



**Notice of Annual Meeting of Unitholders and  
Management Information Circular**

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**Annual Meeting of Unitholders**

**To be held on June 17, 2015**

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**May 17, 2015**

# PARTNERS REAL ESTATE INVESTMENT TRUST

## NOTICE OF ANNUAL MEETING OF UNITHOLDERS

TO BE HELD ON JUNE 17, 2015

**NOTICE IS HEREBY GIVEN** that the annual meeting (the “Meeting”) of the Unitholders of Partners Real Estate Investment Trust (the “REIT”, “we”, “us” and similar expressions) will be held at the offices of McCarthy Tétrault LLP, TD Bank Tower, Toronto Dominion Centre, 53rd Floor, Toronto, Ontario at 10:00 a.m. (Toronto time) on June 17, 2015, for the following purposes, namely:

- (a) to receive the consolidated financial statements of the REIT for the year ended December 31, 2014, together with the report of the auditors thereon;
- (b) to elect trustees of the REIT for the ensuing year;
- (c) to appoint KPMG LLP as auditor for the ensuing year and, based on the recommendation of the audit committee (the “Audit Committee”) of the Board, to authorize the Trustee to fix their remuneration;
- (d) to pass an ordinary resolution to ratify, confirm and approve the adoption of the amended Appendix A (Procedures regarding the Nomination of Trustees for Election) to the REIT’s declaration of trust, all as more particularly described in the management information circular (“Circular”) which accompanies this notice of meeting;
- (e) to pass an ordinary resolution to ratify unallocated entitlements under the REIT’s second amended and restated unit option plan, all as more particularly described in the Circular which accompanies this notice of meeting;
- (f) to pass an ordinary resolution to ratify and approve the REIT’s deferred unit plan, all as more particularly described in the Circular which accompanies this notice of meeting; and
- (g) transact such further and other business as may be properly brought before the Meeting or any adjournments or postponements thereof.

Only Unitholders of record of the REIT at the close of business on May 13, 2015 are entitled to notice and to vote at the Meeting or any adjournments or postponements thereof.

Registered Unitholders may vote in person at the Meeting or any adjournments or postponements thereof, or they may appoint another person (who need not be a Unitholder) as their proxy to attend and vote in their place. Whether or not you plan to attend the Meeting in person, please complete and return the form of proxy provided to you in accordance with the instructions provided therein.

Unitholders who hold Units through a bank, broker or other intermediary should carefully follow the voting instructions found on their voting instruction form.

The Circular relating to the business to be conducted at the Meeting accompanies this Notice. Unitholders of the REIT may obtain the most recent annual financial statements, interim financial statements, annual information form and other additional information relating to the REIT at no cost by either accessing our website at [www.partnersreit.com](http://www.partnersreit.com), or the SEDAR website at [www.sedar.com](http://www.sedar.com) or you can write to the following address and request copies: Jane Domenico, Acting Chief Executive Officer, 249 Saunders Road, Unit #3, Barrie, Ontario, L4N 9A3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this notice.

**DATED** at Toronto, Ontario this 17<sup>th</sup> day of May, 2015.

BY ORDER OF THE BOARD OF TRUSTEES,

*(signed) "Dexter John"*

Dexter John  
Chair of the Board of Trustees

## MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “Circular”) is furnished to Unitholders of the REIT in connection with the solicitation by and on behalf of the management and the Board of Trustees (the “Board”) of the REIT of proxies to be used at the Meeting to be held at offices of McCarthy Tétrault LLP, TD Bank Tower, Toronto Dominion Centre, 53rd Floor, Toronto, Ontario on June 17, 2015, commencing at 10:00 a.m. (Toronto time), and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the attached notice of annual meeting of Unitholders (the “Notice”).

This Circular, the Notice and the accompanying form(s) of proxy are being mailed to Unitholders of record as of the close of business on May 13, 2015. The REIT will bear all costs associated with the preparation and mailing of this Notice, and the accompanying form(s) of proxy, as well as the cost of the solicitation of proxies. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for their reasonable expenses in doing so.

In April of 2015, a copy of the REIT’s audited financial statements (the “Financial Statements”) for the fiscal year ended December 31, 2014 and management’s discussion & analysis of financial results (the “MD&A”) for the fiscal year ended December 31, 2014 was mailed to each Unitholder who requested that a copy be mailed to it. Copies of the Financial Statements and MD&A are also available on our website ([www.partnersreit.com](http://www.partnersreit.com)), from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or you can write to the following address and request a copy: Jane Domenico, Acting Chief Executive Officer, 249 Saunders Road, Unit #3, Barrie, Ontario, L4N 9A3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this Circular.

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## APPOINTMENT AND REVOCATION OF PROXIES

### Registered Holders

The persons named in the accompanying form(s) of proxy are officers or trustees of the REIT. **A Unitholder has the right to appoint a person (who need not be a Unitholder of the REIT) as nominee to attend and act for and on such Unitholder's behalf at the Meeting other than the nominees named in the accompanying form(s) of proxy.** This right may be exercised either by striking out the names of the nominees where they appear on the applicable form of proxy and by inserting in the blank space provided the name of the other person the Unitholder wishes to appoint as proxyholder, or by completing, signing and submitting another proper form of proxy naming such other person as proxyholder.

A Unitholder who has been given a proxy, in addition to revocation in any other manner permitted by applicable law, may revoke the proxy within the time periods described in this Circular by an instrument in writing executed by the Unitholder or by his/her attorney authorized in writing or, if the Unitholder is a body corporate, by a duly authorized officer or attorney thereof.

To be valid, proxies or instructions must be returned by:

- fax to Computershare Investor Services Inc., attention: Proxy Department at 416-263-9524 (outside Canada) or 1-866-249-7775 (within Canada); or
- mail to Computershare Investor Services Inc., attention: Proxy Department, 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or
- personal delivery at the foregoing address,

such that the proxies or instructions so returned arrive no later than 10:00 a.m. (Toronto time) on June 15, 2015 or if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice.

### Non-Registered Holders

Only registered holders, or the persons that they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Units beneficially owned by a holder (a "Non-Registered Holder") are registered either:

- (a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the Units, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of registered plans; or
- (b) in the name of a depository (such as CDS Clearing and Depository Services Inc.) of which the intermediary is a participant.

In accordance with applicable Canadian securities laws, the REIT will be distributing copies of the meeting materials to the depository and intermediaries for further distribution to Non-Registered Holders. Intermediaries are required to forward the meeting materials to Non-Registered Holders and receive voting instructions from them unless a Non-Registered Holder has waived the right to receive the meeting materials. Intermediaries often use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive the meeting materials will either:

- (a) be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions set out on the voting instruction form (which may, in some cases, permit the completion of the voting instruction form by telephone); or

- (b) less typically, be given a proxy which has already been signed by the intermediary (usually by way of a facsimile, stamped signature) which is restricted as to the number of Units beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. In this case, the Non-Registered Holder who wishes to submit the proxy should otherwise properly complete and deposit it with Computershare.

**In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Units which they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy or voting instruction form and insert the name of the Non-Registered Holder (or such other person) in the blank space provided and return the same in accordance with the instructions provided by their Intermediary well in advance of the Meeting.**

#### **VOTING OF PROXIES**

The Units represented by any valid proxy in the accompanying form(s) of proxy will be voted for, against or withheld from voting on:

- the election of trustees;
- the appointment of KPMG LLP as auditor and, based on the recommendation of the audit committee (the "Audit Committee") of the Board, to authorize the Trustee to fix the remuneration of the auditor;
- the ordinary resolution ratifying, confirming and approving Appendix A (Procedures regarding the Nomination of Trustees for Election) to the REIT's Declaration of Trust (as defined herein);
- the ordinary resolution ratifying the unallocated entitlements under the REIT's second amended and restated unit option plan (the "Unit Option Plan"); and
- the ordinary resolution ratifying and approving the deferred unit plan of the REIT (the "Deferred Unit Plan"),

all in accordance with the instructions of the Unitholder on any ballot that may be called for, and if the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. **In the absence of any such specific instructions, such Units will be voted by IN FAVOUR OF the matters set forth in the proxy.**

**The accompanying form(s) of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to such other business or matters which may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.** As of the date of this Circular, the REIT is not aware of any such amendments or variations or any other matters to be addressed at the Meeting.

#### **QUORUM**

At any meeting of Unitholders, a quorum will consist of two or more persons present in person either holding personally or representing as proxies in the aggregate at least 10% of the votes attached to all outstanding Units. In the event of such quorum not being present at the appointed place on the date for which the Meeting is called within 30 minutes after the time fixed for the holding of such Meeting, the Meeting will stand adjourned to a day not less than seven days later and to such place and time as may be appointed by the Chair of the Meeting.

#### **RECORD DATE**

The trustees of the REIT ("Trustees") have fixed the close of business on May 13, 2015 as the record date (the "Record Date") for the Meeting. Pursuant to Section 12.8 of the declaration of trust of the REIT dated March 27, 2007, as amended and restated 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 and March 23, 2015 (the "Declaration of Trust"), only Unitholders of record at the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting or any adjournment thereof or to be treated as a voting Unitholder for purposes of such other action even though the Unitholder has since that time disposed of their Units.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

As at the date of this Circular, there were 26,473,753 issued and outstanding units ("Units") of the REIT. A holder of Units is entitled to one vote for such each Unit held.

To the knowledge of the Board, as of the date of this Circular, Mr. Ronald Anthony McCowan ("Mr. McCowan") beneficially owns or exercises control or direction over 4,419,836 Units carrying approximately 16.67% of the votes attached to the outstanding Units. Those Units are held by McCowan and Associates Ltd., ("McCowan") a company controlled by Mr. McCowan.

To the knowledge of the Board, as of the date of this Circular, Mr. Moray Tawse beneficially owns or exercises control or direction over 3,457,124 Units carrying approximately 13.06% of the votes attached to the outstanding Units.

## **MATTERS TO BE CONSIDERED AT THE MEETING**

### **Financial Statements and Auditor's Report**

The Trustees will present to the Unitholders at the Meeting the Financial Statements, together with the auditor's report thereon, but no vote by the Unitholders with respect thereto is required or proposed to be taken. Unitholders who requested that a copy be mailed to them were mailed a copy in April of 2015. A copy of the Financial Statements and MD&A are also available on our website ([www.partnersreit.com](http://www.partnersreit.com)), from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or you can write to the following address and request a copy: Jane Domenico, Acting Chief Executive Officer, 249 Saunders Road, Unit #3, Barrie, Ontario, L4N 9A3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this Circular.

### **Election of Trustees**

#### ***Number and Term of Office***

The operations of the REIT are subject to the control and direction of the Board, a majority of whom must be resident Canadians and a majority of whom must be independent within the meaning of applicable securities laws. The Board currently consists of five Trustees, four of whom are Independent Trustees (within the meaning of the Declaration of Trust).

The Board is authorized to determine from time to time, by resolution, the number of Trustees and the number of Trustees to be elected at the annual meeting of the Unitholders of the REIT, such number being a minimum of three trustees and a maximum of eleven trustees as set out in the Declaration of Trust. A copy of the Declaration of Trust may be found at [www.sedar.com](http://www.sedar.com).

The Board has set the number of Trustees to be elected at the Meeting at five. As of the date of this Circular, the Board consists of Ms. Jane Domenico and Messrs. Joseph Feldman, Marc Charlebois, Stephen Dulmage and Dexter John. The term of office of each Trustee expires at the time of the Meeting unless successors are not elected, in which case the Trustees remain in office until their successors are elected or appointed in accordance with applicable law and the Declaration of Trust. Ms. Domenico, Mr. Feldman and Mr. Dulmage will not stand for re-election to the Board.



The Trustees propose to nominate, and the persons named in the accompanying form of proxy will vote for (in absence of specifications or instructions to vote against on the proxy), the election of each of the five persons whose names are set forth below under “Nominees”, but will not vote for a greater number of persons than the number of nominees named in the form of proxy. Based on the recommendation of the Governance, Compensation and Nominating Committee (the “GC Committee”), each of the proposed nominees, if elected, will be considered to an Independent Trustee (within the meaning of the Declaration of Trust). The Trustees do not contemplate that any of the nominees will be unable to serve as a Trustee. If, as a result of circumstances not now contemplated, any nominee is unavailable to serve as a Trustee, the proxy will be voted for the election of such other person or persons as the Trustees may select. Each Trustee elected will hold office until the next annual meeting of Unitholders, or until his/her respective successor is elected or appointed in accordance with applicable law and the Declaration of Trust.

### ***Majority Voting Policy***

The Trustees have adopted a majority voting policy providing for clarification around voting for Trustees at Unitholder meetings. Pursuant to this policy, Unitholders are able to vote in favour of, or withhold from voting, separately for each nominee and, in an uncontested election of trustees, any nominee for trustee who receives a greater number of votes “withheld” from his or her election than votes “for” such election (a “Majority Withheld Vote”) shall immediately tender his or her resignation to the Chair of the Board following the meeting or to each member of the GC Committee if the affected trustee is such Chair. Any resignation received by the Chair of the Board shall be promptly referred to the GC Committee for consideration. An “uncontested election” means an election where the number of nominees for Trustees is equal to the number of trustees to be elected as determined by the Board (other than in a circumstance where additional trustees are nominated solely at the Unitholders meeting and for which a dissident proxy circular is not prepared), including as a result of a proxy contest. In any election of Trustees other than an uncontested election, this policy shall not apply.

The GC Committee shall promptly consider any resignation offer from a Trustee who has received a Majority Withheld Vote within thirty days of such trustee providing the resignation and recommend to the Board whether or not to accept the resignation. The GC Committee is expected to accept the resignation except in situations where extenuating circumstances would warrant the applicable trustee to continue to serve on the Board. In considering whether or not to accept a tendered resignation, the GC Committee will consider all factors deemed relevant by members of the GC Committee including, without limitation, any stated reasons why Unitholders “withheld” votes from the election of that Trustee, the length of service, if any, and the qualifications of the trustee whose resignation has been tendered, such trustee’s contributions to the Board and its committees, the REIT’s governance policies, and the effect of such resignation on the REIT’s compliance with any law, rule, regulation, stock exchange listing standards or contractual obligations.

The Board shall consider the GC Committee’s recommendation within 60 days following receipt of the GC Committee’s recommendation. In considering the latter, the Board will consider the factors considered by the GC Committee and such additional information and factors that the Board considers to be relevant. Following the Board’s decision on the resignation, the Board shall promptly disclose, via press release, its decision whether to accept the trustee’s resignation offer. If a resignation is accepted, the Board may, in accordance with the provisions of applicable law and the Declaration of Trust, (i) leave the resultant vacancy in the Board unfilled until the next annual meeting of Unitholders of the REIT, (ii) appoint a new Independent Trustee (within the meaning of the Declaration of Trust) to fill the vacancy created by such resignation, (iii) reduce the size of the Board, or (iv) call a special meeting of Unitholders at which there will be presented a new candidate to fill the vacant position(s).

At the Meeting, the persons nominated for election as a Trustee will be voted on individually and the voting results for each nominee will be publicly disclosed in a news release filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Advance Notice Policy***

Appendix A to the Declaration of Trust contains advance notice requirements in connection with Unitholders intending to nominate Trustees in certain circumstances (the “Advance Notice Policy”). The Advance Notice Policy was originally adopted and publicly announced on April 8, 2013, and was recently amended by the Board and publicly announced on March 26, 2015. In conjunction with its adoption, the Declaration of Trust was also amended

to provide that a person is disqualified from being a Trustee, and is not eligible for election as a Trustee, unless that person is nominated in accordance with the procedures stipulated in the Advance Notice Policy.

The Advance Notice Policy requires advance notice to the REIT by any Unitholder who intends to nominate any person for election as Trustee. Among other things, the Advance Notice Policy sets a deadline by which such Unitholders must notify the REIT in writing of an intention to nominate Trustees prior to any meeting of Unitholders at which Trustees are to be elected and set forth the information that the Unitholder must include in the notice for it to be valid.

The Board believes that the Advance Notice Policy provides a clear and transparent process for all Unitholders to follow if they intend to nominate Trustees. In addition, the Advance Notice Policy provides a reasonable time frame for Unitholders to notify the REIT of their intention to nominate Trustees and require Unitholders to disclose information concerning the proposed nominees that is mandated by applicable securities laws. The Board will be able to evaluate the proposed nominees' qualifications and suitability as Trustees and respond as appropriate in the best interests of the REIT. The Advance Notice Policy is also intended to facilitate an orderly and efficient meeting process.

In the case of an annual meeting of Unitholders, notice to the REIT must be made not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following the Notice Date. With respect to the Meeting, the first public announcement of the date of the Meeting was made on April 17, 2015.

The Trustees believe that, in accordance with the Advance Notice Policy, notice of any nominations by a nominating Unitholder must have been validly made no later than May 18, 2015. As of May 17, 2015, no such notice had been received by the REIT.

Unitholders are being asked to ratify, confirm and approve the Advance Notice Policy by ordinary resolution as further described under the heading "*Ratification, Confirmation and Approval of Appendix A (Procedures regarding the Nomination of Trustees for Election) to the Declaration of Trust*" herein.

**Nominees**

The persons named below have established their eligibility and willingness to serve as Trustees. The nominees comprise experienced business professionals with a diverse background in real estate, management, corporate finance and corporate governance. Each nominee, if elected, will be an Independent Trustee, within the meaning of the Declaration of Trust and Canadian securities laws. The following tables set forth information relating to the nominees as Trustees as of the date of the Circular:

<p><b>MARC CHARLEBOIS<sup>(1)</sup></b>                  Toronto, Ontario, Canada                  Age: 54  <i>Independent Trustee of the REIT since February 14, 2014</i></p>	<p>Marc Charlebois is a corporate director. Mr. Charlebois possesses more than 20 years of experience in the real estate industry. He recently served as the Chief Executive Officer at Rodenbury Investments Limited, a private company investing in commercial real estate, and as the Chief Operating Officer at Calloway Real Estate Investment Trust, one of Canada's leading publicly traded retail real estate investment trusts. Mr. Charlebois is a past serving officer in the Canadian Armed Forces. He holds a Bachelor of Engineering degree from the Royal Military College of Canada and an MBA specializing in finance and marketing from Queen's University.</p>
<b>Securities Owned/Controlled<sup>(2)</sup></b>	
Units	Nil
Unit Options/Deferred Units	Nil
Debentures	Nil

<b>MARC CHARLEBOIS<sup>(1)</sup> (CONT'D)</b>	
<b>Board and Committees</b>	
Board Audit Committee Investment Committee (Chair)	
<b>Other Public Board Directorships over Past Five Years</b>	<b>Other Board Committee Memberships of Public Entities over Past Five Years</b>
None	None

<b>DEXTER D.S. JOHN<sup>(3)(4)</sup></b>	Mr. John is an Executive Vice President with D.F. King & Co, a proxy solicitation firm, and has been in such position since July 1, 2014. Prior to that, Mr. John was Senior Vice President of CST Phoenix Advisors, a predecessor of D.F. King & Co., since August 2010 where, among other responsibilities, he managed its corporate governance services platform. He has over 15 years of experience in the capital markets and spent six years in structured finance where he executed over \$4 billion in transactions including \$1 billion in Commercial and Residential Mortgage Backed Securities. Mr. John previously served as Executive Vice President & General Counsel at a proxy services provider and as counsel at a large Canadian law firm. He serves as a director of Augustine Ventures Inc. and holds a Bachelor of Arts, a LL.B. designation and the ICD designation from the Institute of Corporate Directors. Mr. John is chair of the REIT's Governance, Compensation and Nominating Committee.
Whitby, Ontario, Canada	
Age: 45	
<i>Independent Trustee of the REIT since June 10, 2014</i>	
<b>Securities Owned/Controlled<sup>(2)</sup></b>	
Units	Nil
Unit Options/Deferred Units	Nil
Debentures	Nil
<b>Board and Committees</b>	
Board (Chair) Governance, Compensation and Nominating Committee (Chair)	
<b>Other Public Board Directorships over Past Five Years</b>	<b>Other Board Committee Memberships of Public Entities over Past Five Years</b>
Augustine Ventures Inc. (January 2012 to present)	Augustine Ventures Inc. – Chair of Governance, Compensation and Nominating Committee and Member of Audit Committee

<p><b>ALLAN KIMBERLEY<sup>(5)</sup></b></p> <p>Toronto, Ontario, Canada</p> <p>Age: 59</p> <p><i>New Independent Trustee Nominee</i></p>	<p>Mr. Kimberley recently retired from his position as Vice Chairman and Managing Director of Investment Banking, Real Estate at CIBC World Markets Inc. During his tenure with CIBC from 1996 to 2014, Mr. Kimberley worked predominantly with the CIBC real estate investment banking team and accumulated extensive experience in transactional activities which included debt and equity capital markets origination and execution and mergers and acquisitions advisory services. Mr. Kimberley is a Corporate Director. He is a director of First Capital Realty Inc. and a member of the Audit and Compensation and Corporate Governance Committees. Mr. Kimberley also serves on the board of Orlando Corporation. Mr. Kimberley is a member of the Executive Committee of the Toronto Symphony Orchestra board (and previous chair of the board) and is a member of the Governance and Government Relations Committee of the Ontario Science Centre board. Mr. Kimberley graduated from McMaster University with a Bachelor of Commerce degree and also holds a Masters, Business Administration degree from the University of Toronto.</p>
<b>Securities Owned/Controlled</b>	
Units	20,000
Unit Options/Deferred Units	Nil
Debentures	Nil
<b>Board and Committees</b>	
None	
<b>Other Public Board Directorships over Past Five Years</b>	<b>Other Board Committee Memberships of Public Entities over Past Five Years</b>
First Capital Realty Inc (May 2014 to present)	Audit Committee Compensation and Corporate Governance Committee

<p><b>SIMON NYILASSY<sup>(5)</sup></b></p> <p>Toronto, Ontario, Canada</p> <p>Age: 59</p> <p><i>New Independent Trustee Nominee</i></p>	<p>Mr. Simon Nyilassy is the President and Chief Executive Officer of Regal Lifestyle Communities Inc. Mr. Nyilassy has extensive experience as a real estate executive and leader with an in-depth understanding of capital and real estate markets. From 2005 to 2011, Mr. Nyilassy served as President and Chief Executive Officer (and as a trustee from 2003 to 2011) of Calloway Real Estate Investment Trust. Prior to that, Mr. Nyilassy served as Executive Vice-President of Finance and Administration of Smartcentres Group of Companies from 2000 to 2005. Mr. Nyilassy obtained an Honours Bachelor of Engineering Science degree from the University of Warwick and is a designated Chartered Professional Accountant.</p>
<b>Securities Owned/Controlled</b>	
Units	20,000
Unit Options/Deferred Units	Nil
Debentures	Nil
<b>Board and Committees</b>	
None	
<b>Other Public Board Directorships over Past Five Years</b>	<b>Other Board Committee Memberships of Public Entities over Past Five Years</b>
Regal Lifestyle Communities Inc. (April 2012 to present)	-
Calloway Real Estate Investment Trust ( November 2003 to August 2011)	-

<p><b>C. IAN ROSS<sup>(5)</sup></b></p> <p>Blue Mountains, Ontario, Canada</p> <p>Age: 73</p> <p><i>New Independent Trustee Nominee</i></p>	<p>Mr. Ross is a corporate director. Mr. Ross held various positions at the Richard Ivey School of Business at the University of Western Ontario from 1997 to September 2003. Most recently he held the position of Senior Director, Administration in the Dean's Office and was also Executive in Residence for the School's Institute for Entrepreneurship, Innovation and Growth. He has served as Governor, President and CEO of Ortech Corporation; Chairman, President and CEO of Provincial Papers Inc.; President and CEO of Paperboard Industries Corp.; as a trustee and chairman of Menu Food Income Fund from June 2007 to November 2010; as a corporate director and chairman of Pet Valu, Inc. from 2003 to 2009; and as a director Ontario Power Generation from December 2003 to April 2014. Mr. Ross currently serves as a director and chairman of Cathay Forest Product 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. He is also a member of the Law Society of Upper Canada.</p>
<b>Securities Owned/Controlled</b>	
Units	Nil
Unit Options/Deferred Units	Nil
Debentures	Nil
<b>Board and Committees</b>	
-	
<b>Other Public Board Directorships over Past Five Years</b>	<b>Other Board Committee Memberships of Public Entities over Past Five Years</b>
Clearford Water Systems Inc. (February 2008 to present)	Audit Committee Compensation Committee
GrowthWorks Canadian Fund Ltd. (April 1999 to present)	Audit and Valuation Committee Investment Committee Governance and Nomination Committee
GrowthWorks Commercialization Fund Ltd. (November 2004 to present)	Audit and Valuation Committee Investment Committee
Cathay Forest Product Corp. (July 2012 to present)	-
Ontario Power Generation Inc. (December 2003 to April 2014)	Risk Oversight Committee (Chair) Nuclear Oversight Committee Ad Hoc Committee (Chair) Executive Talent Committee
Menu Foods Income Fund (June 2007 to November 2005)	Audit Committee Compensation and Governance Committee Food Safety and Quality Assurance Committee Strategic Alternatives Committee

**Notes:**

- (1) Chair of Investment Committee.
- (2) In accordance with the REIT's Disclosure and Insider Trading Policy, none of the current Trustees have been permitted to purchase Units or debentures since becoming a Trustee.
- (3) Chair of the Board.
- (4) Chair of the Governance, Compensation and Nominating Committee.
- (5) New Trustee Nominees

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

No proposed Trustee 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 proposed Trustee 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 proposed Trustee 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 described below, no proposed Trustee (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 proposed Trustee.

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

No proposed Trustee 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 deciding whether to vote for a proposed Trustee.

### **Re-Appointment of Auditor**

KPMG LLP, the current auditor of the REIT, was initially appointed as auditor of the REIT on November 8, 2012. Upon the recommendation of the Audit Committee of the Board, the Board recommends that KPMG LLP be reappointed as auditor of the REIT to hold office until the close of the next annual meeting of Unitholders and that the Board be authorized to fix KPMG LLP’s remuneration. The persons named in the accompanying form of proxy will, in the case of a ballot and in the absence of specifications or instructions to vote against on the proxy, vote for the appointment of KPMG LLP as the auditor of the REIT to hold office until the next annual meeting of Unitholders of the REIT and to authorize the Audit Committee to fix the auditor’s remuneration.

***The Trustees recommend that Unitholders vote FOR the reappointment of KPMG LLP as the auditor of the REIT and to authorize the Trustees to fix the remuneration of the auditors.***

### **Ratification, Confirmation and Approval of Appendix A (Procedures regarding the Nomination of Trustees for Election) to the Declaration of Trust**

The Advance Notice Policy was originally adopted and publicly announced on April 8, 2013. The Trustees recently approved amendments to the Advance Notice Policy in order to align the policy with recent updates to evolving industry guidelines. See “-Advance Notice Policy” herein for a more detailed description of the Advance Notice Policy. The full text of the policy which is set out as Appendix A to the Declaration of Trust and as Schedule A hereto.

The Trustees believe the Advance Notice Policy is beneficial to Unitholders and other stakeholders and provides a clear and transparent process for all Unitholders to follow if they intend to nominate Trustees. The Advance Notice

By-Law will be subject to periodic review and, subject to applicable law, will reflect changes as required by securities regulatory agencies or stock exchanges and, at the discretion of the Board of Trustees, amendments necessary to meet evolving industry standards. If Unitholders do not confirm the Advance Notice Policy by ordinary resolution, the policy will cease to be effective and the Declaration of Trust will be amended to remove Appendix A in its entirety. At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution:

*BE IT RESOLVED, that:*

- 1. appendix A to the REIT's declaration of trust, in the form adopted by the trustees on March 23, 2015, as attached as Schedule A to the management information circular dated May 17, 2015, is hereby ratified, confirmed and approved; and*
- 2. any officer or trustee of the REIT is hereby authorized and directed, for and on behalf of the REIT, to execute and deliver all such instruments, certificates, documents, directions, notices, acknowledgements and receipts and to perform and to do all such other acts and things as any such officer or trustee of the REIT may consider necessary or advisable for the purposes of giving effect to this resolution.*

The foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Unitholders voting in person or by proxy.

***Accordingly, the Trustees recommend that Unitholders vote for the ratification, confirmation and approval of Appendix A (Procedures regarding the Nomination of Trustees for Election) to the Declaration of Trust***

#### **Ratification of the Unallocated Entitlements under the REIT's Unit Option Plan**

The rules of the TSX require that every three years after institution, all unallocated options, rights or other entitlements under a security based compensation arrangement that does not have a fixed maximum number of securities issuable, must be approved by the Board and by Unitholders. The Unit Option Plan, and the unallocated options, was re-approved by the Board on May 17, 2015 and the Unit Option Plan was last approved by Unitholders of the REIT on May 11, 2012. The Unit Options Plan provides that the maximum number of Units that may be reserved and set aside for issuance under the plan and all other equity compensation plans of the REIT shall not exceed 10% of the issued and outstanding Units at the time of grant. As at May 17, 2015, 26,473,753 Units were issued and outstanding and as such, a maximum of 2,647,375 Units, being 10% of the issued and outstanding Units, may be issued pursuant to Options granted under the Unit Option Plan and all other equity compensation plans (including the Deferred Unit Plan described below). If, and to the extent, Options granted under the Unit Option Plan are exercised or expire, terminate, are cancelled, or are forfeited for any reason without having been exercised in full, the Units associated with those Options will again become available for grant under the Unit Option Plan.

As at May 17, 2015, there were no outstanding Options under the Unit Option Plan. Accordingly, as of May 17, 2015, Options to purchase up to an additional 2,647,375 Units remained available for grant under the Unit Option Plan. Accordingly, at the Meeting, Unitholders will be asked to approve such unallocated Options. See "Statement of Executive and Trustee Compensation – Unit Option Plan" herein for a more detailed description of the Unit Option Plan. At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution:

*BE IT RESOLVED, that, as an ordinary resolution of the unitholders of the REIT:*

- 1. all unallocated award entitlements under the REIT's second amended and restated unit option plan are hereby authorized and approved;*
- 2. the REIT will seek further unitholder approval of unallocated awards under the second amended and restated unit option no later than June 17, 2018; and*
- 3. any officer or trustee of the REIT is hereby authorized and directed, for and on behalf of the REIT, to execute and deliver all such instruments, certificates, documents, directions, notices, acknowledgements*

*and receipts and to perform and to do all such other acts and things as any such officer or trustee of the REIT may consider necessary or advisable for the purposes of giving effect to this resolution.*

If the foregoing resolution is not approved, there will be no further Options granted pursuant to the Unit Option Plan.

***Accordingly, the Trustees recommend that Unitholders vote for the approval and ratification of the unallocated entitlements under the REIT's Unit Option Plan.***

#### **Ratification and Approval of the REIT's Deferred Unit Plan**

On May 17, 2015, the Board adopted the Deferred Unit Plan, subject to the approval of such plan by Unitholders at the Meeting. The purpose of the Deferred Unit Plan is to advance the interests of the REIT by enhancing the ability of the REIT to attract, motivate and retain trustees of the REIT and to reward such persons for their sustained contributions, to encourage such persons to take into account the long-term performance of the REIT and to promote a greater alignment of interests between trustees of the REIT and Unitholders.

The Deferred Unit Plan is administered by the Board and the GC Committee and is considered an "evergreen" plan, since (i) the Units covered by deferred units (the "Deferred Units") issued pursuant to the Deferred Unit Plan which have expired or which have been redeemed, terminated or cancelled shall be available for subsequent grants under the Deferred Unit Plan, and (ii) the number of Deferred Units available to grant increases as the number of issued and outstanding Units increases.

The Deferred Unit Plan provides that the maximum number of Units that may be reserved and set aside for issuance under the plan shall not exceed 1% of the issued and outstanding Units at the time of grant and the maximum number of Units reserved under the Deferred Unit Plan and all equity compensation plans (including the Unit Option Plan) of the REIT shall not exceed 10% of the REIT's issued and outstanding Units at any given time. As at May 17, 2015, there were no outstanding Deferred Units. As at May 17, 2015, 26,473,753 Units were issued and outstanding and as such, a maximum of 264,737 Units, being 1% of the issued and outstanding Units, may be issued pursuant to Deferred Units granted under the Deferred Unit Plan. Because the Deferred Unit Plan does not have a fixed maximum aggregate number of securities issuable thereunder, Unitholders will need to re-approve it every three years if it is approved at the Meeting, in accordance with the rules of the TSX. See "*Statement of Executive and Trustee Compensation –Deferred Unit Plan*" for a further summary of the terms of the Deferred Unit Plan and copy of the full text of the Deferred Unit Plan is attached hereto as Schedule B.

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the following ordinary resolution:

*BE IT RESOLVED, that, as an ordinary resolution of the unitholders of the REIT:*

- 1. the REIT's deferred unit plan is hereby ratified and approved;*
- 2. the REIT will seek further unitholder approval of unallocated units under the deferred unit plan no later than June 17, 2018; and*
- 3. any officer or trustee of the REIT is hereby authorized and directed, for and on behalf of the REIT, to execute and deliver all such instruments, certificates, documents, directions, notices, acknowledgements and receipts and to perform and to do all such other acts and things as any such officer or trustee of the REIT may consider necessary or advisable for the purposes of giving effect to this resolution.*

Pursuant to the requirements of the TSX, the foregoing resolution must be approved by a simple majority of the votes cast at the Meeting by the Unitholders voting in person or by proxy. If the foregoing resolution is not approved, there will be no Deferred Units issued pursuant to the Deferred Unit Plan.

***Accordingly, the Trustees recommend that Unitholders vote for the ratification and approval of the REIT's Deferred Unit Plan.***



### **Other Matters Coming Before the Meeting**

The Trustees know of no matters to come before the Meeting other than those referred to in the accompanying Notice of Meeting. Should any other matters properly come before the Meeting, the Units represented by proxy solicited hereby will be voted on such matters in accordance with the best judgment of the person voting such proxy.

## **STATEMENT OF EXECUTIVE AND TRUSTEE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Internalization of the REIT*

Prior to February 15, 2014, the Trustees were not involved in the setting of compensation for officers or other executives of the REIT. The REIT was a party to a management agreement dated March 30, 2012 between LAPP Global Asset Management Corp. (the "Former Manager") and the REIT pursuant to which the Former Manager provided management services to the REIT (the "Former Management Agreement"). The Former Management Agreement was assigned to a wholly-owned subsidiary of McCowan by order of the Supreme Court of British Columbia, on December 29, 2013. At the time of this assignment, the subsidiary entered into a secondment arrangement with League Assets Corp. ("LAC"), an affiliate of the Former Manager, pursuant to which those employees of LAC who had been formerly responsible for the provision of key services to the REIT by the Former Manager would continue to provide these services until internalization.

On February 11, 2014, Messrs. Feldman and Weinberg, being the committee of Independent Trustees formed to review and assess internalization planning (the "Internalization Committee"), met to review the internalization plan. Immediately thereafter, the REIT announced the resignation of Patrick Miniutti as Chief Executive Officer and the appointments of Ron McCowan as interim Chief Executive Officer and President and Derrick West as Chief Financial Officer.

On February 14, 2014, the Trustees terminated the Former Management Agreement. Effective that date, LAC terminated the employment of all employees who had been seconded to the REIT and the REIT employed directly only a small number of those individuals, including Ms. Domenico.

The Former Manager was responsible for the selection, designation and compensation of all senior officers of the REIT and, as such, these individuals were employees of LAC and not the REIT itself.

The Trustees have limited access to information from the Former Manager but understand that elements of compensation for the individuals who had devoted substantially all of their time to the business of the REIT generally consisted of the following: (i) base salary; (ii) short-term incentives in the form of a cash bonus; and (iii) long-term incentives in the form of options to purchase Units ("Options").

The Trustees have been advised that the base salaries paid to these individuals were intended to reward their respective skills, capabilities, knowledge, experience and level of responsibility. The Trustees have also been advised that the grants of Options were designed to encourage long-term ownership in the REIT and also align the interests of these individuals with Unitholders. See "*-Unit Option Plan*" herein for a more detailed description of the Unit Option Plan.

As part of the REIT's insider trading and confidential information policy, trustees, officers and employees of the REIT are not permitted to trade in any interest or position relating to the future price of securities of the REIT, such as a put, call or short sale.

As a result of the internalization, the Board is involved in the setting of compensation for the employees of the REIT, including, in particular, its senior executive officers. The REIT's primary goal is to deliver a reliable and growing yield to Unitholders. The objective of the REIT's executive compensation is to attract, retain and motivate qualified individuals to pursue this goal. The Board and the GC Committee have not formally considered the implications of the risks associated with the REIT's compensation policies and practices; however, the REIT's

executive compensation is designed to, among other things, provide a reward for services rendered and to provide an incentive for management to implement strategies aimed at achieving the REIT's objectives. While the REIT's compensation program and practices are not structured to reward excessive risk taking, the REIT recognizes that some level of risk taking is necessary to achieve outcomes that are in the Unitholders' best interests.

Currently, the REIT does not have a policy in place prohibiting NEOs (as defined below) and Trustees of the REIT from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units or exchange funds that are designed to hedge or offset a decrease in market value of equity securities of the REIT granted as compensation or held, directly or indirectly, by the NEO or Trustee. To the REIT's knowledge, no NEO or Trustee has ever purchased such financial instruments for such purpose.

(a) Elements of Compensation

The Trustees believe that executives of the REIT should be fairly compensated based on their contribution to the REIT's success. The primary elements of the REIT's executive compensation for executives are base salary, annual incentive cash bonuses and the REIT proposes to introduce the use of Options.

(b) Base Salary

Base salaries are intended to provide executives with an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the REIT, the position and responsibilities of the executives and the salaries anticipated in the markets in which the REIT operates. Base salaries are not determined on benchmarks or a specific formula, but are set to be competitive with industry levels.

Base salaries for the Acting Chief Executive Officer, Chief Financial Officer and Chief Operating Officer are recommended by the Chair of the Board on an annual basis and are reviewed and approved by the GC Committee.

(c) Annual Incentives – Cash Bonuses

The REIT pays discretionary annual cash bonuses to its executives. Discretionary annual cash bonuses reward the executives based on the performance of the REIT and/or the executive individually. The determination of the performance of the REIT may vary from year to year depending on economic conditions and conditions in the real estate industry. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day-to-day responsibilities.

The performance of and payment of any annual cash bonuses to the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer is reviewed and approved by the GC Committee on an annual basis.

(d) Employment Contracts

The REIT has employment contracts with its executive officers, namely Jane Domenico, the Acting Chief Executive Officer and Chief Operating Officer of the REIT, and Derrick West, the Chief Financial Officer of the REIT.

Effective on February 15, 2014, Ms. Jane Domenico entered into an employment contract with the REIT in respect of her appointment as the REIT's Chief Operating Officer. Effective on May 4, 2014, Ms. Domenico's employment contract was terminated and replaced with a new employment contract. Pursuant to the terms of her new employment contract, Ms. Domenico continues to serve as the Chief Operating Officer of the REIT and is entitled to an annualized base salary of \$225,000. Ms. Domenico is also eligible to receive an annual bonus to a maximum of 50% of her base salary based on criteria determined by the Chief Executive Officer of the REIT in consultation with the Board at the beginning of each fiscal year. Ms. Domenico's employment contract provides that her discretionary 2014 bonus may not be less than 30% of her base salary.

Ms. Domenico is also eligible to participate in group benefit plans available to officers of the REIT and is entitled to twenty vacation days per year. Additionally, the REIT will reimburse Ms. Domenico for all of her reasonable and

approved business expenses. The expense claims of the Chief Operating Officer and Chief Executive Officer are approved by the Chair of the Audit Committee and are reviewed annually by the Audit Committee. Any expense that the Chair of the Audit Committee deems is not a valid business expense of the REIT would have to be reimbursed by Ms. Domenico. No reimbursement has been required to date.

Ms. Domenico's employment contract provides that she may terminate her employment by providing the REIT with four weeks' notice and upon such termination, she will be entitled to her unpaid base salary, accrued but unused vacation days and reasonable unpaid expenses, each to the date of termination. The REIT may terminate Ms. Domenico's employment for cause and upon such termination, she will be entitled to her unpaid base salary, accrued but unused vacation days and reasonable unpaid expenses, each to the date of termination. The REIT may terminate Ms. Domenico's employment without cause by providing her with a payment equivalent to one year's base salary, the maximum potential annual bonus payable for the previous year (i.e. 50% of her base salary) and any other statutory termination requirements. In addition, the REIT will continue to provide Ms. Domenico with coverage under the applicable group benefit plan for one year from the date of termination. The REIT will also reimburse her for any accrued but unused vacation days and reasonable unpaid expenses, each to the date of termination.

If, within 12 months of the occurrence of a Change in Control (as defined below), the REIT terminates Ms. Domenico's employment without cause or if she resigns due to a material adverse change in her terms and conditions of employment, the REIT will pay Ms. Domenico a lump sum payment equal to the payment she would have received had the REIT terminated her employment without cause (as described above). Upon cessation of Ms. Domenico's employment for any reason and as a condition of her receiving the termination payments described above, Ms. Domenico is required to sign a release in favour of the REIT in respect of all matters relating to her employment.

A "Change in Control" means for this purpose (a) the acceptance by the Unitholders of fifty (50%) percent or more of all issued Units, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Units; provided that no Change in Control shall be deemed to have occurred if upon completion of any such transaction a majority of the Incumbent Trustees (as defined below) remain as members of the Board of Trustees or similar authority of the resulting trust or entity following such effective date; (b) the acquisition and continued ownership of Units (or the securities of any material subsidiary of the REIT) and/or securities ("Convertible Securities") convertible into, exchangeable for or representing the right to acquire Units (or the securities of any material subsidiary of the REIT) as a result of which a person, group of persons or persons acting jointly or in concert or persons associated or affiliated (within the meaning of the *Canada Business Corporations Act*) with any such person, group of persons or any of such persons acting jointly or in concert (collectively, the "Acquirors") beneficially own Units (or the securities of any material subsidiary of the REIT) and/or Convertible Securities such that, assuming only the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirors, the Acquirors would beneficially own Units (or the securities of any material subsidiary of the REIT) that would entitle the holders thereof to cast more than 30% of the votes cast attaching to all Units (or the securities of any material subsidiary of the REIT) that may be cast to elect members of the Board; (c) the entering into of any agreement by the REIT to merge, consolidate, restructure, amalgamate, initiate an arrangement or be absorbed by, into or with another REIT or entity; provided that no Change in Control shall be deemed to have occurred if upon completion of any such transaction a majority of the Incumbent Trustees remain as members of Board or similar authority of the resulting REIT or entity following such effective date; (d) exercise of voting power over all or any portion of the Units so as to cause or result in the election of such number of Trustees of the REIT as would constitute a majority of the Board and who were not Incumbent Trustees; or (e) the acquisition by any person of all, or substantially all, of the material assets of the REIT (whether directly or from one or more subsidiaries of the REIT). For this purpose, Incumbent Trustee means any member of the Board of Trustees who was a member of the Board of Trustees immediately prior to a Change in Control and any successor to an Incumbent Trustee who is recommended or elected or appointed to succeed an Incumbent Trustee by the affirmative vote of the Unitholders when that affirmative vote includes the affirmative vote of a majority of Incumbent Trustees then on the Board of Trustees.

Ms. Domenico's employment contract also contains non-competition, non-solicitation and confidentiality covenants consistent with industry standards.

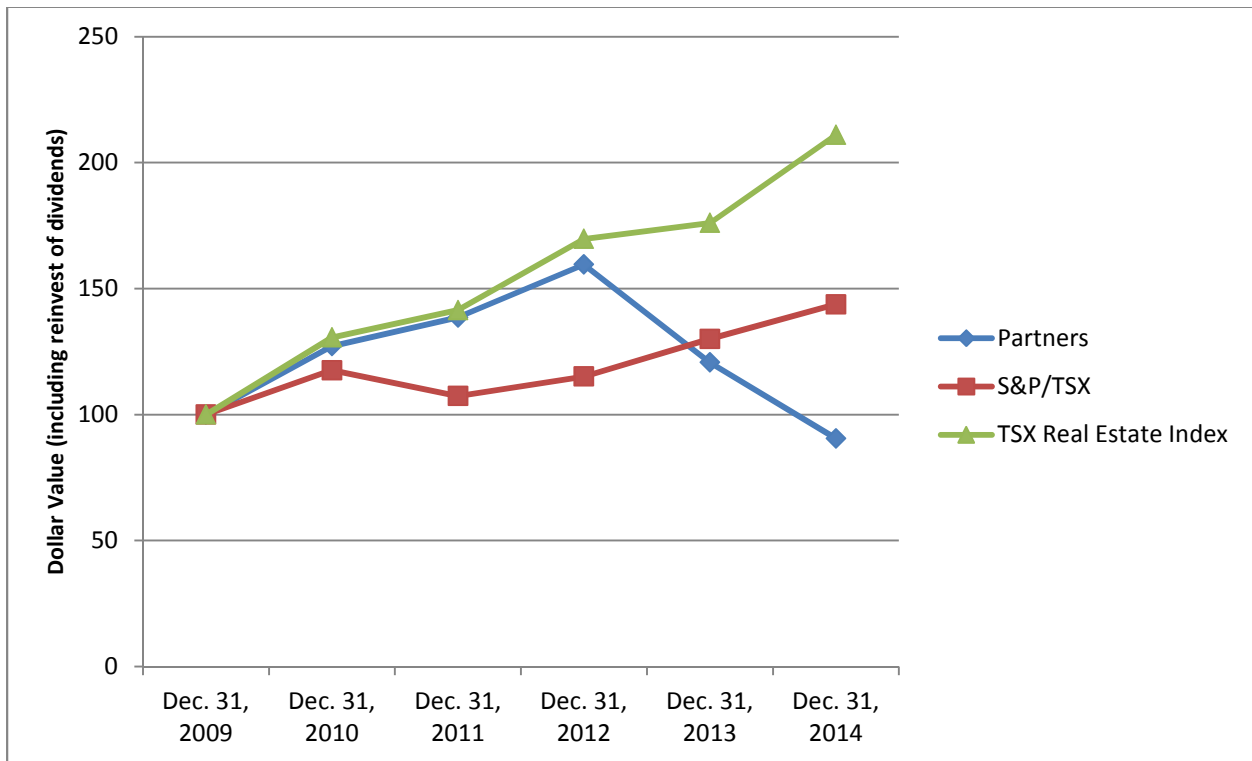
Pursuant to the terms of her contract, during the period where Ms. Domenico is Acting Chief Executive Officer, she will be entitled, in addition to the terms of her employment as Chief Operating Officer, to the following: a bi-weekly salary of \$7,000 and a one-time signing bonus of \$25,000. Additionally, the REIT will reimburse Ms. Domenico for all of her reasonable and approved business expenses. Ms. Domenico may terminate her employment as Acting Chief Executive Officer by providing the REIT with 4 weeks' notice and upon such termination, she will be entitled to her unpaid salary for the 4 week notice period and reasonable unpaid expenses. The REIT may terminate Ms. Domenico's employment as Acting Chief Executive Officer without cause by providing her with a minimum of one day's notice. Upon such termination, Ms. Domenico will be entitled to her unpaid salary and reasonable unpaid expenses up to the date of termination. Ms. Domenico's employment contract also contains a confidentiality covenant consistent with industry standards.

Effective on February 15, 2014, Mr. Derrick West entered into an employment contract with the REIT in respect of his appointment as the REIT's Chief Financial Officer. That contract was amended effective May 4, 2014. The financial and other terms of Mr. West's new employment contract are substantially similar to the terms of Ms. Domenico's Chief Operating Officer employment contract including with respect to base salary of \$225,000 and annual bonus, which in 2014 may not be less than 30% of his base salary, except that Mr. West is entitled as well to a one-time retention bonus payment equal to \$25,000 and a housing allowance of \$1,000 per month. Mr. West's housing allowance was amended to \$2,800 per month in December 2014.

No compensation consultant or advisor has been retained at any time in the REIT's most recently completed year to assist the GC Committee in determining compensation for any of REIT's Trustees or executives.

### Performance Graph

The following graph illustrates our cumulative total Unitholder return (assuming an initial \$100 investment and the reinvestment of all distributions) for the Units on the relevant stock exchange as compared with the S&P/TSX Composite Index and the S&P/TSX Real Estate Index for the period commencing December 31, 2009 until December 31, 2014.



### Summary Compensation Table

The following table sets forth a summary of compensation attributable to time dedicated to the business and affairs of the REIT during fiscal years 2012, 2013 and 2014 by the following Named Executive Officers (“NEOs”). Prior to internalization on February 15, 2014, the REIT was managed by the Former Manager and during this time, unless indicated otherwise, all of the NEO’s were employees of LAC, an affiliate of the Former Manager. As a result of the internalization, certain NEO’s were employed by the REIT and the REIT assumed all responsibility for such NEO’s salaries.

Name	Year	Salary / Portion of Annual Management and Acquisition Fees Attributable to Compensation <sup>(1)</sup>	Unit-based awards	Option-based awards <sup>(2)</sup>	Non-equity incentive plan compensation		All other compensation	Total compensation <sup>(1)</sup>
					Annual Incentive Plans	Long-term incentive Plans		
		\$	\$	\$	\$	\$	\$	\$
JANE DOMENICO Acting Chief Executive Officer and Chief Operating Officer	2014	\$318,431 <sup>(2)</sup>	Nil	Nil	\$67,500 <sup>(2)</sup>	Nil	\$25,000 <sup>(11)</sup>	\$410,931
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil
DERRICK WEST Chief Financial Officer and Corporate Secretary	2014	\$199,488 <sup>(3)</sup>	Nil	Nil	\$67,500 <sup>(3)</sup>	Nil	\$34,246 <sup>(12)</sup>	\$301,234
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil
RONALD MCCOWAN <sup>(4)</sup> Interim Chief Executive Officer	2014	\$44,423	Nil	Nil	Nil	Nil	Nil	\$44,423
	2013	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil
PATRICK MINIUTTI <sup>(5)</sup> Chief Executive Officer	2014	\$28,030	Nil	Nil	Nil	Nil	Nil	\$28,030
	2013	\$257,555	Nil	Nil	Nil	Nil	Nil	\$257,555
	2012	\$248,358	Nil	\$34,461	Nil	Nil	Nil	\$282,819
PETER MORRIS <sup>(6)</sup> Chief Operating Officer	2014	\$22,423	Nil	Nil	Nil	Nil	Nil	\$22,423
	2013	\$209,263	Nil	Nil	Nil	Nil	Nil	\$209,263
	2012	\$40,274	Nil	Nil	Nil	Nil	Nil	\$40,274
ED BOOMER <sup>(7)</sup> Chief Investment Officer	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	\$177,069	Nil	Nil	Nil	Nil	\$372,115 <sup>(10)</sup>	\$549,184
	2012	\$93,973	Nil	Nil	Nil	Nil	Nil	\$93,973
HEATHER ROUTLY <sup>(8)</sup> Chief Financial Officer	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	\$144,875	Nil	Nil	Nil	Nil	\$263,269 <sup>(10)</sup>	\$408,144
	2012	Nil	Nil	Nil	Nil	Nil	Nil	Nil
TONY QUO VADIS <sup>(9)</sup> Chief Financial Officer	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2013	\$16,097	Nil	Nil	Nil	Nil	Nil	\$16,097
	2012	\$93,973	Nil	Nil	Nil	Nil	Nil	\$93,973

**Notes:**

- (1) Prior to internalization on February 15, 2014, the REIT had no employees and bore no direct cost with respect to any staff. Executive compensation attributable to time dedicated to the business and affairs of the REIT was paid by the Former Manager in accordance with the Former Management Agreement (and the management agreement that existed prior to the Former Management Agreement) obligation to provide a management team to the REIT. The aggregate fees earned by the Former Manager in fiscal 2014 were \$218,415 (2013: \$2,299,599; 2012: \$1,917,819). The Trustees have been advised that approximately 70% of the aggregate fees represent a recovery of salaries, with the balance allocated to the recovery of other overhead costs. Moreover, the Trustees have been advised that, in fiscal 2014,

Patrick Miniutti and Peter Morris represented 56% and 44% respectively (2013: 32% and 26%, respectively), of earned fees allocated to salary based on a relative weighting of their positions compared to all other positions of individuals participating in the management of the REIT.

- (2) Ms. Domenico was Vice President of Asset Management of the REIT for the Former Manager from January 1, 2014 to February 14, 2014 and received aggregate compensation of \$23,393 in such capacity. Ms. Domenico was appointed Chief Operating Officer on February 14, 2014 and Acting Chief Executive Officer on May 4, 2014. Ms. Domenico's annual base salary as Chief Operating Officer is \$225,000 and her bi-weekly base salary as Chief Executive Officer is an additional \$7,000. Pursuant to the terms of her employment agreement as Chief Operating Office, Ms. Domenico received a 2014 performance bonus of \$67,500 paid in April 2015.
- (3) Mr. West was the financial controller for the REIT for the Former Manager from January 20, 2014 to February 14, 2014 and received aggregate compensation of \$14,538 in such capacity. Mr. West was appointed Chief Financial Officer on February 14, 2014. Mr. West's annual base salary as Chief Financial Officer is \$225,000. Pursuant to the terms of his employment agreement, Mr. West received a 2014 performance bonus of \$67,500 paid in April 2015.
- (4) Mr. McCowan was appointed interim Chief Executive Officer on February 14, 2014 and resigned on May 4, 2014.
- (5) Mr. Miniutti was appointed Chief Executive Officer on August 4, 2013 and was replaced in that capacity on February 11, 2014. Mr. Miniutti was terminated by LAC on February 14, 2014 and was not employed by the REIT following his termination.
- (6) Mr. Morris was appointed Chief Operating Officer on October 18, 2012 and was terminated by LAC on February 14, 2014. Mr. Morris was not employed by the REIT following his termination.
- (7) Mr. Boomer was appointed Chief Investment Officer on March 19, 2013 and was terminated by LAC on November 24, 2013.
- (8) Ms. Routly was appointed Chief Financial Officer on February 13, 2013 and was terminated by LAC on November 24, 2013.
- (9) Mr. Quo Vadis was appointed Chief Financial Officer on May 11, 2012 and resigned on February 13, 2013.
- (10) On November 22, 2013, the former Trustees of the REIT entered into agreements with Ed Boomer and Heather Routly pursuant to which the REIT agreed to hire each of them in their respective capacities if they were to be terminated by the Former Manager. Ed Boomer and Heather Routly were terminated by the Former Manager on November 24, 2013, at which point they became employees of the REIT. Immediately thereafter, they were terminated by the REIT. These amounts are in respect of the severance costs paid to Ed Boomer and Heather Routly upon their termination by the REIT.
- (11) Jane Domenico received a one-time signing bonus pursuant to the terms of her employment agreement as Acting Chief Executive Officer entered into on May 4, 2014.
- (12) Mr. West received a one-time retention bonus payment equal to \$25,000 and a month housing allowance of \$1,000 per month pursuant to the terms of his amended employment agreement entered into on May 4, 2014 in respect of his appointment as Chief Financial Officer. Mr. West's housing allowance was amended to \$2,800 per month in December 2014.

### **Executive Officer Unit Ownership Guidelines**

To align the interests of senior management with the interests of Unitholders, REIT ownership guidelines were approved by the Board for officers and non-employee trustees of the REIT on May 17, 2015 (the "Unit Ownership Guidelines"). Under the Unit Ownership Guidelines, 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. Unexercised vested options do not qualify to meet ownership guidelines. The Unit Ownership Guideline states that if an officer's Unit ownership falls below the minimum guidelines due to a decline in the Unit price, such officer will have one year to restore compliance.

### **Outstanding Option-Based Awards**

As at December 31, 2014, there were no outstanding option based awards.

### **Unit Option Plan**

#### *Purpose*

The purpose of the REIT's second amended and restated unit option plan dated June 6, 2008 and amended on June 30, 2010 and April 13, 2012 is to encourage ownership of Units by Trustees, directors of subsidiaries of the REIT, executive officers and employees of the REIT and its subsidiaries and consultants.

#### *Administration*

The Unit Option Plan is administered by the Trustees. The Trustees may:

- grant options to purchase Units to eligible persons;
- determine the terms, limitations, restrictions and conditions respecting grants of Units;

- interpret the Unit Option Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Unit Option Plan; and
- make all of their determinations and to take all other actions in connection with the implementation and administration of the Unit Option Plan as they may deem necessary or advisable.

#### *Maximum Number of Units Subject to the Unit Option Plan*

The Unit Option Plan provides that the maximum number of Units that may be reserved and set aside for issuance under the plan and all other equity compensation plans of the REIT shall not exceed 10% of the issued and outstanding Units at the time of grant. As a result of this “rolling cap”, the Unit Option Plan must be approved by unitholders once every three years pursuant to the rules of the TSX.

#### *Terms and Conditions of Options*

##### **Price**

The price of any Units in respect of which an Option may be granted shall be fixed by the Trustees but shall not be less than the market price of the Units at the time the Option is granted. “Market price” is deemed to be the last closing price of the Units as reported by the TSX or any other principal Canadian stock exchange on which the Units are then listed or admitted to trading on the day immediately preceding the day upon which the Option is granted, or if not so traded, the average between the closing bid and asked prices as reported for the day immediately preceding the day upon which the Option is granted. The Trustees may determine that the date of grant of the Option shall be a future date determined in the manner specified in such resolution, in which case, the “market price” shall be the weighted average trading price of the Units as reported by the TSX for the five trading days preceding the date of the grant. Options granted under the Unit Option Plan shall vest in such a manner as determined by the Trustees and the exercise price must be paid in full upon exercise of the Option.

##### **Term**

Options granted under the Unit Option Plan will vest on the date or dates determined as determined by the Board and may be exercisable over a period not exceeding five years from the date of the grant of the Option. Provided the Units are listed on the TSX, if the term of an Option expires on a date that falls within a period (a “Blackout Period”) during which designated trustees, officers and employees of the REIT cannot trade the Units pursuant to the Trust’s policy respecting restrictions on trading which is in effect at that time, such expiration date will be automatically extended to that date which is the tenth business day after the end of the Blackout Period.

##### **Termination of Options**

Options terminate on the earlier of:

- the date of expiration specified in the Option agreement or in the resolution of Trustees granting the Option, as the case may be, being not more than five years after the date upon which the Option was granted;
- 90 days after the participant ceases to be eligible, other than by reason of retirement, permanent disability or death. This provision will apply regardless of whether the participant was dismissed with or without cause;
- 180 days following the date of death of the participant; and
- 90 days after termination of the participant’s employment by reason of permanent disability or retirement.

##### **Transferability of Options**

No Option is transferable or assignable by the participant, except to a “permitted assign” as defined in NI 45-106, which includes:

- a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person;
- a holding entity of the person;
- a RRSP, RRIF, or TFSA of the person;
- a spouse of the person;
- a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person;
- a holding entity of the spouse of the person; or
- a RRSP, RRIF, or TFSA of the spouse of the person.

### **Restrictions on Issuances**

The number of Units reserved for issuance under Options granted to insiders is limited to the Insider Participation Limit. The number of Units reserved for issuance under Options to any one person may not exceed 5% of the issued and outstanding Units on a non-diluted basis. Insider Participation Limit is as defined in the TSX Company Manual being means the number Units of the REIT; (i) issued to insiders of the listed issuer, within any one year period, and (ii) issuable to insiders of the listed issuer, at any time, under the Unit Option Plan, or when combined with all of the REIT's other security based compensation arrangements (including the Deferred Unit Plan), which can not exceed 10% of the REIT's total issued and outstanding Units.

### **Adjustments in Units Subject to the Unit Option Plan**

The number of Units subject to the Unit Option Plan may be adjusted in the event of a subdivision, redivision, consolidation, or reclassification of the Units or other capital reorganization of the REIT.

### **Change in Control**

In the event of a Change in Control of the REIT (as hereinafter defined) all Options shall become immediately exercisable.

For the purposes of the Unit Option Plan, a “Change in Control” is defined as:

- the acceptance of an offer by a sufficient number of holders of voting securities of an entity to constitute the offeror, together with persons acting jointly or in concert with the offeror, being a securityholder of such entity being entitled to exercise more than 50% of the voting rights attaching to the outstanding securities of such entity (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attaching to the entity);
- the completion of a consolidation, merger or amalgamation by an entity whereby the voting securityholders of such entity immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged or amalgamated entity;
- the completion of a sale whereby all or substantially all of an entity's undertakings and assets become the property of any third party and the voting securityholders of the entity immediately prior to that sale collectively hold less than 50% of the voting rights attaching to the outstanding voting securities of the third party immediately following that sale; or



- the adoption by the Trustees of a resolution to the effect that, for the purposes of the Unit Option Plan, a Change in Control has occurred or that such a Change in Control is imminent,

provided, however, that for the purposes of the Unit Option Plan, (A) the sale of any voting securities (or equivalent thereof) of an entity (or any successor Person thereto) pursuant to a public offering, shall not constitute a Change in Control, and (B) the Trustees may deem that a Change of Control has not occurred for the purposes of the Unit Option Plan.

### Amendment and Termination of the Unit Option Plan and Options

The Trustees may amend, suspend or terminate:

- the Unit Option Plan or any portion thereof, including, without limitation, amendments related to vesting, termination, or of a “housekeeping” nature, provided that the REIT shall comply with the rules of the TSX; or
- any Option at any time, provided that such amendment shall not adversely alter or impair any Option previously granted except as permitted by the provisions of the Unit Option Plan.

Notwithstanding the foregoing, the REIT will be required to obtain Unitholder approval for any amendment related to:

- a reduction in the exercise price benefitting an insider;
- an extension of the term benefitting an insider;
- any amendment to remove or to exceed the Insider Participation Limit;
- an increase in the maximum number of securities issuable under the Unit Option Plan; and
- amendments to the amendments section of the Unit Option Plan.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table (presented in accordance with Form 51-102F5 promulgated under National Instrument 51-102 – *Continuous Disclosure*) sets forth all compensation plans under which equity securities of the REIT were authorized for issuance as of December 31, 2014:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options <sup>(1)</sup> , Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	Nil	Nil	Nil
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	Nil	Nil	Nil

(a) Executive Equity Compensation

None of the executive officers or senior officers of the REIT were entitled at any time during fiscal 2014 to equity compensation by the REIT or its subsidiaries pursuant to an Equity Compensation Plan. During the year ended December 31, 2014, no Options or Units (or other equity securities) of the REIT were authorized pursuant to any Equity Compensation Plan.

(b) Trustee Alternate Compensation

On May 11, 2012, the Unitholders approved an alternate compensation plan (the “ACP”) which allowed Trustees to elect to receive their fees for acting as Trustees in Units or a combination of cash and Units, at their election. During the year ended December 31, 2014, Trustees were restricted from electing to receive Units under the ACP due to the REIT’s Disclosure and Insider Trading Policy and as a result no Units were issued to Trustees under the ACP. The ACP was terminated effective May 17, 2015. The Trustees approved the Deferred Unit Plan on May 17, 2015. See “– *Deferred Unit Plan*”. There were no outstanding Deferred Units as of the date of this Circular.

As described in the Annual Information Form of the REIT dated March 31, 2015, the REIT also has outstanding debentures convertible into Units in certain circumstances pursuant to a debenture indenture dated March 8, 2011, as amended by a first supplemental indenture dated as of March 29, 2012, as amended by a second supplemental indenture dated as of September 5, 2012 and as further amended by a third supplemental indenture dated as of March 12, 2013. None of these convertible securities were issued pursuant to an equity compensation plan of the REIT.

**Compensation of Trustees**

The following table presents the details of all compensation provided to the Trustees for the year ended December 31, 2014.

Name	Fees Earned (\$)	Unit-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	All Other Compensation (\$)	Total (\$)
JOSEPH FELDMAN	\$78,768	-	-	-	\$67,000	\$145,768
MARC CHARLEBOIS <sup>(1)</sup>	\$70,220	-	-	-	\$69,000	\$139,220
JANE DOMENICO <sup>(2)</sup>	-	-	-	-	-	-
STEVEN DULMAGE <sup>(3)</sup>	\$32,798	-	-	-	\$18,000	\$50,798
DEXTER JOHN <sup>(3)</sup>	\$31,211	-	-	-	\$21,000	\$52,221
KEVIN VANAMBURG <sup>(4)</sup>	\$37,939	-	-	-	\$53,000	\$90,939
LINDSAY ADAM WEISS <sup>(5)</sup>	\$8,944	-	-	-	-	\$8,944
ALLEN WEINBERG <sup>(6)</sup>	\$17,042	-	-	-	\$10,000	\$27,042
PATRICK MINIUTTI <sup>(7)</sup>	-	-	-	-	-	-

- (1) Marc Charlebois became a trustee of the REIT on February 14, 2014.
- (2) Jane Domenico became a trustee of the REIT on July 15, 2014. As Acting Chief Executive Officer and Chief Operating Officer, Ms. Domenico does not receive any board or committee fees for her work as a Trustee.
- (3) Messrs. Dulmage and John became trustees of the REIT on June 10, 2014.
- (4) Kevin VanAmburg became a trustee on April 3, 2014 and ceased being a trustee of the REIT on July 15, 2014.
- (5) Lindsay Adam Weiss became a trustee on April 3, 2014 and ceased being a trustee of the REIT on April 30, 2014.
- (6) Allen Weinberg ceased being a trustee of the REIT on April 3, 2014.
- (7) Patrick Miniutti ceased being a trustee of the REIT on March 21, 2014. As Chief Executive Officer, Ms. Miniutti did not receive any board or committee fees for his work as a Trustee.

Each of the Trustees who are not officers of the REIT receives an annual retainer in the amount of \$30,000 per year plus a fee of \$1,000 for each Board or committee meeting attended, other than attendance at Audit Committee meetings, for which Trustees receive a fee of \$1,500 for each meeting attended. The Chair of the Board receives an annual honorarium of \$10,000, the Chair of the Audit Committee receives an honorarium of \$7,500 and each of the chairs of the GC Committee and the Investment Committee receives a \$5,000 honorarium. Trustees are reimbursed for reasonable travel and other expenses incurred by them in attending meetings of the Trustees or any committee

meeting thereof or in connection with their services as Trustees. The Trustees may also be granted Options or Deferred Units from time to time but no such Options or Deferred Units have been granted to the current serving Trustees. Trustees will also be entitled to establish additional fees for special committees or work required by the Trustees above and beyond their mandate.

On May 4, 2014, a special committee consisting of Joseph Feldman, Marc Charlebois and Kevin VanAmburg was established to oversee the, among other things, a strategic review process. Each of Messrs. Feldman, Charlebois and VanAmburg received a special committee retainer in the amount of \$35,000. On June 16, 2014, Dexter John and Stephen Dulmage joined the special committee and received a retainer in the amount of \$18,000. Each of Messrs. Feldman, Charlebois and VanAmburg received an additional special committee retainer in the amount of \$18,000. Mr. John was provided additional special fees of \$3,000 in connection with his work on the search for a permanent CEO. On March 23, 2015, the Board restated the mandate of the special committee and confirmed Messrs. Charlebois and John as the current members of the special committee. The Board also approved an additional special committee retainer in the amount of \$15,000 to each of Messrs. Charlebois and John.

During the year ended December 31, 2014, no Unit-based awards were made to anyone who was a Trustee on December 31, 2014 or who had been a Trustee during 2014.

Name	Option-Based Awards			
	Number of Units Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$)
JOSEPH FELDMAN	-	-	-	-
MARC CHARLEBOIS	-	-	-	-
JANE DOMENICO	-	-	-	-
STEVEN DULMAGE	-	-	-	-
DEXTER JOHN	-	-	-	-
KEVIN VANAMBURG	-	-	-	-
LINDSAY ADAM WEISS	-	-	-	-
ALLEN WEINBERG	-	-	-	-
PATRICK MINIUTTI	-	-	-	-

### Trustee Unit Ownership Guidelines

Under the Unit Ownership Guidelines 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 that the REIT then provides to such trustee for regular service on the Board. Non-employee trustees are subject to such guidelines for as long as they continue to serve on the Board. The Unit Ownership Guideline states that if a non-management trustee's unit ownership falls below the minimum guidelines due to a decline in the unit price, such trustee will have one year to restore compliance.

### Deferred Unit Plan

On May 17, 2015, the Board adopted the Deferred Unit Plan, subject to the approval of such plan by Unitholders at the Meeting. The purpose of the Deferred Unit Plan is to advance the interests of the REIT by enhancing the ability of the REIT to attract, motivate and retain trustees of the REIT and to reward such persons for their sustained contributions, to encourage such persons to take into account the long-term performance of the REIT and to promote a greater alignment of interests between trustees of the REIT and Unitholders. The following is a summary of the terms of the Deferred Unit Plan and the full text of the plan is set out in Schedule B hereto.

## **Overview**

The Deferred Unit Plan provides trustees of the REIT with the opportunity to acquire Deferred Units. Deferred Units represent a right to receive Units on ceasing to be a trustee of the REIT.

## **Eligible Persons**

Trustees of the REIT who are neither full nor part-time employees of the REIT or any of their Subsidiaries are eligible to participate in the Deferred Unit Plan (“Participants”). Participants may elect to receive all or part of their annual retainer, meeting fees and additional compensation (including travel fees), which are paid quarterly, in Deferred Units. Deferred Units will not entitle a trustee of the REIT who elects to participate in the Deferred Unit Plan (“Participating Trustee”) to any voting or other Unitholder rights. One Deferred Unit is economically equivalent to one Unit. Fractional Deferred Units are permitted under the Deferred Unit Plan. A Participating Trustee who is not a U.S. taxpayer is entitled once per calendar year to terminate his or her participation in the Deferred Unit Plan by way of a termination notice. Such termination shall be effective immediately upon receipt. Participation in the Deferred Unit Plan by a U.S. taxpayer is irrevocable for the year of participation.

Any Deferred Units granted under the Deferred Unit Plan prior to the delivery of a termination notice by a Participating Trustee shall remain in the Deferred Unit Plan following such termination and will be redeemable only in accordance with the terms of the Deferred Unit Plan.

## **Number of Units Reserved for Issuance**

The maximum number of 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, from time to time. 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 the Deferred Unit Plan to increase such limit without notice to Participants.

The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units under this Plan to any one Participant during any financial year of the REIT shall be no greater than \$150,000.00.

Deferred Unit grants and Deferred Units accounts will be credited quarterly to each Participating Trustee’s account and will be determined by dividing the amount the Participating Trustee elects to receive in Deferred Units by the volume weighted average trading price of a Unit on the TSX for the five trading days prior to the date on which the Deferred Units are credited. Additional Deferred Units will be automatically credited to a Participating Trustee’s account under the Deferred Unit Plan when the REIT pays a cash distribution to Unitholders. The additional Deferred Units to be credited will be calculated in a manner consistent with the REIT’s distribution reinvestment plan available to Unitholders, by dividing (i) the amount determined by multiplying (a) the aggregate number of Deferred Units held on the relevant distribution record date by (b) the amount of distributions paid by the REIT on each Unit, by (ii) by the volume weighted average trading price of a Unit on the TSX for the twenty trading days prior to the distribution payment date.

In addition to the foregoing, Deferred Units may be granted from time to time to Participants at the discretion of the Board or the GC Committee.

## **Insider Participation Limits**

The maximum aggregate number of Deferred Units issuable under the Deferred Unit Plan to insiders (as defined in the TSX Company Manual) at any time, including those Units issuable under any other security based compensation arrangement, shall not exceed 10% of the issued and outstanding Units on a nondiluted basis as of the award date of such Deferred Units and the maximum aggregate number of Units that may be issued pursuant to Deferred Units to such insiders during any 12-month period, including those Units issuable under any other security-based compensation arrangement, shall not exceed 10% of the issued and outstanding Units on a non-diluted basis.

### **Vesting of Deferred Units**

Subject to the GC Committee's discretion to vary the manner in which Deferred Units vest pursuant to any grant of Deferred Units, Deferred Units granted to Participating Trustees will vest immediately upon grant, including additional Deferred Units credited to a Participating Trustee's account in connection with cash distributions. Additional Deferred Units shall vest on the same schedule as their corresponding Deferred Units and are considered issued on the same date as the Deferred Units in respect of which they were credited.

### **Redemption and Termination of Deferred Units**

When a Participating Trustee ceases to be a member of the Board, the former trustee of the REIT will receive Units issued by the REIT for the number of Deferred Units credited to his or her account, including any cash distributions paid by the REIT on the Units that have accrued in the form of Deferred Units or, at his or her election, in whole or in part, the cash equivalent thereof. Units (or where the former trustee of the REIT so elects, cash) will be issued to the former trustee of the REIT, subject to any applicable statutory source deductions. In addition, the Deferred Units are redeemable by the Participating Trustee or the Participating Trustee's estate on or after the date they cease to be a trustee of the REIT, provided the redemption is not later than two years following the date the Participating Trustee ceases to be a trustee of the REIT. Upon payment in full of the value of the Deferred Units, the Deferred Units shall be cancelled.

### **Amendment, Suspension or Termination**

The GC Committee may review and confirm the terms of the Deferred Unit Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Plan in whole or in part as well as terminate the Deferred Unit Plan without prior notice as it deems appropriate. Without limitation, the GC Committee may, subject to the rules of the TSX, make changes:

- a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Unit Plan;
- b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements);
- c) to the vesting provisions applicable to Deferred Units issued under the plan;
- d) to add a provision permitting the REIT to match a percentage of the elected amount for each Participating Trustee such that the aggregate number of Deferred Units issued to each such Participating Trustee annually shall be increased by such percentage; and
- e) any other amendment that does not require Unitholder approval under applicable laws or rules of the TSX.

However, subject to the terms of the Deferred Unit Plan, no amendment may adversely affect the Deferred Units previously granted under the Deferred Unit Plan without the consent of the affected Participant, and any amendment requiring Unitholder approval under the rules of the TSX may not be made without such approval.

In addition, any amendment to the Deferred Unit Plan that would, among other things, result in any increase in the number of Deferred Units issuable under the Deferred Unit Plan, the removal of insider limits or permit Deferred Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of Unitholders.

### **Assignment**

In no event may the rights or interests of a Participant under the Deferred Unit Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or as required by law.

Rights and obligations under the Deferred Unit Plan may be assigned by the REIT to a successor in the business of the REIT.

#### **INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS, DIRECTORS AND OFFICERS**

None of the Trustees, executive officers or senior officers of the REIT or their respective associates were indebted at any time during fiscal 2014 to the REIT or its subsidiaries in connection with the purchase of the REIT's securities, excluding routine indebtedness or indebtedness that has been entirely repaid. As of the date of this Circular, there was no indebtedness to the REIT and its subsidiaries, excluding routine indebtedness, owing by present and former Trustees of the REIT and its subsidiaries.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

None of the trustees or executive officers of the REIT at any time since the beginning of the REIT's last financial year, no proposed nominee for election as a Trustee of the REIT, and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter scheduled to be acted upon at the Meeting other than the election of Trustees of the REIT.

#### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

On October 18, 2013, the REIT was informed that LAC and a number of related entities, including the Former Manager, had sought protection under the CCAA. In mid-November, the Board became aware that LAC and the Court-appointed Monitor in respect of the CCAA proceeding was seeking to sell LAC's Holding of 3,872,863 Units (representing at the time, 14.9% of the then outstanding Units). On November 28, 2013, the REIT was informed that LAC had obtained a court order under which the Units which it owned had been sold to McCowan.

On December 13, 2013, the Board (which then comprised Messrs. Allen Weinberg, Joseph Feldman and Patrick Miniutti) entered into an arrangement to internalize the REIT's management (i.e., by terminating the Former Management Agreement) by no later than February 15, 2014. In addition, the Trustees consented to a proposal from McCowan pursuant to which McCowan agreed to acquire the rights, duties and obligations of the Former Manager by way of an assignment of the Former Management Agreement to a subsidiary of McCowan for a price of \$1.5 million and to develop a plan to internalize management no later than February 15, 2014. McCowan agreed to effectively amend the Former Management Agreement to provide that McCowan would accept the termination of its subsidiary as manager of the REIT on February 15, 2014 without further notice upon payment of a termination fee of \$1.5 million, together with accrued and unpaid amounts of the management fee and the reimbursement of any other amounts owing to it under the Former Management Agreement. On December 29, 2013, McCowan and LAC completed the court-approved assignment of the Former Management Agreement from the Former Manager to McCowan's subsidiary.

At the time of this assignment, McCowan's subsidiary entered into a secondment arrangement with LAC pursuant to which those employees of LAC who had been formerly responsible for the provision of key services to the REIT by the Former Manager would continue to provide these services until internalization and would assist in the internalization planning. In addition, the Independent Trustees created a special committee (the "Internalization Committee") to oversee the internalization planning and, in particular, to review the internalization plan to be prepared by McCowan.

The costs incurred by the REIT under the terms of the Former Management Agreement, including acquisition fees, asset management fees, and property management and accounting fees, are detailed in in the REIT's annual financial statements for the year-end of December 31, 2014.

On February 11, 2014, the Internalization Committee met to review the internalization plan. On February 14, 2014, the REIT terminated the Former Management Agreement and completed the internalization of management effective February 15, 2014 with the REIT's head office being moved to Barrie, Ontario. The REIT's interim financial statements for the period ended March 31, 2014 set out all amounts paid to McCowan in respect of the Former Management Agreement.

On internalization, the REIT hired a small number of employees formerly seconded by LAC to McCowan, the most senior member of which was Jane Domenico, who was then appointed as Chief Operating Officer of the REIT. The REIT also hired a number of employees from McCowan, including the director of Human Resources and leasing and property management staff. The Board of Trustees entered into an employment services agreement (the "Employee Services Agreement") with McCowan on February 15, 2014, pursuant to which the REIT agreed that employees of the REIT (other than the REIT's Chief Financial Officer and Chief Operating Officer), could provide certain specified property and facility management services, administrative support services on an as-needed basis to McCowan, provided that this would have no detrimental impact on their duties and obligations as employees of the REIT. The Employee Services Agreement was terminated on July 10, 2014.

On May 4, 2014, Mr. Ron McCowan resigned as interim Chief Executive Officer and Jane Domenico was appointed acting Chief Executive Officer. On May 5, 2014, the REIT and McCowan amended the terms of the Employee Services Agreement to reflect the resignation of 17 REIT staff, who returned to work as employees of McCowan. The REIT announced the termination of the Employee Services Agreement on July 10, 2014.

As disclosed in its public disclosure, the REIT acquired three retail centres (the "Properties") from Holyrood Holdings Ltd. ("Holyrood") on April 22, 2014 pursuant to a purchase and sale agreement dated April 2, 2014 (the "April Transaction"). The Properties included the mixed use urban Hamilton City Centre in Hamilton, the multi-tenanted retail Crossroads Centre in London, and a multi-tenanted retail property in Kemptville. The REIT purchased only the stabilized net operating income of the Properties.

On June 6, 2014, the REIT announced that it had entered into the Rescission Agreement which stipulates that, subject to certain conditions as described below, Holyrood and the REIT agreed to rescind the April Transaction such that, to the maximum extent practicable, each of Holyrood, Partners Ontario Limited Partnership ("Partners LP") and the REIT will be in the same position as they were in prior to the completion of the transaction. Accordingly, Holyrood would retain all of its right, title and interest in and to the assets involved in the transaction and the REIT would reclaim and cancel the 4,813,517 Class B Units of Partners LP and the 1,188,188 Units that were issued to Holyrood.

Prior to entering into the Rescission Agreement, the Trustees received from Ms. Laura Philp a copy of a ten-year lease purportedly entered into between a company owned by Ms. Philp which owns the Barrie premises which the REIT then occupied. The lease provided for rental payments over the course of the ten years amounting to \$2,125,000. The Trustees were not aware of the prior existence of the lease, or the circumstances in which it was entered into, and discussions ensued between the REIT and Ms. Philp. The Trustees believed that it was in the best interests of the REIT to settle the outstanding issue with respect to the validity of the lease and, as part of the Rescission Agreement, agreed to pay \$400,000 to Ms. Philp in exchange for an acknowledgment of the termination of the ten-year lease.

On October 2, 2014 the REIT announced that it had received an order from the Ontario Superior Court and had completed the rescission of April Transaction (as defined below).

On November 3, 2014, the REIT entered into a financing arrangement to refinance five properties (Manning Crossing, King George Square, Centre le Village, Centuria Urban Village, and Crossing Bridge) which were originated by First National LP, a wholly owned subsidiary of First National Financial. The refinancing also includes a \$10 million line of credit that will be secured by second mortgages on a number of the refinanced properties. Mr. Moray Tawse, a significant unitholder of the REIT, has an interest in First National Financial.

#### **STATEMENT OF GOVERNANCE PRACTICES**

The REIT has adopted certain practices and procedures to ensure that effective governance practices are followed and to ensure that the Board functions independently of management. Pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines*, Schedule C sets forth the REIT's statement of governance practices. Schedule C sets out the mandate of the Board.

## **TRUSTEES' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFICATION**

The REIT maintains liability insurance coverage ("Coverage") for the Trustees and officers of the REIT for eligible claims made against the Trustees or officers. The annual Coverage limit is \$10,000,000 for both the policy period ending June 15, 2014 to June 15, 2015 and it expected to be same during the policy period beginning June 15, 2015 to June 15, 2016.

Under the Coverage, the insurers who provide the Coverage will indemnify the REIT for eligible claims against the Trustees, directors and officers in circumstances where the REIT is permitted or required to provide indemnification. Claims that are indemnified by the REIT are subject to a deductible of \$50,000. In addition, the insurers who provide the Coverage will indemnify, pursuant to the terms and conditions of the Coverage policies individual Trustees, directors' and officers' for eligible claims in the instance where the REIT is not in a position to provide indemnification. No deductible applies in this case. The Trustees and officers have also entered into contractual indemnities with regard to the above indemnification obligations.

## **OTHER MATTERS**

The Trustees are not aware of any amendments or variations to matters identified in the Notice or of any other matters that are to be presented for action at the Meeting other than those described in the Notice.

Information stated in this Circular is dated as at May 17, 2015 except where otherwise indicated.

## **ADDITIONAL INFORMATION**

Additional information relating to the REIT is available on SEDAR at [www.sedar.com](http://www.sedar.com) and financial information relating to the REIT is provided in the Financial Statements and MD&A for the fiscal year ended December 31, 2013.

To request copies of the REIT's Financial Statements and MD&A, Unitholders may contact the REIT directly at 249 Saunders Road, Unit #3, Barrie, Ontario, L49 9A3, Tel: 705-725-6020.

## **APPROVAL BY THE TRUSTEES**

The contents of this Circular and the sending thereof to the Unitholders have been approved by a majority of the Trustees.

**DATED** at Toronto, Ontario, this 17<sup>th</sup> day of May, 2015

BY ORDER OF THE BOARD OF TRUSTEES

*(signed) "Dexter John"*

Dexter John  
Chair of the Board of Trustees



## SCHEDULE A – APPENDIX A TO THE REIT’S DECLARATION OF TRUST

### Procedures regarding the Nomination of Trustees for Election

1. Only persons who are nominated in accordance with the provisions set out below (the “**Nomination Provisions**”) and otherwise in accordance with the other provisions of the Declaration of Trust shall be eligible for election as trustees of the Trust. Nominations of persons for election as trustees of the Trust 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:
  - (a) by or at the direction of the Trustees, including pursuant to a notice of meeting;
  - (b) by or at the direction or request of one or more Unitholders pursuant to subsection 12.1(3) of the Declaration of Trust; or
  - (c) by any person (a “**Nominating Unitholder**”): (A) who, at the close of business on the date of the giving of the notice provided for in section 2 of these Nomination Provisions and on the record date for notice of such meeting, is entered in the securities register of the Trust 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 these Nomination Provisions.
2. In addition to any other applicable requirements, including the notice provisions under subsection 17.1(2) of the Declaration of Trust, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form addressed to “*The Chairman of the Trustees of Partners REIT – Private and Confidential*” at the principal office of the Trust in accordance with these Nomination Provisions.
3. To be timely, a Nominating Unitholder’s notice to the Chairman of the Trust 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 these Nomination 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 these Nomination Provisions became part of the Declaration of Trust.
4. To be in proper written form, a Nominating Unitholder’s notice to the Chairman of the Trust must set forth:
  - (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a trustee (a “**Proposed Nominee**”): (A) the name, age, business address and residential address of the Proposed Nominee; (B) the principal occupation or employment of the Proposed Nominee, both present and within the five years preceding the notice; (C) whether the Proposed Nominee is a Resident Canadian; (D) the class or series and number of units in the capital of the Trust which are, directly or indirectly, controlled by or which are owned beneficially and of record by such

Proposed Nominee as of the record date of the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (E) a duly completed consent to act in accordance with section 9.4 of the Declaration of Trust; (F) a description of any relationship, agreement, arrangement or understanding (financial, compensation or indemnity related or otherwise) between the Nominating Unitholder and such Proposed Nominee, or any affiliates or associates of, or any person or entity acting jointly or in concert with the Nominating Unitholder or such Proposed Nominee, in connection with such Proposed Nominee's nomination and election as a trustee; (G) whether such Proposed Nominee is party to any existing or proposed relationship, agreement, arrangement or understanding with any competitor of the Trust or any other third party which may give rise to a real or perceived conflict of interest between the interests of the Trust and the interests of such Proposed Nominee, and (H) any other information relating to the Proposed Nominee that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of trustees pursuant to the Declaration of Trust and Applicable Securities Laws (as defined below); and

- (b) as to the Nominating Unitholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made: (A) the name and address of such Nominating Unitholder and the beneficial owner, if different, as they appear on the Trust's securities register, and of their respective affiliates or associates or others acting in concert therewith; (B) (i) the class or series and number of units in the capital of the Trust which are, directly or indirectly, controlled by or which are owned beneficially and of record by such Nominating Unitholder and such beneficial owner and their respective affiliates or associates or others acting in concert therewith, (ii) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of Units or with a value derived in whole or in part from the value of any class or series of Units, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of Units, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of Units, including, without limitation, due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of Units, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of Units, through the delivery of cash or other property, or otherwise, and without regard to whether the shareholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of Units (any of the foregoing, a "**Derivative Instrument**") directly or indirectly owned beneficially by such Nominating Unitholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, (iii) any proxy, contract, arrangement, understanding, or relationship pursuant to which any such Nominating Unitholder and beneficial owner, if any, has a right to vote any class or series of shares of the Trust, (iv) any agreement, arrangement, understanding, relationship or otherwise, including, without limitation, any repurchase or similar so-called "**stock borrowing**" agreement or arrangement, involving such Nominating Unitholder or beneficial owner, if any, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the Units by, manage the risk of Units price changes for, or increase or decrease the voting power of, such Nominating Unitholder or beneficial owner, if any, with respect to any class or series of the Units, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the Units (any of the foregoing, a "**Short Interest**"), (v) any rights to distributions on the Units owned beneficially by such Nominating Unitholder and beneficial owner, if any, that are separated or separable from the underlying Units, (vi) any proportionate interest in Units or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which any such Nominating Unitholder and beneficial owner, if any, is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (vii) any performance-related fees (other than an asset-based fee) to which

any such Nominating Unitholder is entitled based on any increase or decrease in the value of Units or Derivative Instruments, if any, including without limitation any such interests held by members of any such Nominating Unitholder's or beneficial owner's immediate family sharing the same household, (viii) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Trust held by such Nominating Unitholder or Unitholders and beneficial owner, if any, and (ix) any direct or indirect interest of such Nominating Unitholder or Unitholders and beneficial owner, if any, in any contract, understanding or arrangement with the Trust, any affiliate of the Trust, any of the officers or trustees of the Trust, the beneficial owner, the Proposed Nominee or Nominees being nominated for election as a trustee, or any of their respective affiliates or associates, or any principal competitor of the Trust; and (C), any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any shares of the Trust and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of trustees pursuant to the Declaration of Trust and Applicable Securities Laws (as defined below).

5. In addition, to be considered timely and in proper written form, a Nominating Unitholder's notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date of the meeting.
6. The Chairman of the Trust shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded. In such event the Chairman will provide prompt notice to the Nominating Unitholder.
7. Any individual being proposed for election as a trustee of the Trust in a proxy circular of the Trust that has been approved by the Trustees will be deemed to have complied with these Nomination Provisions.
8. For purposes of these Nomination Provisions:
  - (a) "**Public Announcement**" means disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Trust under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and
  - (b) "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
9. Notwithstanding any of the foregoing, the Trustees may, in their sole discretion, waive any requirement of the Nomination Provisions.

**SCHEDULE B -  
PARTNERS REAL ESTATE INVESTMENT TRUST DEFERRED UNIT PLAN**

**ARTICLE 1 – PURPOSE**

The purpose of this Deferred Unit Plan (the “**Plan**”) is to advance the interests of Partners Real Estate Investment Trust (the “**REIT**”) by enhancing the ability of the REIT to attract, motivate and retain trustees of the REIT (“**Trustees**”) and to reward such Persons for their sustained contributions and to encourage such Persons to take into account the long-term performance of the REIT.

**ARTICLE 2 – DEFINITIONS**

The following terms used in this Plan have the meanings set out below:

- (a) “**Additional Deferred Unit Market Value**” means the volume-weighted average of the closing price for a board lot (100 Units) of Units of the REIT on the TSX for the 20 trading days immediately preceding the relevant date;
- (b) “**Affiliate**” has the meaning given to it in Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*;
- (c) “**Annual Retainer**” means the annual retainer paid by the REIT to a Trustee in a calendar year for service on the Board expressed in Canadian dollars;
- (d) “**Applicable Withholding Taxes**” means any and all taxes and other source deductions or other amounts that the REIT is required by law to withhold from any amounts to be paid or credited under the Plan;
- (e) “**Award Date**” means the date during the year on which Deferred Units are granted;
- (f) “**Board**” means the Board of Trustees of the REIT;
- (g) “**Business Day**” means a day on which there is trading on the Toronto Stock Exchange or such other stock exchange on which the Units are then listed and posted for trading, and if none, a day that is not Saturday or Sunday or a national legal holiday in Ontario;
- (h) “**Governance Committee**” means the Governance, Compensation and Nominating Committee of the Board;
- (i) “**Deferred Unit**” means a bookkeeping entry, equivalent in value to a Unit, credited to a Participant’s Deferred Unit Account in accordance with the terms and conditions of the Plan;
- (j) “**Deferred Unit Account**” has the meaning ascribed thereto in Section 8.03;
- (k) “**Distribution Reinvestment Plan**” means the amended and restated distribution reinvestment plan of the REIT dated January 1, 2008, as amended effective June 16, 2011, as may be amended or restated from time to time;
- (l) “**Elected Amount**” in respect of a payment of the Annual Retainer or Trustee Fees, shall be an amount, as elected by the Trustee, in accordance with the terms hereof and applicable tax law, between 0% and 100% of the Annual Retainer or Trustee Fees otherwise payable;
- (m) “**Electing Person**” means a person who is a Trustee on the applicable Election Date;

- (n) **“Election Date”** means the date on which the Electing Person files an Election Notice in accordance with Section 6.02;
- (o) **“Election Notice”** has the meaning ascribed thereto in Section 6.02;
- (p) **“Insider”** has the meaning given to such term in the TSX Company Manual, as such manual may be amended, supplemented or replaced from time to time;
- (q) **“Market Value”** 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 expressed in Canadian dollars as determined by the Board in its sole discretion;
- (r) **“Participant”** has the meaning ascribed thereto in Section 5.01;
- (s) **“Person”** means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof;
- (t) **“Plan”** means this Deferred Unit Plan;
- (u) **“Redemption Date”** has the meaning ascribed thereto in Section 10.02;
- (v) **“Security Based Compensation Arrangement”** means an option, option plan, employee unit purchase plan, long-term incentive plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Units to one or more directors, Trustees or officers of the REIT or any Subsidiary, current or past full-time or part-time employees of the REIT or any Subsidiary, Insiders or service providers or consultants of the REIT or any Subsidiary including a Unit purchase from treasury by one or more Trustees, officers or directors of any Subsidiary, current or past full-time or part-time employees of the REIT or any Subsidiary, Insiders or service providers or consultants of the REIT or any Subsidiary which is financially assisted by the REIT or any Subsidiary by way of a loan, guarantee or otherwise;
- (w) **“Subsidiary”** means any entity controlled by the REIT;
- (x) **“Trustee”** means a trustee of the REIT;
- (y) **“Trustee Fees”** means the Annual Retainer, meeting fees and additional compensation paid by the REIT to a Trustee in a calendar year for service on the Board expressed in Canadian dollars;
- (z) **“TSX”** means the Toronto Stock Exchange;
- (aa) **“Unit”** means units of the REIT;
- (bb) **“Unitholder”** means a holder of Units; and

### **ARTICLE 3 – CONSTRUCTION AND INTERPRETATION**

- 3.01 The effective date of the Plan is May 17, 2015.
- 3.02 The Plan shall be governed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 3.03 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part hereof.
- 3.04 In the Plan, references to any gender include all genders; reference to the singular shall include the plural and vice versa, as the context shall require.
- 3.05 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

### **ARTICLE 4 - ADMINISTRATION**

- 4.01 The Plan shall be administered by the Board and the Governance Committee.
- 4.02 The Governance Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make determinations and take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the Plan, including interpretation of the Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error.
- 4.03 The REIT will be responsible for all costs relating to the administration of the Plan.
- 4.04 The Governance Committee may review and confirm the terms of the Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Plan in whole or in part as well as terminate the Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Plan that would, among other things, result in any increase in the number of Deferred Units issuable under the Plan or permit Deferred Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of Unitholders. Without limitation, the Governance Committee may, without obtaining the approval of Unitholders, but subject to the rules of the TSX, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); (c) to the vesting provisions applicable to Deferred Units issued under the Plan; (d) to add a provision permitting the REIT to match a percentage of the Elected Amount for each Participant such that the aggregate number of Deferred Units issued to each such Participant annually shall be increased by such percentage; and (e) any other amendment that does not require unitholder approval under applicable laws or rules of the TSX. However, subject to the terms of the Plan, no amendment may adversely affect the Deferred Units previously granted under the Plan without the consent of the affected Participant.
- 4.05 If the Governance Committee terminates the Plan, Deferred Units previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Plan in effect immediately prior to the termination.
- 4.06 Unless otherwise determined by the Governance Committee, the Plan shall remain an unfunded obligation of the REIT and the rights of Participants under the Plan shall be general unsecured obligations of the REIT.
- 4.07 A Participant shall be solely responsible for all federal, provincial, state and local taxes resulting from his or her participation in the Plan. In this regard, the REIT shall be able to deduct from any payments

hereunder (whether in the form of securities or cash) or from any other remuneration otherwise payable to a Participant any taxes that are required to be withheld and remitted or to require the Participant, as a condition to receiving entitlements under the Plan, to make arrangements satisfactory to the REIT to enable the REIT to satisfy its withholding obligations. Each Participant agrees to indemnify and save the REIT harmless from any and all amounts payable or incurred by the REIT or any of its Subsidiaries if it is subsequently determined that any greater amount should have been withheld in respect of taxes or any other statutory withholding.

#### ARTICLE 5 – ELIGIBILITY

5.01 Trustees of the REIT who are neither full nor part-time employees of the REIT or any of their Subsidiaries are eligible to participate in the Plan (“**Participants**”).

5.02 Nothing herein contained shall be deemed to give any person the right to be retained as a Trustee or officer of the REIT or its Subsidiaries.

#### ARTICLE 6 – ELECTIONS BY TRUSTEES

6.01 Each Electing Person is given, subject to the conditions stated herein, the right to elect in accordance with Section 6.02 to participate in the Plan and receive their Elected Amount in the form of Deferred Units in lieu of cash.

The “**Elected Amount**” in respect of a payment of the Annual Retainer or Trustee Fees, shall be an amount, as elected by the Trustee, in accordance with applicable tax law, between 0% and 100% of the Annual Retainer or Trustee Fees otherwise payable.

6.02 Each Electing Person who elects to participate in the Plan and receive their Elected Amount in the form of Deferred Units in lieu of cash will be required to file a notice of election in the form of Schedule A-1 hereto (the “**Election Notice**”) with the Chief Financial Officer of the REIT: (i) in the case of an existing Electing Person, by December 31st in the year prior to the year to which such election is to apply (other than for the Trustee Fees payable for the 2014 financial year, in which case the existing Electing Person shall file the Election Notice by the date that is 30 days from the effective date of the Plan with respect to compensation paid for services to be performed after such date); and (ii) in the case of a newly appointed Electing Person, within 30 days of such appointment with respect to compensation paid for services to be performed after such date. If no election is made within the foregoing time frames, the Electing Person shall be deemed to have elected to be paid the entire amount of his or her Trustee Fees in cash.

6.03 Subject to Section 6.04, the election of an Electing Person under Section 6.02 shall be deemed to apply to all of the Annual Retainer or Trustee Fees paid subsequent to the filing of the Election Notice, and such Electing Person is not required to file another Election Notice for subsequent calendar years.

6.04 Each Electing Person participating in the Plan is entitled once per calendar year to terminate his or her participation in the Plan by filing with the Chief Financial Officer of the REIT a notice in the form of Schedule A-2 hereto electing to terminate the receipt of additional Deferred Units. Such termination shall be effective immediately upon receipt. Thereafter, any portion of such Electing Person’s Trustee Fees payable or paid in the same calendar year and, subject to complying with Section 6.02, in all subsequent calendar years shall be paid in cash. For greater certainty, to the extent an Electing Person terminates his or her election under this Article 6, he or she shall not be entitled to elect to receive the Elected Amount, or any other amount of his or her Trustee Fees, in Deferred Units in lieu of cash again until the calendar year following the year in which the termination notice is delivered.

6.05 Any Deferred Units granted under the Plan prior to the delivery of a termination notice pursuant to Section 6.04 shall remain in the Plan following such termination and will be redeemable only in accordance with the terms of the Plan.

## **ARTICLE 7 – DEFERRED UNITS**

7.01 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 in accordance herewith) or rights on liquidation.

7.02 One (1) Deferred Unit is economically equivalent to one (1) Unit. Fractional Deferred Units are permitted under the Plan.

7.03 Deferred Units granted to Electing Persons further to their Elected Amount will vest immediately upon grant, including Additional Deferred Units credited to a Participant's account in connection with cash distributions pursuant to Section 8.04 shall vest on the same schedule as their corresponding Deferred Units and are considered issued on the same date as the Deferred Units in respect of which they were credited.

## **ARTICLE 8 – DEFERRED UNIT GRANTS AND ACCOUNTS**

8.01 The number of Deferred Units (including fractional Deferred Units) granted at any particular time pursuant to this Plan will be calculated by dividing (a) the Elected Amount, as determined by an Electing Person, or such other amount as allocated to the Participant by the Board or Governance Committee, by (b) the Market Value of a Unit on the Award Date.

8.02 In addition to the foregoing, Deferred Units may be granted from time to time to Participants at the discretion of the Board or the Governance Committee. For any Deferred Units issued under this Section 8.02, the Governance Committee has full discretion to establish the terms of such issuance, including any vesting terms that may apply to the grant.

8.03 An account, to be known as a “**Deferred Unit Account**” shall be maintained by the REIT for each Participant and will be credited with notional grants of Deferred Units received by a Participant from time to time.

8.04 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 REIT's Distribution Reinvestment Plan by dividing (i) the amount determined by multiplying (a) the aggregate number of Deferred Units held on the relevant distribution record date by (b) the amount of distributions paid by the REIT on each Unit, by (ii) the Additional Deferred Unit Market Value of a Unit on the distribution payment date.

8.05 For greater certainty, the number of Deferred Units credited to a Participant's Deferred Unit Account shall count towards that Participant's ownership requirements as prescribed from time to time by the Board.

## **ARTICLE 9 - ADJUSTMENTS**

9.01 In the event of any Unit distribution, Unit split, combination or exchange of Units, merger, consolidation, spin-off or other distribution of the REIT's assets to the Unitholders (other than normal cash distributions), or any other similar change affecting the Units, the account of each Participant and the Deferred Units outstanding under the Plan shall be adjusted in such manner, if any, as the Governance Committee may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Deferred Units will be granted to such Participant to compensate for a downward fluctuation in the price of the Units, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.



## ARTICLE 10 – REDEMPTION AND TERMINATION OF DEFERRED UNITS

10.01 The Deferred Units shall be redeemable by the Participant (or, where the Participant has died, his or her estate) on or after the date (the “**Termination Date**”) on which the Participant ceases to be a Trustee, provided any such redemption date is not later than two years following the date the Participant ceases to be a Trustee.

10.02 The Deferred Units credited to a Participant’s Deferred Unit Account may be redeemed after the Termination Date in whole or in part for Units of the REIT issued from treasury or, subject to the approval of the Governance Committee, cash, as elected by the Participant, on the date on which the Participant files a written notice of redemption in the form of Schedule A-3 hereto with the Chief Financial Officer of the REIT (the “**Redemption Date**”).

10.03 In the event Deferred Units are redeemed for Units pursuant to this Article 10 subject to (i) the provisions of the Plan, and (ii) the receipt by CDS Clearing and Depository Services Inc. of the Participant’s brokerage account information from his or her securities broker, the Participant shall receive, within five Business Days after the applicable Redemption Date, such number of Units from the REIT equal to the number of Deferred Units then being redeemed from the Participant’s Deferred Unit Account rounded down to the nearest whole number of Units, net of any Applicable Withholding Taxes.

10.04 In the event Deferred Units are redeemed for cash pursuant to this Article 10, subject to the provisions of the Plan, the REIT shall make, within five Business Days after the Redemption Date, a cash payment, net of any Applicable Withholding Taxes, to the Participant, calculated by multiplying (i) the number of Deferred Units to be redeemed by (ii) the Market Value of a Unit on the applicable Redemption Date.

10.05 Upon payment in full of the value of the Deferred Units to the Participant, the Deferred Units shall be cancelled.

## ARTICLE 11 – NUMBER OF UNITS

11.01 The maximum number of Units reserved for issuance under this Plan is 1% of the total Units then outstanding. 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 Plan to increase such limit without notice to Participants. If any Deferred Unit granted under this Plan is redeemed, terminated, expires 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 this Plan.

11.02 The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units under this Plan to any one Participant during any financial year of the REIT shall be no greater than \$150,000.00 (with the value of any grant being determined by reference to the Market Value of a Unit on the applicable Award Date).

11.03 The maximum aggregate number of Units issuable under this Plan to Insiders at any time, including those Units issuable under any other Security Based Compensation Arrangement, shall not exceed 10% of the issued and outstanding Units on a non-diluted basis as of the Award Date of such Deferred Units and the maximum aggregate number of Units that may be issued pursuant to Deferred Units to such Insiders during any 12-month period, including those Units issuable under any other Security Based Compensation Arrangement, shall not exceed 10% of the issued and outstanding Units on a non-diluted basis.

11.04 No Deferred Unit may be granted if such grant would have the effect of causing the total number of Units subject to Deferred Units to exceed the total number of Units reserved for issuance pursuant to the exercise of Deferred Units and set forth in Section 11.01.

## **ARTICLE 12 - ASSIGNMENT**

12.01 In no event may the rights or interests of a Participant under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or as required by law.

12.02 Rights and obligations under the Plan may be assigned by the REIT to a successor in the business of the REIT.

## **ARTICLE 13 – COMPLIANCE WITH APPLICABLE LAWS**

13.01 The administration of the Plan shall be subject to and 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 Governance Committee, in its sole discretion, determine that it is not desirable or feasible to provide for the redemption of Deferred Units for Units pursuant to the provisions of Article 10, 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 obligations be satisfied by means of a cash payment by the REIT equal to the Market Value 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 REIT with any and all information and undertakings, as may be required to ensure compliance therewith.

## APPENDIX A-1 ELECTION NOTICE

### PARTNERS REAL ESTATE INVESTMENT TRUST DEFERRED UNIT PLAN (THE "PLAN")

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

Pursuant to the Plan, I hereby elect to participate in the Plan and to receive [\_\_\_\_% of my Annual Retainer/ \_\_\_\_\_% of my aggregate Trustee Fees] [**Note: Select either a percentage of the Annual Retainer or a percentage of the aggregate Trustee Fees but not both**] accrued after the date hereof in the form of Deferred Units in lieu of cash.

I confirm that:

- (a) I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.
- (b) I recognize that when Deferred Units credited pursuant to this election are redeemed in accordance with the terms of the Plan, income tax and other withholdings as required will arise at that time. Upon redemption of the Deferred Units, the REIT will make all appropriate withholdings as required by law at that time.
- (c) The value of Deferred Units is based on the value of the Units of the REIT and therefore is not guaranteed.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan's text.

Date: (Name of Participant)

(Signature of Participant)

**APPENDIX A-2-  
ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DEFERRED UNITS**

**PARTNERS REAL ESTATE INVESTMENT TRUST DEFERRED UNIT PLAN (THE "PLAN")**

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

Notwithstanding my previous election in the form of Schedule A-1 to the Plan, I hereby elect that no portion of the Trustee Fees accrued after the date hereof shall be paid in Deferred Units in accordance with the terms of the Plan.

I understand that the Deferred Units already granted under the Plan cannot be redeemed except in accordance with the Plan.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.

Date: (Name of Participant)

(Signature of Participant)

**Note:** An election to terminate receipt of additional Deferred Units can only be made by a Participant once in a calendar year.

**APPENDIX A-3 - REDEMPTION NOTICE FOR CANADIAN RESIDENTS**

**PARTNERS REAL ESTATE INVESTMENT TRUST DEFERRED UNIT PLAN (THE “PLAN”)**

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

I hereby advise Partners Real Estate Investment Trust (the “**REIT**”) that I wish to redeem the Deferred Units credited to my account under the Plan in accordance with the terms of the Plan in the form of [Units of the REIT/cash] [**Note: Select either Units or cash**].

Date: (Name of Participant)

(Signature of Participant)

**Note:** If the Redemption Notice is signed by a beneficiary or legal representative, documents providing the authority of such signature should accompany this notice.

**SCHEDULE C -  
STATEMENT OF GOVERNANCE PRACTICES**

The Governance, Compensation and Nominating Committee of the REIT (the “GC Committee”) is responsible for addressing issues relating to the governance of the REIT, including the engagement of officers of the REIT (in accordance with the Management Agreement), board composition and general governance practices.

National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) set out requirements and best practice standards for effective corporate governance. These rules require all reporting issuers in Canada to disclose their governance practices. The REIT is pleased to make the following disclosure regarding its governance practices:

**Mandate of the Board**

The Board is responsible for the stewardship of the REIT and for the supervision of the management of the business and affairs of the REIT. The Board’s general responsibilities are set out in the Board’s mandate, which is attached as Schedule C.

**Composition of the Board**

The Board annually reviews the independence of the trustees of the REIT (the “Trustees”). The Board reviews the Trustees’ employment status, other board memberships, shareholdings and business relationships to determine whether there are any relationships which might interfere with a Trustee’s ability to make an independent judgment.

The Board is currently composed of five Trustees, namely Joseph Feldman, Marc Charlebois, Jane Domenico, Stephen Dulmage and Dexter John. Each of the current Trustees, with the exception of Ms. Domenico, the Acting Chief Executive Officer and Chief Operating Officer of the REIT, are considered independent under NI 58-101,

Joseph Feldman resigned as Chair of the Board on May 17, 2015 and Dexter John subsequently elected by the Board to serve as Chair of the Board. His role and responsibilities as Chair are as set out in the Board’s mandate, which is attached as Schedule C.

Other public board directorships currently held by the Trustees can be found on pages 7 to 10 of this Circular.

Although the REIT did not maintain specific records in 2014 as to frequency, the Board meetings are routinely followed by an *in camera* session where management does not attend. Additionally, the Board may also hold meetings from time to time at which members of management are not in attendance.

The following table illustrates the attendance record of each trustee for all meetings of the Board (including full board meetings, the Audit Committee meetings and the GC Committee meetings (the Investment Committee did not meet separately from the Board in 2014)) held for the fiscal year ended December 31, 2014.

**Attendance: 2014 Board of Trustee Meetings (including special committee meetings)**

TRUSTEE	# OF MEETINGS ATTENDED	# OF MEETINGS DURING TENURE	% ATTENDANCE
Joseph Feldman (Served as Chair during 2014)	40	43	93
Allen Weinburg	8	8	100
Marc Charlebois	39	40	98

Patrick Miniutti	5	5	100
Lindsay Weiss	7	7	100
Kevin VanAmburg	25	25	100
Dexter John	15	16	94
Stephen Dulmage	14	16	88
Jane Domenico	10	10	100

**Attendance: 2014 Audit Committee Meetings**

TRUSTEE	# OF MEETINGS ATTENDED	# OF MEETINGS DURING TENURE	% ATTENDANCE
Joseph Feldman	4	4	100
Allen Weinburg	1	1	100
Marc Charlebois	4	4	100
Kevin VanAmburg	1	1	100
Stephen Dulmage (Current Chair)	2	2	100

**Attendance: 2014 Governance, Compensation and Nominating Committee Meetings**

TRUSTEE	# OF MEETINGS ATTENDED	# OF MEETINGS DURING TENURE	% ATTENDANCE
Joseph Feldman	1	1	100
Dexter John (Current Chair)	1	1	100

**Board Committees**

*Audit Committee*

The audit committee of the REIT (the “Audit Committee”) is comprised of three Trustees and operates pursuant to a written charter and meets *in camera* at each meeting. The Audit Committee consists of Joseph Feldman, Marc Charlebois and Stephen Dulmage, with Mr. Dulmage 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 Unitholders. The roles and responsibilities of the Audit Committee, including of the Chair of the Audit Committee, are as set out Audit Committee Charter, a copy of which is attached to the REIT's annual information form and as posted on the REIT's website at [www.partnersreit.com](http://www.partnersreit.com). The Audit Committee Charter is reviewed annually by the Board.

For additional information concerning the Audit Committee, see Schedule B of the REIT's annual information form dated March 31, 2015.

#### *Governance, Compensation and Nominating Committee*

The Governance, Compensation and Nominating Committee (as previously defined herein, the "GC Committee") is comprised of three Trustees each of whom must be Independent Trustees. The GC Committee consists of Dexter John, Stephen Dulmage and Joseph Feldman, with Dexter John serving as Chair. The GC Committee is responsible for assessing the effectiveness of the Board, each of its committees and individual Trustees, assessing the performance of management and overseeing the recruitment and selection of candidates as Trustees. The roles and responsibilities GC Committee, including of the of the Chair of the GC Committee, are as set out GC Committee Charter, a copy of which is posted on the REIT's website at [www.partnersreit.com](http://www.partnersreit.com). The GC Committee Charters is reviewed annually by the Board.

#### *Investment Committee*

The Investment Committee is comprised of three Trustees. The Investment Committee consists of Joseph Feldman, Marc Charlebois and Jane Domenico, with Marc Charlebois serving as Chair. The Investment Committee is responsible for assisting the Board in discharging the Board's oversight responsibilities relating to proposed acquisitions, dispositions and major capital investments with regard to the Trust's real estate assets. The roles and responsibilities of the Investment Committee, including of the Chair of the Investment Committee, are as set out Investment Committee Charter, a copy of which is posted on the REIT's website at [www.partnersreit.com](http://www.partnersreit.com). The Investment Committee Charter is reviewed annually by the Board.

#### **Nomination of Trustees**

The GC Committee is responsible for identifying individuals qualified to become new Trustees of the REIT by a process which includes identifying new nominees who have expertise in an area of strategic importance to the REIT, a willingness to serve on the Board and any of its committees, and the ability to devote sufficient time to the Board. The GC Committee then recommends these individuals to the Board to be nominated for election at annual meetings of Unitholders. The GC Committee interviewed numerous candidates and identified the new proposed nominee Trustees set out in this Circular through the network of contracts of the existing Trustees.

In evaluating the competencies and skills of potential new Trustees, the GC and the Board review the experience and expertise of such individual, including, but not limited to, public company board experience, senior management experience, leadership, corporate finance experience, accounting expertise and experience, legal and regulatory experience, corporate governance expertise and experience, human resource (including compensation) expertise and experience and relevant real estate industry experience. The GC Committee and the Board consider: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills each existing Trustee possesses; and (c) the personality and skills each new nominee would bring to the Board.

#### **Position Descriptions**

The Board has developed position descriptions outlining the accountabilities for the Chair, the Chair of the Audit Committee, the Chair of the GC Committee, the Chair of the Investment Committee and the Chief Executive Officer. Descriptions of the Chair of the Board and each of the committees is as described in each of the respective mandates or charters.



## **Orientation and Continuing Education of New Trustees**

The GC Committee is developing a formalized orientation program for new Trustees to familiarize them with the REIT and its business. A comprehensive, and the current orientation program which is assessed on a case-by-case basis, would include meetings with management, committee chairs and counsel to the REIT with the goals of assisting new Trustees in understanding: (a) the role of the Board and its committees; (b) the contribution individual Trustees are expected to make (including the commitment of time and energy that the REIT expects from its Trustees); and (c) the nature and operation of the REIT's business.

Trustees who joined the Board in 2014 met with counsel to the REIT and were provided a detailed overview of the Declaration of Trust, the various governance policies, and their overall role and responsibilities. New Trustees also met with management of the REIT and were provided an overview of the properties and operations of the REIT.

The Board may, as appropriate, provide continuing education opportunities to assist Trustees in maintaining or enhancing their skills and abilities as Trustees and in ensuring that their knowledge and understanding of the REIT's business remains current. The skill and abilities of each Trustee is assessed annual, as described below under "Assessments", to ensure Trustees maintain the skill and knowledge necessary to fulfill their obligation.

## **Ethical Business Conduct**

The REIT is strongly committed to conducting its business in a lawful and ethical manner. The Board has adopted a written Code of Business Conduct and Ethics (the "Code") for Trustees, officers and employees. The Code, which is reviewed and approved by the Board annually, describes confidential reporting procedures which may be used by personnel to communicate good faith concerns about any violation of the Code or related policies and guidelines. The Board has also developed and adopted a Whistleblower Protection Policy to help ensure open communication and intended to promote ethical conduct in conjunction with the Code.

A copy of the Code and the Whistleblower Protection Policy may be obtained at any time upon request to the REIT at 249 Saunders Road, Unit #3, Barrie, Ontario, L4N 9A3, Tel: 705-725-6020.

The Code, the mandate of the Board, as well as a number of other policies implemented by the REIT, including insider trading and whistleblowing policies, serve to promote and encourage a culture of ethical business conduct within the REIT. The Board ensures compliance with the Code by promoting a culture of ethical business and by maintaining open reporting a mechanism to submit concerns and reports directly to the Chair of the Audit Committee.

The Board also ensures that Trustees exercise independent judgment in consideration of transactions in respect of which a Trustee or executive officer, as applicable, has a material interest by requiring all Trustees and executive officers to declare any conflicts of interest.

## **CEO and CFO Certification of Financial Statements**

The REIT's Chief Executive Officer and Chief Financial Officer certify the annual financial statements and quarterly financial statements as required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*.

## **Policies Regarding Diversity**

### **Trustee**

The REIT does not have term limits for its trustees. While there is benefit to adding new perspectives to the Board from time to time, as with the nominations of Mr. Kimberley, Mr. Ross and Mr. Nyilassy, there are also benefits to be achieved through continuity and trustees having in depth knowledge of each facet of the REIT's business, which necessarily takes time to develop. The Board has undergone significant turnover in recent years; however, Board

renewal continues to be one of many factors taken into consideration as part of the Board's annual assessment (discussed below). Pursuant to the REIT Declaration of Trust, trustees of the REIT are to be elected (including the re-election of incumbent trustees) at each annual meeting of the REIT, and in all cases, the term of any trustee will expire at the close of the next annual meeting of unitholders following such trustee's appointment.

The REIT does not have a formal policy regarding the representation of women on the Board. The Board is currently comprised of four men and one woman, such that 20% of the REIT's trustees are women. While diversity is one issue of importance, the Board believes that the key to effective leadership is to choose trustees that, having regard to a wide array of factors, possess the range of necessary independence, skills, experience, commitment and qualifications that are best suited to fostering effective leadership and decision making at the REIT. As noted elsewhere in this Circular, the Board reviews its size and composition from time to time to determine impact that the trustees have on its effectiveness, and the Board and the REIT's management use a rigorous identification and selection process for new trustees, having regard to a variety of factors, and through these processes the Board believes that it is well-positioned to address any problems or deficiencies that may arise. Although the REIT and the Board do not believe that quotas or strict policies necessarily result in the identification or selection of the best candidates, the Board is mindful of the benefit of gender diversity on the Board and the need to maximize effectiveness of the Board and its decision making abilities. Accordingly, although the Board believes that the current nominee trustees comprise an appropriate mix of individuals with accounting, financial, legal, specific industry and general business experience that is appropriate for the REIT's current size, as the REIT's business grows, it plans to expand the size of its Board and in conducting searches for new trustees, the Board intends to focus on increasing the level of female representation but does not have a representation target at this time.

### **Officers**

The REIT's executive team is comprised of one man and one woman, such that 50% of the REIT's executive officers are women. Similar to the discussion above regarding the representation of women on the Board, the Board does not believe that quotas or strict rules necessarily result in the identification or selection of the best candidates, but that there are benefits of gender diversity. Accordingly, although there is no current intention to make changes or additions to the REIT's executive team, the Board will be mindful of the benefit of gender diversity in any appointment of new executive officers. The Board believes that the current executive management team comprises an appropriate number and mix of individuals with considerable experience in the real estate sector, which is appropriate for the REIT's current size.

### **Communication Policies**

Policies have been established relating to the treatment and disclosure of information about the REIT on a timely, accurate, understandable and broadly disseminated basis. Information relating to the REIT is reviewed by senior management and others as required, for a determination of materiality and, if appropriate, public disclosure. The REIT has reviewed its disclosure policies and practices to ensure full, fair and timely disclosure of information. The REIT communicates with individual Unitholders, institutional investors and financial analysts through its senior management.

### **Assessments**

The GC Committee is responsible for assessing the effectiveness of the Board. The evaluations focus on the contribution of the Board to the REIT and specifically focus on areas in which Trustees and management believe that the contribution of the Board could be improved. The GC Committee review and discuss the skills and abilities of the Trustees against a Trustee skills/experience matrix to confirm that the Trustees and that the Board continue to reflect the most relevant skills and experience. Each committee of the Board and each Trustee is also reviewed by the GC Committee, at least annually.

**SCHEDULE D -  
MANDATE OF THE BOARD OF TRUSTEES  
OF THE REIT**

The purpose of this mandate is to set out the mandate and responsibilities of the board of trustees (the “Board”) of Partners Real Estate Investment Trust (the “Issuer”). The mandate is subject to and shall be interpreted in a manner consistent with the Declaration of Trust and with any applicable legislation.

1. Composition

The Board shall be constituted with a majority of individuals who qualify as “independent” as defined in National Instrument 52-110 – *Audit Committees*.

2. Responsibilities of the Board of Trustees

Pursuant to the Declaration of Trust, the Board is responsible for the stewardship of the Issuer and in that regard has been granted the necessary powers to carry out its responsibilities. The Trustees’ responsibilities include:

- (a) developing and adopting a strategic planning process and reviewing and approving, on at least an annual basis, a budget, and evaluating and discussing a strategic plan for the upcoming year which takes into account, among other things, the opportunities and risks of the Issuer’s business and sets out parameters with which management will operate in relation to capital expenditure, leasing, acquisitions and dispositions and other matters;
- (b) appointing and supervising the Chief Executive Officer and senior management;
- (c) the identification of the principal risks of the Issuer’s business and ensuring the implementation of appropriate systems and procedures are in place to monitor and mitigate such risks;
- (d) succession planning;
- (e) adopting a disclosure policy which enables the Issuer to communicate effectively and addresses how the Issuer interacts with all of its stakeholders, including analysts and the public, contains measures for the Issuer to avoid selective disclosure and is reviewed at such intervals or times as the board deems appropriate;
- (f) informing all trustees, issuers, officers and other employees of the Issuer about their obligation to preserve the confidentiality of undisclosed material information about the Issuer;
- (g) informing all trustees, officers and other employees of the Issuer about prohibitions on illegal insider trading and tipping under applicable law and stock exchange rules;
- (h) ensuring the integrity of the Issuer’s internal controls over financial reporting and management information systems;
- (i) reviewing and approving, the audited, interim and any other publicly announced financial information of the Issuer;
- (j) developing the Issuer’s approach to governance, including developing a set of governance principles and guidelines including practices to facilitate the Board’s independence;
- (k) establishing committees and approve their respective charters and limits authority delegated to each committee;

- (l) implementing a process for assessing the effectiveness of the board as a whole, the committees of the Board and the contribution of individual trustees;
- (m) implementing a process for examining the size of the Board and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (n) implementing a process for reviewing the adequacy and form of compensation of trustees and ensuring that compensation realistically reflects the responsibilities and risk involved in being a trustee; and
- (o) providing an opportunity for independent trustees to meet separately at every Board meeting.

It is recognized that every trustee in exercising powers and discharging duties must act honestly and in good faith with a view to the best interest of the Issuer. Trustees must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, trustees are expected to carry out their duties in accordance with policies adopted by the Board from time to time, the current policy being annexed hereto as Appendix A.

It is expected that management will co-operate in all ways to facilitate compliance by the Board with its legal duties by causing the Issuer and its subsidiaries to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

### 3. Responsibilities of Chair

The role and responsibilities of the chair of the Board (the “Chair”) are set out below:

- (a) the Chair shall be expected to attend and chair meetings of the Board and unitholders of the Issuer;
- (b) the Chair shall not be expected to and shall not perform policy making functions other than in his or her capacity as a trustee of the Issuer. The Chair shall not have the right or entitlement to bind the Issuer in his or her capacity as Chair;
- (c) the Chair shall provide direction with respect to the dates and frequencies of board meetings and related committee meetings;
- (d) the Chair shall confirm that appropriate procedures are in place to allow the Board to work effectively and efficiently and to function independently from management;
- (e) the Chair shall confirm that the responsibilities of the Board are understood by both the trustees and management and that the boundaries between the Board’s and management’s responsibilities are understood and respected;
- (f) the Chair shall confirm that the functions delegated to Board committees are carried out by the committees and reported to the Board;
- (g) the Chair shall maintain an effective relationship between the Board and management of the Issuer;
- (h) the Chair shall provide direction and advice to management of the Issuer, including defining major issues, maintaining accountability to stakeholders and building relationships;
- (i) the Chair shall confirm that Board and its committees have the necessary resources to support their work (in particular, timely and relevant information);

- (j) the Chair shall monitor compliance with the governance policies of the Issuer, including those regarding regularity and conduct of Board meetings, managing and reporting information and other policies relating to the Board's business;
- (k) the Chair shall provide leadership to ensure that the Board works as a cohesive team;
- (l) the Chair shall convene Board meetings as often as necessary for the trustees to carry out their duties and responsibilities effectively;
- (m) the Chair shall chair meetings of the Board, including requiring appropriate briefing materials to be delivered in a timely fashion, stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual trustees and confirming that clarity regarding decisions is reached and duly recorded;
- (n) the Chair shall work closely with the Chief Executive Officer and the Chair of the Governance and Compensation Committee to further the creation of a healthy corporate governance culture within the Issuer;
- (o) the Chair shall work closely with the Governance and Compensation Committee to develop strategic criteria for the recruitment of trustees and succession planning;
- (p) the Chair shall work closely with the Chief Executive Officer to facilitate effective relations with the Board and external stakeholders such as shareholders, the investment community, the media, governments and the public;
- (q) the Chair shall actively participate in and oversee the administration of an annual evaluation of the performance and effectiveness of the Chief Executive Officer, the Board, its committees and all individual trustees and committee chairs; and
- (r) the Chair shall carry out other duties as requested by the trustees, as needs and circumstances arise.

#### 4. Decisions Requiring Prior Approval of the Board of Trustees

Approval of the Board shall be required for:

- (a) any material departure from an established strategy, operating or capital budget or corporate policy approved by the Board;
- (b) the entering into of any agreement or transaction, the performance of which could result in an actual or contingent liability that would be material to the Issuer;
- (c) those matters which may not be delegated by the Board under applicable corporate law;
- (d) such matters as the Board may, from time to time, determine require its approval;
- (e) the payment of distributions;
- (f) significant acquisitions/dispositions;
- (g) related party transactions;
- (h) the public dissemination of any financial information;
- (i) the issuance or repurchase of securities of the Issuer;

- (j) the terms of reference of committees of the Board; and
- (k) any other matter that would give rise to a “material change” to the Issuer.

The foregoing list is intended to specify particular matters requiring Board approval and is not intended to be an exhaustive list.

#### 5. Meetings

The Board will meet not less than four times per year: three meetings to review quarterly results; and one prior to the issuance of the annual financial results of the Issuer. Unless otherwise set by the trustees, a quorum for the meetings shall be the greater of two and a majority of the trustees. From time to time trustees may be asked to participate in board retreats which may last one to three days.

#### 6. Remuneration

Remuneration shall be at a level which will attract and motivate professional and competent members.

#### 7. Expectations of Management

Management is responsible on a shared basis with the Board, for developing strategy, and directly responsible for implementing strategy. Management is also responsible for safeguarding the Issuer’s assets and creating wealth for unitholders. The Board has the responsibility to institute appropriate change, and when management performance is effective, the Board will reward management accordingly.

The Issuer’s governance policies are intended to create authority effective decision making of management and to ensure appropriate oversight by the Board and its committees. Management of the Issuer is under the direction and control of the Chief Executive Officer. Senior management, through the Chief Executive Officer reports to and is accountable to the Board.

Management is responsible for developing a multi-year strategic plan and an annual business plan, including an operating and capital budget, for review and approval by the Board. The Board’s approval of the business plan provides a mandate for management to conduct the affairs of the Issuer. Material deviations from the plan must be reported to and considered by the Board.

## **POLICY OF PRACTICES FOR TRUSTEES**

### **Attendance at Meetings**

Each trustee is expected to have a very high record of attendance at meetings of the Board, and at meetings of each committee on which the trustee sits. A trustee is expected to:

- (a) advise the Chair as to planned attendance at Board and committee meetings shortly after meeting schedules have been distributed;
- (b) advise the Chair as soon as possible after becoming aware that he or she will not be able to attend a meeting; and
- (c) attend a meeting by conference telephone if unable to attend in person.

### **Preparation for Meetings**

Trustees are expected to carefully review and consider the materials distributed in advance of a meeting of the Board or a committee of the board of trustees. Trustees are also encouraged to contact the Chair and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

### **Conduct at Meetings**

Trustees are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a trustee should:

- (a) be candid and forthright;
- (b) not be reluctant to express views contrary to those of the majority;
- (c) be concise and, in most circumstances, respect the time constraints of a meeting; and
- (d) be courteous to and respectful of other trustees and guests in attendance.

### **Knowledge of the Issuer's Business**

Trustees are expected to be knowledgeable with respect to the various fields and divisions of business of the Issuer. Although management has a duty to keep the Board informed about developments in the Issuer's business, trustees have a primary duty of care and diligence, which includes a duty of inquiry. Trustees should:

- ask questions of management and other trustees/managers, at meetings and otherwise, to increase their knowledge of the business of the Issuer;
- familiarize themselves with the risks and challenges facing the business of the Issuer;
- read all internal memoranda and other documents circulated to the trustees, and all reports and other documents issued by the Issuer for external purposes;
- insist on receiving adequate information from management with respect to a proposal before board approval is requested;
- familiarize themselves with the Issuer's competitors by, among other things, reading relevant news, magazine and trade journal articles; and

- familiarize themselves with the legal and regulatory framework within which the Issuer carries on its business.

### **Personal Conduct**

Trustees are expected to:

- (a) exhibit high standards of personal integrity, honesty and loyalty to the Issuer;
- (b) project a positive image of the Issuer to news media, the financial community, governments and their agencies, unitholders and employees;
- (c) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the board; and
- (d) disclose any potential conflict of interest that may arise with the business or affairs of the Issuer and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

### **Other Trusteeships and Significant Activities**

The Issuer values the experience trustees bring from other boards on which they serve and other activities in which they participate, but recognizes that those boards and activities also may present demands on a trustee's time and availability and may present conflicts or legal issues, including independence issues. No trustee should serve on the board of a competitor or of a regulatory body with oversight of the Issuer. Each trustee should, when considering membership on another board or committee, make every effort to ensure that such membership will not impair the trustee's time and availability for his or her commitment to the Issuer. Trustees should advise the Chair and the Chief Executive Officer before accepting membership on other public company boards of trustees or any audit committee or other significant committee assignment on any other board of trustees, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the trustee's relationship to the Issuer.