67,766	\$68,182
Tax Fees <sup>(3)</sup>	\$0	\$0
All Other Fees <sup>(4)</sup>	\$0	\$0
<b>Subtotal</b> .....	<u>\$67,766</u>	<u>\$68,182</u>
	<u>2018</u>	<u>2017</u>
<b>Total Audit Fees</b> .....	<u>\$422,160</u>	<u>\$438,154</u>

Notes:

- (1) This category is intended to capture all fees in respect of services performed in order to comply with Canadian generally accepted auditing standards (“GAAS”). In some cases, these may include an appropriate allocation of fees for tax services or accounting consultations, to the extent such services were necessary to comply with GAAS.
- (2) This category generally consists of fees in respect of assurance and related services reasonably related to the performance of the audit or review of the financial statements not reported under “audit fees”. Included are such things as employee benefit plan audits, due diligence relating to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.
- (3) This category includes all fees in respect of services performed by the auditors’ tax professionals, except those services required in order to comply with GAAS which are included under “audit fees”.
- (4) This category captures fees in respect of all services not falling under any of the foregoing three categories. Included are amounts incurred with regard to common area maintenance audits for properties owned by the REIT.

*Investment Committee*

The REIT’s Investment Committee is currently comprised of two independent Trustees, Allan Kimberley and Grant Anthony as well as one management Trustee, Jane Domenico, with Mr. Kimberley serving as Chair. The Investment Committee is responsible for assessing the investment and strategic options of the REIT.

**Trustees and Officers**

The following table sets forth the name of each Trustee and executive officer of the REIT as of the date of this Annual Information Form, their province or state and country of residence, their position(s) with the REIT, their principal occupation during the preceding five years, the date they first became a trustee and the number of Securities held, directly or indirectly, by such Trustee or officer of the REIT.

<b>Name and Residence and Position(s) with the REIT</b>	<b>Principal Occupation During Past Five Years</b>	<b>Trustee<sup>(1)</sup>/ Officer Since</b>	<b>Number of Securities Owned/ Controlled</b>	<b>Number of Deferred Units</b>
<p><b>Grant Anthony</b><sup>(4)</sup> Port McNicoll, Ontario</p> <p>Trustee</p>	<p>Mr. Anthony is President of privately-held Binscarth Holdings LP, and previously held executive positions with its predecessor entities. Binscarth Holdings LP owns and manages over 3 million sq. ft. of industrial, medical, office and other properties in the GTA and surrounding areas. Mr. Anthony has also been a licenced commercial realtor focussed on diversified investment properties across Southern Ontario.</p>	Trustee since March 2017	7,235,486 Units	64,153 Units
<p><b>Colin Chapin</b><sup>(6)</sup> Toronto, Ontario</p> <p>Trustee</p>	<p>Mr. Chapin is the Chief Financial Officer of The Stronach Group. He was previously an advisor, predominantly focused on real estate to a highly respected Canadian entrepreneur and philanthropist from 2016 to 2018. Prior to this he was an advisor and shareholder representative in respect of numerous real estate related private equity investments.</p>	Trustee since July 2018	Nil	19,237 Units
<p><b>Allan Kimberley</b><sup>(2)(3)(8)</sup> Toronto, Ontario</p> <p>Trustee</p>	<p>Mr. Kimberley is a Trustee of Minto Apartment REIT, a director of Orlando Corporation and a member of the board of the Ontario Science Centre. He was previously Vice Chairman and Managing Director of Investment Banking, Real Estate at CIBC World Markets Inc., where he worked from 1996 to 2014.</p>	Trustee since June 2015	64,741 Units	69,037 Units
<p><b>C. Ian Ross</b><sup>(2)(5)(7)</sup> Collingwood, Ontario</p> <p>Trustee</p>	<p>Mr. Ross is a corporate director and currently serves as a director and chairman of Cathay Forest Products Corp., GrowthWorks Canadian Fund Ltd. and GrowthWorks Commercialization Fund Ltd. Mr. Ross also serves as a director of Clearford Water Systems Inc. and the Nuclear Waste Management Organization until 2017. Mr. Ross served as a director Ontario Power Generation from December 2003 to April 2014.</p>	Trustee since June 2015	13,333 Units	69,207 Units
<p><b>Michael Woollcombe</b><sup>(2)(3)</sup> Toronto, Ontario</p> <p>Trustee</p>	<p>Mr. Woollcombe has been the Executive Vice-President of VC &amp; Co. Incorporated and a Partner of Voorheis &amp; Co. LLP since 1997. He is also President of VWK Capital Management Inc.</p>	Trustee since June 2018	Nil	22,391 Units

<b>Name and Residence and Position(s) with the REIT</b>	<b>Principal Occupation During Past Five Years</b>	<b>Trustee<sup>(1)</sup>/ Officer Since</b>	<b>Number of Securities Owned/ Controlled</b>	<b>Number of Deferred Units</b>
<b>Jane Domenico<sup>(4)</sup></b> Toronto, Ontario  Trustee, President and Chief Executive Office	Ms. Domenico has served as the REIT's President and Chief Executive Officer since July 2015. Prior to this appointment, Ms. Domenico held the positions of acting Chief Executive Officer of the REIT between May, 2014 and July, 2015, Chief Operating Officer of the REIT between February, 2014 and July, 2015. and Vice President of Asset Management between May 2013 and February, 2014. Ms. Domenico was Vice President, Asset Management Triovest Realty Advisors Inc. and its predecessor company, Redcliff Realty Advisors Inc. from 2008 to 2012.	Trustee 2014-2015 and since May 2016, CEO since July 2015; prior to that acting CEO since May 2014 and COO since February 2014	25,133 Units	67,481 Units
<b>Derrick W. West</b> Oakville, Ontario  Chief Financial Officer and Corporate Secretary	Mr. West has served as the REIT's CFO and Corporate Secretary since February 2014. Mr. West acted as an independent financial consultant to junior mining companies from June 2012 to January 2014. Prior to that, Mr. West was the Chief Financial Officer of Landdrill International Inc. from March 2008 to June 2012. Mr. West was the Corporate Controller, then the Vice-President of Accounting and Administration for Plaza Retail REIT from October 2004 to March 2008.	CFO since February 2014	Nil	67,481 Units

Notes:

<sup>1</sup> Under the Declaration of Trust, each Trustee holds office until the next annual meeting of Unitholders.

<sup>2</sup> Member of the Board of Trustees' Audit Committee.

<sup>3</sup> Member of the Board of Trustees' Governance Committee.

<sup>4</sup> Member of the Board of Trustees' Investment Committee.

<sup>5</sup> Chair of the Board of Trustees.

<sup>6</sup> Chair of the Board of Trustees' Audit Committee.

<sup>7</sup> Chair of the Board of Trustees' Governance Committee.

<sup>8</sup> Chair of the Board of Trustees' Investment Committee.

As of the date of this Annual Information Form, the Trustees and officers of the REIT as a group, directly or indirectly, beneficially own or exercise voting control over 7,338,693 Units, representing approximately 15.9% of the issued and outstanding Units. When including 378,987 deferred units, the Trustees and officers of the REIT as a group beneficially own or control 7,717,680 Units, representing approximately 16.6% of the issued and outstanding Units, on a diluted basis.

### Minimum Unitholding Expectations for Trustees and Officers

To align the interests of Trustees and senior management with the interests of Unitholders, the REIT has adopted unit ownership guidelines whereby each non-employee trustee is required within five years following his or her commencement date as a trustee (or the effective date of the guidelines), to have Units or Deferred Units having an aggregate value at least equal to 3 times the amount of the annual Board

retainer and each officer must hold Units within five years of becoming an officer (or the effective date of the guidelines) having a value of at least two times his or her annual base salary.

### **Trustees' and Officers' Liability Insurance and Indemnification**

Under the REIT's trustees', directors' and officers' insurance coverage, the REIT will be reimbursed for payments made under indemnity provisions on behalf of their respective Trustees, directors and officers contained in its and its subsidiaries' respective constating documents, subject to a deductible for each loss. Individual Trustees, directors and officers will also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the REIT, subject to a deductible that will be paid by the REIT. The Declaration of Trust also provides for the indemnification in certain circumstances of Trustees, directors and officers and persons serving in an equivalent capacity from and against liability and costs in respect of any action or suit against them in respect of the execution of their duties of office. The Trustees and officers have also entered into contractual indemnities with regard to the above indemnification obligations.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as follows, no Trustee or executive officer of the REIT is, as at the date hereof, or was within 10 years before the date hereof, a trustee, director, chief executive officer or chief financial officer of any trust or company (including the REIT) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that (a) was in effect for a period of more than 30 consecutive days (a "Cease Trade Order") that was issued while the Trustee or executive officer was acting in the capacity as trustee, director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the Trustee or executive officer ceased to be a trustee, director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as trustee, director, chief executive officer or chief financial officer.

Other than as follows, no Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any Unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a trustee, director or executive officer of any trust or company (including the REIT) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such trustee, director, executive officer or securityholder.

Mr. Ross is a director of GrowthWorks Canadian Fund Ltd. which filed for creditor protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) on October 1, 2013. GrowthWorks Canadian Fund Ltd. continues to operate under CCAA protection as of the date of this Annual Information Form.

Mr. West, the REIT's Chief Financial Officer, was previously the Chief Financial Officer of Landdrill International Inc. ("Landdrill") from March, 2008 to June 4, 2012. Landdrill's common shares are listed on the TSX Venture Exchange. Subsequent to Mr. West's resignation, a secured creditor of Landdrill provided notice of default to Landdrill. Landdrill sought protection from the secured creditor under the *Companies' Creditors Arrangement Act* (Canada) in August, 2012.

No Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any Unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b)

any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Deferred Unit Plan (“DUP”)**

At the June 17, 2015 Annual and Special Meeting, Unitholders approved a deferred unit plan for non-employee Trustees (“Trustee Participants”). The deferred unit plan was amended and restated as of November 1, 2016 to also allow for the participation by officers of the REIT (“Officer Participants”).

On December 10, 2018, the Board of Trustees cancelled the further issuance of deferred units being earned on Trustee fees or Officer bonus.

The Deferred Unit Plan is overseen by the Board and the Governance Committee. Trustee Participants and Officer Participants may be awarded deferred units, each of which are economically equivalent to one Unit (“Deferred Units”), from time to time at the discretion of the Board on recommendation of the Governance Committee (“Granted DUs”), subject to a maximum amount of Granted DUs per year for each participant not to exceed that number which is \$100,000 divided by the Average Market Price of a Unit (defined below) on the award date. The maximum number of Deferred Units issuable pursuant to the Deferred Unit Plan will, in the aggregate, not exceed 1% of the total number of issued and outstanding Units, on a fully-diluted basis, however, the total number of securities available for grant for all security based compensation arrangements in the aggregate (including the Option Plan) cannot exceed 10% of the REIT’s total issued and outstanding Units. Trustee Participants may also, subject to the terms of the Deferred Unit Plan, elect to receive up to 100% of his or her annual retainer (including fees for serving as Chair of the Board or a committee of the Board) and meeting fees for a calendar year otherwise payable in cash (“Trustee Fees”) in the form of Deferred Units. Officer Participants may also, subject to the terms of the Deferred Unit Plan, elect to receive up to 100% of his or her annual bonus, if any, for a calendar year otherwise payable in cash (“Officer Bonus”) in the form of Deferred Units.

The number of Deferred Units (including fractional Deferred Units) granted at any particular time pursuant to the Deferred Unit Plan will be equal to (i) the elected amount in respect of Trustee Fees, as determined by a Trustee, and Officer Bonuses, as elected by an Officer, divided by the Average Market Price of a Unit on the award date, plus (ii) the Granted DUs, if any, granted to such Trustee. “Average Market Price” of a Unit means the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding such date (or, if such Units are not listed and posted for trading on the TSX, on such stock exchange on which such Units are listed and posted for trading as may be selected for such purpose by the Board). In the event that the Units are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Units as determined by the Board in its sole discretion.

Under no circumstances shall Deferred Units be considered Units nor entitle a participant to any rights as a Unitholder, including, without limitation, voting rights, distribution entitlements (other than as set out below) or rights on liquidation. One (1) Deferred Unit is economically equivalent to one (1) Unit. Fractional Units are permitted under the Deferred Unit Plan.

Whenever cash distributions are paid on the Units, additional Deferred Units will be credited to the participant’s Deferred Unit account (“Additional Deferred Units”). The number of such Additional Deferred Units to be credited to a participant’s Deferred Unit account in respect of a cash distribution paid on the Units shall be calculated in a manner consistent with the Trust’s Distribution Reinvestment Plan, by dividing the amount which is equal to the aggregate distributions that would have been paid to such participant on the Deferred Units in the participant’s Deferred Unit Account had such Deferred Units been Units, divided by the Average Market Price on the distribution payment date. Such additional Deferred Units shall vest on the same basis as the initial Deferred Units granted from the date of grant.

Deferred Units credited to a participant shall count towards ownership requirements as prescribed from time to time by the Board.

Deferred Units granted to Trustees pursuant to the terms of the Deferred Unit Plan will vest immediately upon grant. The Deferred Units shall be redeemable by the participant (or, where the participant has died, by his or her estate) on or after the date on which the participant ceases to be a Trustee, provided that any such redemption date is not later than two (2) years following the date the participant ceased to be a Trustee. For greater certainty, in the event that a participant (or his or her estate) has not redeemed his or her Deferred Units prior to the date that is two years following the date the participant ceases to be a Trustee, such Deferred Units shall be automatically redeemed on the date that is two years following the date the participant ceases to be a Trustee without any action required on the part of the participant (or his or her estate).

For participants that are Canadian residents and are not U.S. taxpayers, the Deferred Units credited to a participant's Deferred Unit account may be redeemed in whole or in part for Units issued from treasury or, to the extent elected by the participant in his or her sole discretion, for cash, on the date on which the participant files a written notice of redemption with the Chief Financial Officer of the Trust.

The maximum number of Units reserved for issuance under the Deferred Unit Plan at any time shall be 1.0% of the Trust's outstanding Units. Notwithstanding the above, subject to applicable law or the requirements of the TSX or any other stock exchange upon which the Units are listed and any Unitholder or other approval which may be required, the Board may, in its discretion, amend this Deferred Unit Plan to increase such limit without notice to participants subject to unitholder approval. If any Deferred Unit granted under this Deferred Unit Plan is terminated, expired or is cancelled, new Deferred Units may thereafter be granted covering such Units, subject to any required prior approval by the TSX or other stock exchange upon which the Units are listed. At all times, the REIT will reserve and keep available a sufficient number of Units to satisfy the requirements of all outstanding Deferred Units granted under the Deferred Unit Plan.

The administration of the Deferred Unit Plan shall be subject to and be performed in conformity with all applicable laws, regulations, orders of governmental or regulatory authorities and the requirements of any stock exchange on which the Units are listed. Should the Board, in its sole discretion, determine that it is not desirable or feasible to provide for the redemption of Deferred Units into Units, including by reason of any such laws, regulations, rules, orders or requirements, it shall notify the participants of such determination and on receipt of such notice each participant shall have the option of electing that such redemption obligation be satisfied by means of a cash payment by the Trust equal to the Average Market Price of the Units that would otherwise be delivered to a participant in settlement of Deferred Units on the redemption date (less any applicable withholding taxes). Each participant shall comply with all such laws, regulations, rules, orders and requirements and shall furnish the Trust with any and all information and undertakings, as may be required to ensure compliance therewith.

The Deferred Unit Plan provides that Unitholder approval is not required for any amendment to the plan except for any amendment or modification that:

- a) results in any increase in the number of Deferred Units issuable under the plan; or
- b) permit Deferred Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes.

Without limiting the general amendment powers described above and for greater certainty, Unitholder approval is not required for amendments to the Deferred Unit Plan to do the following:

- a) for the purpose of making formal, minor or technical modifications to any of the provisions of the plan, including amendments of a "housekeeping" nature;
- b) to correct any ambiguity, defective provisions, error or omission in the provisions of the plan;
- c) to amend the vesting provisions of the Deferred Units;
- d) to change the termination provisions of the Deferred Units of the plan; or
- e) any other amendment that does not require unitholder approval under applicable laws or the rules of the TSX,

Provided, however, that no such act shall diminish any rights accrued in respect of grants of Deferred Units made prior to the effective date of such amendment.

### **PROMOTER**

There were no promoters of the REIT within the three years immediately preceding the date of this Annual Information Form.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The REIT and its subsidiaries may be subject to certain claims and lawsuits from time to time in the course of carrying on business. Management is not aware of any material litigation or regulatory actions outstanding, threatened or pending as of the date of this Annual Information Form by or against the REIT.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The REIT has two property mortgages with subsidiaries of First National Financial. Mr. Moray Tawse, a significant unitholder of the REIT, has an interest in First National Financial.

Other than as described in the preceding paragraphs and elsewhere in this Annual Information Form, no Trustee, executive officer or Unitholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued securities of the REIT, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the REIT within the three years preceding the date of this Annual Information Form.

### **REGISTRAR AND TRANSFER AGENT**

The transfer agent and registrar for the Units is Computershare at its principal offices located in Toronto, Canada.

### **MATERIAL CONTRACTS**

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

- (a) the Declaration of Trust (see "Declaration of Trust and Description of Units").

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

### **INTEREST OF EXPERTS**

KPMG LLP of Toronto, Ontario are the REIT's auditors. KPMG LLP were appointed as the REIT's auditors in 2012. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

### **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found on the System for Electronic Document Analysis and Retrieval which can be accessed at [www.sedar.com](http://www.sedar.com). Additional information, Trustees' and officers' remuneration and indebtedness, principal holders of Units and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the REIT's information circular for its annual meeting of Unitholders that was held on June 21, 2018. Additional financial information is also provided in

the REIT's financial statements and management's discussion and analysis for the year ended December 31, 2018 and its on-going filing with securities regulators.

## GLOSSARY OF TERMS

The following terms used in this Annual Information Form have the meanings set out below:

**Adjusted Unitholders' Equity** means, at any time, the aggregate of Unitholders' equity and the amount of accumulated depreciation and amortization recorded on the books and records of the REIT in respect of its properties and assets, calculated in accordance with IFRS;

**"affiliate"** has the meaning ascribed thereto for the purposes of Part XX of the *Securities Act* (Ontario);

**"AIF"** means Annual Information Form

**"Audit Committee"** means the audit committee of the Board of Trustees;

**"Beneficial Owner"** has the meaning ascribed to such term under "Declaration of Trust and Description of Units – Debentures – Book-Based System";

**"Board of Trustees"** means the board of Trustees of the REIT;

**"Business Day"** means any day except a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario;

**"CDS"** means CDS Clearing and Depository Services Inc.;

**"Closing Market Price"** has the meaning ascribed to such term under "Declaration of Trust and Description of Units – Redemption Right";

**"Computershare"** means Computershare Trust Company of Canada;

**"Control"** means any change resulting in one entity or a number of commonly controlled entities acquiring 50% or more of the units of the REIT;

**"Consumer Price Index"** means the consumer price index as published by Statistics Canada monthly;

**"CRA"** means the Canada Revenue Agency;

**"Current Market Price"**, at any date, means the volume-weighted average trading price for the Units on the TSX for the 20 consecutive trading days ending five trading days prior to the applicable date;

**"Debentureholder"** means a holder of Debentures;

**"Debentures"** means the Series 2 Debentures and the Series 3 Debentures;

**"Declaration of Trust"** means the REIT's declaration of trust dated March 27, 2007, as amended and restated on with effect as of June 4, 2010 and as further amended and restated with effect as of November 3, 2010, December 15, 2011, March 29, 2012, May 11, 2012, April 8, 2013, May 28, 2014, March 23, 2015, and December 10, 2018;

**"Deferred Unit Plan"** means the amended and restated deferred unit plan of the REIT dated November 1, 2016;

**"Distribution"** has the meaning ascribed to such term under "Distributions – Distribution Reinvestment and Optional Unit Purchase Plan";

**"Distribution Payment Date"** means, in respect of a Distribution Period, any date that a distribution is paid to Unitholders in respect of such period, generally being the 15<sup>th</sup> calendar day of each month (or if such day is not a Business Day, on the next Business Day thereafter) following the Distribution Period;

**“Distribution Period”** means each calendar month, or as otherwise determined by the Trustees;

**“DRIP”** means the REIT’s Amended and Restated Distribution Reinvestment Plan dated January 1, 2008, amended as effective March 1, 2016;

**“Eligible Persons”** has the meaning ascribed to such term under “Trustees and Officers – Unit Option Plan”;

**“Exchangeable Securities”** has the meaning ascribed to such term under “Declaration of Trust and Description of Units – Units and Special Voting Units”;

**“Fiscal Year”** means the financial reporting year of the REIT commencing January 1 and ending on December 31 in each calendar year and any other 12 month reporting period adopted by the Trustees from time to time;

**“GLA”** means gross leaseable area;

**“Global Unit Certificates”** has the meaning ascribed to such terms under “Declaration of Trust and Description of Units – Book-Based System”;

**“Governance Committee”** means the governance, compensation and nominating committee of the Board of Trustees;

**“Gross Book Value”** means the purchase cost of an acquired property (for greater certainty whether paid in cash, by the assumption of any mortgage or other indebtedness, the issuance of debt or equity, or in any other manner), including all out-of-pocket costs incurred by the REIT or its Subsidiaries in connection with the acquisition, including legal fees and disbursements, registration and filing fees, land transfer and sales taxes, all calculated and as may be adjusted from time to time, in accordance with IFRS applicable to the real estate industry, applied on a consistent basis, plus all capital expenditures relating to such Properties since the date of acquisition;

**“IFRS”** means International Financial Reporting Standards;

**“Indenture”** means the trust indenture entered into between the REIT and Computershare Trust Company of Canada dated March 8, 2011, as amended by a first supplemental indenture dated March 29, 2012, a second supplemental indenture dated September 5, 2012 and a third supplemental indenture dated March 12, 2013;

**“Independent Trustee”** means a Trustee of the REIT who is “independent” (as defined in Multilateral Instrument 52-110 — *Audit Committee* as in effect on the date hereof and as amended from time to time);

**“Investment Committee”** means the investment committee of the Board of Trustees;

**“Market Price”** has the meaning ascribed to such term under “Declaration of Trust and Description of Units – Redemption Right”;

**“MI 62-104”** means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*;

**“Net Asset Value”** is a measure of the REIT’s total assets less its liabilities, and is represented on the balance sheet as Unitholders’ equity;

**“Non-Resident”** includes, in the case of a Person other than a partnership, a Person who is not resident in Canada for purposes of the Tax Act and, in the case of a partnership, a partnership that is not a “Canadian partnership” for purposes of the Tax Act;

**“OBCA”** means the *Business Corporations Act* (Ontario);

“**Officer Participant**” has the meaning ascribed to such term under “Trustees and Officers – Deferred Unit Plan”;

“**Optional Cash Payment**” has the meaning ascribed to such term under “Distributions – Distribution Reinvestment and Optional Unit Purchase Plan”;

“**Optionee**” has the meaning ascribed to such term under “Trustees and Officers – Unit Option Plan”;

“**Participant**” has the meaning ascribed to such term under “Description of Debentures and Indenture – Debentures – Book-Entry System for Debentures”;

“**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, corporation, unincorporated association or organization, governmental entity, syndicate or other entity, whether or not having legal status and whether acting in an individual, fiduciary or other capacity;

“**Plan Participant**” has the meaning ascribed to such term under “Distributions – Distribution Reinvestment and Optional Unit Purchase Plan”;

“**Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act and “**Plan**” means any of them;

“**Properties**” means the properties owned, directly or indirectly, by the REIT;

“**Quebec Sale Transaction**” means the 2019 sale agreement for the REITs 11 properties located in Quebec.

“**Redemption Price**” has the meaning ascribed to such term under “Declaration of Trust and Description of Units – Redemption Right”;

“**REIT**” means Partners Real Estate Investment Trust, a trust formed under the Declaration of Trust, including where the context requires, the REIT’s subsidiaries and means Charter Real Estate Investment Trust prior to the name change described under “General Development of the Business – Name Change”;

“**REIT Exception**” means the exception from the application of the tax regime under the SIFT Rules, which exception applies to real estate investment trusts that meet a series of conditions relating to the nature of their revenue and investments;

“**Rights Offering**” means an offering under which a unitholder of the REIT is entitled to subscribe for additional units of the REIT in proportion to their existing holdings upon payment of the subscription price, the terms of which are defined in a prospectus.

“**Securities**” means any security of the REIT and, for greater certainty, includes Units, Unit Options and Debentures;

“**Series 2 Debentures**” means the 6.0% convertible unsecured subordinated debentures of the REIT offered by way of short form prospectus dated August 28, 2012 maturing on September 30, 2017;

“**Series 3 Debentures**” means the 5.5% convertible unsecured subordinated debentures of the REIT offered by way of short form prospectus dated March 5, 2013 maturing on March 31, 2018;

“**SF**” or “**sq. ft.**” or “**sq.ft.**” means square feet;

“**shadow anchors**” means anchor tenants that are adjacent to the owned REIT asset but not on the REIT owned assets’ land(s);

“**SIFT**” means, in connection with the SIFT Rules, a “specified investment flow-through”;

“**SIFT Rules**” has the meaning ascribed to such term under “Risk Factors – Risks Relating to the REIT – Tax Risks Related to have REIT’s Tax Status”;

“**Special Voting Unit(s)**” means non-participating special voting unit(s) of the REIT and, for greater certainty, does not mean Unit(s);

“**Subsidiaries**” means any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by the REIT;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

“**Trustee**” means a trustee of the REIT and “**Trustees**” means all of the trustees of the REIT;

“**Trustee Participant**” has the meaning ascribed to such term under “Trustees and Officers – Deferred Unit Plan”;

“**Trustee Fees**” has the meaning ascribed to such term under “Trustees and Officers – Deferred Unit Plan”;

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

“**Unit**” means ordinary participating voting unit(s) of the REIT and, for greater certainty, does not mean Special Voting Unit(s);

“**Unitholder(s)**” means the holder(s) of Units;

“**Unit Interest Payment Election**” has the meaning ascribed to such term under “Description of Debentures and Indenture – Debentures – Interest Payment Option”;

“**Unit Option Plan**” means the plan adopted by the REIT that authorizes the REIT to grant Unit Options;

“**Unit Options**” means options for the purchase of Units under the Unit Option Plan;

“**Voting Unitholders**” means the holders of Units and Special Voting Units; and

“**Voting Units**” means collectively, the Units and Special Voting Units.

## SCHEDULE A

Updated November 8, 2017

### AUDIT COMMITTEE CHARTER

The Audit Committee (the “**Committee**”) of the Board of Trustees (the “**Board**”) of Partners Real Estate Investment Trust (the “**Trust**”) shall, in accordance with the responsibilities and duties set out in this Charter, assist the Board in discharging the Board’s responsibilities relating to oversight of the financial reporting process for the Trust. This Charter is subject to and shall be interpreted in a manner consistent with the Trust’s Declaration of Trust and with any applicable law.

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#### PART I COMPOSITION OF AUDIT COMMITTEE AND APPOINTMENT OF CHAIR

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##### COMPOSITION AND TERM

The Committee shall be composed of members of the Board in such number as is determined by the Board with regard to the Declaration of Trust, applicable laws, rules and regulations and any other relevant consideration, subject to a minimum requirement of three members. The members of the Committee shall be appointed annually by the Board, having considered the recommendation of the Governance, Compensation and Nominating Committee, and shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three Trustees.

##### INDEPENDENCE OF MEMBERS

The members of the Committee shall be independent within the meaning of the provisions of National Instrument 52-110 – *Audit Committees*, as may be amended from time to time (“**NI 52110**”).

##### QUALIFICATION AND FINANCIAL LITERACY OF MEMBERS

In addition to the qualities set out in the Declaration of Trust and in the Policy of Practices for Trustees appended to the Mandate of the Board of Trustees of the Trust, all members of the Committee should be financially literate or be willing and able to acquire the necessary knowledge within a reasonable period of time following appointment. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Trust’s financial statements.

Committee members will enhance their familiarity with the Trust’s business as well as with financial, accounting and other areas relevant to their responsibilities by participating in educational sessions or other opportunities for development provided by the Board.

##### APPOINTMENT OF COMMITTEE CHAIR

A chair of the Committee (the “**Chair**”) will be appointed by the Board upon recommendation of the Governance, Compensation and Nominating Committee from among the independent Trustees failing which the members of the Committee may designate a Chair by majority vote of the full Committee membership. The Committee may from time to time delegate to its Chair certain powers or responsibilities

that the Committee itself may have hereunder. The Chair will have the responsibilities described in Part 4 hereto.

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**PART 2**  
**AUDIT COMMITTEE PROCEDURE AND AUTHORITY**

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**FREQUENCY OF MEETINGS**

The Committee shall meet at least once per quarter, or more frequently as necessary to carry out its duties and responsibilities.

**QUORUM**

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. Unless otherwise set by the Board, a majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

**CALLING OF MEETINGS**

The Chair, any member of the Committee, the chair of the Board, the Chief Executive Officer, the Chief Financial Officer, or the external auditor may call a meeting of the Committee by notifying the Chair of the Committee who will notify the members of the Committee. The Chair shall chair all Committee meetings that he or she attends, and in the absence of the Chair, the members of the Committee present may appoint a chair from their number for a meeting.

**PROCEDURE**

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be in compliance with the Declaration of Trust.

**ATTENDANCE OF NON-MEMBERS**

The Committee may invite any trustee, officer or employee of the Trust, the Trust's counsel, the external auditor or any other person, as appropriate, to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee but who shall not vote. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities. The Committee will meet at the end of each meeting with only members of the Committee present.

**ACCESS TO MANAGEMENT**

In fulfilling the responsibilities set out in this Charter, the Committee has the authority to conduct any investigation and access any officer, employee or agent of the Trust appropriate to fulfilling its responsibilities, including the external auditor.

**OUTSIDE ADVISORS**

The Committee may at any time retain any external legal, accounting or other advisor, at the expense of the Trust, to assist it in fulfilling its responsibilities and in that regard, may set the compensation of such advisor. The Committee shall inform the Chairman of the Board of the retention of an advisor.

## MINUTES

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held.

## REPORTING

The Chair shall report to the Board on all material matters considered by the Committee at the first Board meeting after the Committee's meeting. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

The Chair of the Committee shall report annually to the Board on Audit Committee compliance with the charter.

## COMMITTEE DECISIONS

Decisions at the meetings of the Committee shall be determined by a vote of the majority of those present and eligible to vote. The Chair of the meeting shall not have a second or casting vote. Any decision or recommendation of the Committee shall not become effective as a decision of the Board until such decision or recommendation is either confirmed or otherwise extended or amended by the Board, unless the Board has expressly delegated a particular matter to be finalized by the Committee without requiring the subsequent confirmation by the Board. The Committee shall submit all its decisions for approval to the next meeting of the Board.

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## PART 3 MANDATE OF AUDIT COMMITTEE

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## DUTIES AND RESPONSIBILITIES

The Committee shall have the duties and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and the Trust's Declaration of Trust. In addition to these functions and responsibilities, the Committee shall perform the duties required of it by any exchange upon which securities of the Trust are traded, or any governmental or regulatory body exercising authority over the Trust, as are in effect from time to time.

### (A) FINANCIAL REPORTING AND DISCLOSURE

- (i) Audited Annual Financial Statements: Review the audited annual financial statements, all related MD&A, and profit or loss press releases for submission to the Board for approval.
- (ii) Quarterly Review: Following their review by the external auditor, review the quarterly financial statements, the related management discussion and analysis ("MD&A"), and profit or loss press releases for submission to the Board for approval.
- (iii) Significant Accounting Principles and Disclosure Issues: Review with management and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, the existence and substance of significant accruals, estimates and valuation of investment property, highly

judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Trust's financial position and the results of its operations in accordance with Canadian GAAP.

- (iv) Off-Balance-Sheet Transactions: Discuss with management the effect of any off-balance-sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Trust's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.
- (v) Treasury Updates: Review quarterly treasury updates and approve key treasury matters including financing plans.
- (vi) Certification: Review the certification processes and procedures followed by the Trust's senior officers in relation to financial statement certification. Review and discuss with the Chief Executive Officer and Chief Financial Officer their readiness to certify the quarterly and annual financial statements and related disclosure material as required under Canadian securities legislation.
- (vii) Annual Information Form: Review the Annual Information Form and make a recommendation for approval thereof to the Board.
- (viii) Other Disclosures: Satisfy itself that adequate procedures are in place for the review of the Trust's public disclosure of financial information, other than the public disclosure of the information referred to in subsections (i) and (ii) above, and periodically assess the adequacy of those procedures.

#### (B) OVERSIGHT OF INTERNAL CONTROLS

- (i) Review and Assessment: Review and assess with management:
  - A. the Trust's guidelines and policies with respect to risk assessment;
  - B. the adequacy and effectiveness of the Trust's system of internal control and management information systems, including through discussions with the external auditor;
  - C. the Trust's major financial risk exposures and the steps management has taken to monitor and control such exposures; and
  - D. all related party transactions and the development of policies and procedures related to those transactions.
- (ii) Oversight: Oversee system of internal control, by:
  - A. monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information;

- B. consulting with the external auditor regarding the adequacy of the Trust's internal controls;
  - C. reviewing with management its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response;
  - D. obtaining from management adequate assurances that all statutory payments and withholdings have been made; and
  - E. reviewing the adequacy of insurance coverage maintained by the Trust.
- (iii) Fraud: Oversee investigations of alleged fraud and illegality relating to the Trust's finances.
- (iv) Complaints: Review the Trust's Policy for Receipt of Complaints and Whistleblower Protection Policy with management to ensure appropriate procedures exist for the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

**(C) OVERSIGHT OF EXTERNAL AUDITOR**

- (i) Appointment or Replacement: Recommend the appointment or replacement of the external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
- (ii) Compensation: Review with management, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Trust, and the extent of internal audit and other support provided by the Trust to the external auditor.
- (iii) Reporting Relationships: The external auditor will report directly to the Committee.
- (iv) Performance: Review with management, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the experience and qualifications of the senior members of the external auditor's team. Evaluate the performance of the external auditor.
- (v) Transition: Review management's plans for an orderly transition to a new external auditor, if required.
- (vi) Audit Plan: Review the audit plan and scope of the external audit with the external auditor and management, and consider whether the nature and scope of the planned audit procedures can be relied upon to detect weaknesses in internal controls, frauds or other illegal acts.
- (vii) Audit Plan Changes: Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of

any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.

- (viii) Review of Results: Review, in the absence of management, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, assumptions about materiality, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment, and any other material communications with management.
- (ix) Disagreements with Management: Resolve any disagreements between management and the external auditor regarding financial reporting.
- (x) Material Written Communications: Review all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- (xi) Interim Financial Statements: Engage the external auditor to review all interim financial statements and review, in the absence of management, the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A.
- (xii) Other audit matters: Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
- (xiii) Meeting with External Auditor: Meet with the external auditor in the absence of management at least quarterly to discuss and review specific issues as appropriate as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
- (xiv) Correspondence: Review with management and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Trust's financial statements or accounting policies.
- (xv) Independence: At least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Trust, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Trust, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

- (xvi) Non-Audit/Audit Services: Pre-approve any non-audit services to be provided to the Trust or its subsidiaries by the external auditor, with reference to compatibility of the service with the external auditor's independence.
- (xvii) Hiring Policies: Review and approve the policies of the Trust regarding the hiring of partners, employees and former partners and employees of the present and former external auditor.

(D) **COMPLIANCE WITH LAWS**

- (i) Compliance with Laws: Review regular reports from management and the Auditor with respect to compliance with laws and regulations having a material impact on the financial statements;
- (ii) Taxation matters: Review on a periodic basis, the status of taxation matters;
- (iii) Covenants: Review on a periodic basis, assurances of compliance with covenants in trust deeds or loan agreements;
- (iv) Code of Business Conduct: Approve a Code of Business Conduct that is comprised of standards reasonably designed to promote integrity and review reports from management, the Auditor and/or other committees' chairmen on their review of compliance with the Code of Business Conduct;
- (v) Compliance: Confirm through discussions with management that Canadian GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with,
- (vi) Legal Events: Review any actual or anticipated litigation or other contingency, including tax assessments, which could have a material current or future effect on the Trust's financial statements, and the manner in which these have been disclosed in the financial statements,
- (vii) Environment: Review compliance with environmental legislation.
- (viii) Declaration of Trust: Review the Declaration of Trust as required and at least on a biennial basis to ensure its compliance with applicable laws and serves the requirements of the REIT and its Unitholders. Recommend proposed amendments to the Board for approval.

(E) **BOARD RELATIONSHIP AND REPORTING**

- (i) Performance: Review the Committee's performance annually and propose recommended changes to the Board.
- (ii) Adequacy of Charter: Review and assess the adequacy of this charter annually, taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Bank has a reporting relationship, and submit such amendments as the Committee proposes to the Governance, Compensation and Nominating Committee.

- (iii) Disclosure: Oversee appropriate disclosure of the Committee's charter, and other information required to be disclosed by applicable legislation, in the Trust's Annual Information Form and all other applicable disclosure documents.
- (iv) Reporting: Report regularly to the Board on Committee activities, issues and related recommendations.

(F) **COMPUTERIZED SYSTEMS**

- (i) Quality, Accuracy Protection: Review procedures and reports from Management related to computerized accounting systems with respect to quality and accuracy, Material Changes: Oversee material changes to enterprise resource product systems;
- (ii) Material changes: Review any material changes to information technology systems;
- (iii) Reliability: Review periodically enterprise-wide information technology systems reliability; and
- (iv) Security: Review periodically enterprise-wide information technology security and disaster recovery plans, the adequacy of the protection against damage and disruption, and security of confidential information through information systems reporting.

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**PART 4  
RESPONSIBILITIES OF COMMITTEE CHAIR**

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**RESPONSIBILITIES OF THE CHAIR**

1. The role and responsibilities of the Chair are set out below:
  - (a) attend and preside over Committee meetings;
  - (b) provide direction with respect to the dates, locations and frequencies of Committee meetings;
  - (c) coordinate with the chair of the Board to enhance the overall functioning of the Board;
  - (d) liaise with the Trust's officers, as appropriate, to information relevant to the Committees duties and responsibilities and to communicate decisions and conclusions of the Committee;
  - (e) liaise with the external auditor, appointed actuaries, and representatives of the Trust's regulators, as appropriate;
  - (f) set the agenda for Committee meetings with, where required, input from the chair of the Board, other members of the Committee, the Trust's officers or other persons whose input is necessary to discharge to duties and responsibilities of the committee;

- (g) distribute an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed;
- (h) set the tone for meetings, focus discussion on agenda topics and provide effective leadership to the Committee in the execution of its obligations and responsibilities with a goal of building consensus among Committee members;
- (i) lead the Committee in determining areas for focus from time to time and satisfy himself or herself that the Committee is provided with appropriate information and access to resources (in particular timely and relevant information) in order to effectively complete a review of any such topic;
- (j) report to the Board on material matters considered by the Committee (a member of the Committee may be designated as the liaison member to report on the deliberations of the Committee to the Board as a result of the inability of the Chair to perform such task);
- (k) lead the Committee in annually reviewing and assessing the adequacy of its charter, and evaluating its contribution and effectiveness in fulfilling its charter; as well as leading it in a constructive discussion of any resulting action plans;
- (l) work with the chair of the Board and any persons assigned by the Board to assist the Committee to lead the Committee in keeping up-to-date on governance and other matters relevant to it, and in determining education sessions to be held from time to time;
- (m) meet with any new trustee appointed to serve on the Committee as part of his or her overall orientation session;
- (n) work with the chair of the Board to provide input on succession planning in respect of the Committee Chair position and membership of the Committee generally;
- (o) co-ordinate with the other committee chairs to discuss issues in common including ongoing efforts to further enhance board and committee processes;
- (p) designate a secretary of the Committee; and
- (q) monitor Committee activities to ensure the work is undertaken is consistent with this charter and does not interfere with management's responsibilities.