

*This rights offering circular is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this circular. Any representation to the contrary is an offence. The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (“U.S. Securities Act”) and they will not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S of the U.S. Securities Act), except in exempt transactions under the U.S. Securities Act. This offering does not constitute an offer to sell or a solicitation of an offer to buy any of these securities in the United States. In addition, the offering is not being made in jurisdictions where the REIT is not eligible to make such offer.*

*This is the circular we referred to in the May 19, 2017 rights offering notice, which you should have already received. Your rights certificate and relevant forms were enclosed with the rights offering notice. This circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.*

**Rights Offering Circular**

**May 19, 2017**



## **Partners Real Estate Investment Trust**

### **Offer of Rights to Subscribe for up to 11,418,466 Units**

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**Subscription Price:  
\$3.10 per Unit**

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#### **Why are you reading this circular?**

This rights offering circular (the “**Circular**”) provides details about the proposed offering (the “**Rights Offering**”) by Partners Real Estate Investment Trust (the “**REIT**”) of rights (“**Rights**”) to subscribe for units of the REIT (“**Units**”).

This Circular supplements the May 19, 2017 rights offering notice containing details of the Rights Offering that has been sent to holders of the REIT’s Units.

#### **What is being offered?**

Rights are being offered to eligible holders of the REIT’s outstanding Units (the “**Unitholders**”).

Unitholders of record as at 5:00 p.m. (Toronto time) on June 7, 2017 (the “**Record Date**”) will be entitled to participate in the Rights Offering, as discussed in more detail below.

If you are an eligible holder of Units, you will receive one Right for each of your Units. No fractional Rights will be issued.

**What do three Rights entitle you to receive?**

Every three Rights held will entitle an eligible holder of Rights to subscribe for one Unit at the subscription price discussed below, upon delivery of the required documents and payment of the subscription price.

The smallest increment that Rights may be exercised in is three, and in this case three Rights will entitle the holder to subscribe for one Unit.

Subscriptions for Units will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

**What is your Basic Subscription Privilege?**

Each Unitholder will receive one Right for each Unit held on the Record Date, and three Rights will entitle you to subscribe for one new Unit at the subscription price of \$3.10 per new Unit. This initial entitlement is called the “**Basic Subscription Privilege**”. If you are a registered holder of Units, the number of Rights you will receive will be reflected on the Rights certificate you receive in connection with the Rights Offering (your “**Rights Certificate**”).

**What is the subscription price?**

The subscription price is \$3.10 per Unit.

The subscription price represents a discount to the closing price of the Units on the Toronto Stock Exchange (“**TSX**”) on the last trading day prior to the announcement of the Rights Offering.

**When does the Rights Offering expire?**

The Rights Offering expires at 5:00 p.m. (Toronto time) on July 18, 2017 (the “**Expiry Time**”). Rights not exercised prior to the Expiry Time will be void and of no value and will no longer be exercisable for any Units. There is no stand-by commitment for the Rights Offering.

**What are the significant attributes of the Rights issued under the Rights Offering and the Units to be issued upon the exercise of the Rights?**

Rights

The Rights will entitle eligible holders to subscribe for Units upon completion of required documents and payment of the subscription price. You will receive one Right for each Unit you own on the Record Date, and three Rights entitles you to subscribe for one new Unit at the subscription price of \$3.10 per Unit.

Rights are transferable. A Right does not entitle the holder thereof to any rights whatsoever as a securityholder of the REIT other than to subscribe for and purchase Units as described herein.

For more information on how to exercise your Rights, see the answers under “*How does a Unitholder that is a registered holder participate in the Rights Offering?*” and “*How does a Unitholder who is not a registered holder participate in the Rights Offering?*” below.

## Units

The Declaration of Trust for the REIT authorizes the issuance of an unlimited number of Units. Holders of Units are entitled to receive notice of any meetings of Unitholders, to attend and to cast one vote per Unit at all such meetings. Each Unit entitles the holder to the same rights and obligations and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder.

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

On May 19, 2017, there were 34,255,398 Units issued and outstanding.

### **What are the minimum and maximum amount or number of Units that may be issued under the Rights Offering?**

A total of 34,255,398 Rights will be issued. If all of the Rights are exercised, the REIT will issue a maximum total of 11,418,466 Units. The total Units issuable under the Rights Offering represent 33.33% of the issued and outstanding Units on May 19, 2017.

The completion of the Rights Offering is not subject to any minimum subscription level, so there is no minimum number of Units that will be issued under the Rights Offering.

### **Where will the Rights and the Units issuable upon the exercise of the Rights be listed for trading?**

The Rights will be listed on the TSX under the symbol "PAR.RT" and will be posted for trading on the TSX until 12:00 noon (Toronto time) on July 18, 2017 (the "Expiry Date") at which time they will be halted from trading.

The TSX has approved the listing of the Units issuable upon the exercise of the Rights. The currently outstanding Units are listed and posted for trading on the TSX under the symbol "PAR.UN".

### **What will the REIT's available funds be upon closing of the Rights Offering?**

The REIT has been advised by its three largest unitholders, who, in the aggregate, own approximately 49% of the currently outstanding Units, that they intend to exercise all of the Rights they are issued and may subscribe for whatever additional rights are available to them. Each of the Trustees of the REIT and its senior management who hold Units have also confirmed their current intention to exercise their Basic Subscription Privilege. This is not a legally binding commitment from these three unitholders, the Trustees or senior management and their intentions could change at their absolute and unfettered discretion.

The REIT estimates it will have the following funds from the Rights Offering, assuming 15%, 50%, 75% and 100%, respectively, of the offered Units are subscribed for under the Rights Offering:

		Assuming 15% of Units subscribed	Assuming 50% of Units subscribed	Assuming 75% of Units subscribed	Assuming 100% of Units subscribed
A	Amount to be raised by this Rights Offering	\$5,309,587	\$17,698,622	\$26,547,933	\$35,397,245
B	Selling commissions and fees	Nil	Nil	Nil	Nil
C	Estimated Rights Offering costs (e.g. legal costs, Subscription Agent fee, printing costs)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
D	<b>Available funds from the Rights Offering: (D = A – (B + C))</b>	\$5,059,587	\$17,448,622	\$26,297,933	\$35,147,245
E	Additional sources of funding required	N/A	N/A	N/A	N/A
F	Working capital deficiency	N/A	N/A	N/A	N/A
G	<b>Total Available Funds from the Rights Offering: (G = (D + E) – F)</b>	<b>\$5,059,587</b>	<b>\$17,448,622</b>	<b>\$26,297,933</b>	<b>\$35,147,245</b>

**How will the REIT use the available funds?**

The REIT has \$34,500,000 aggregate principal amount of Series II 6.0% convertible unsecured subordinated debentures maturing on September 30, 2017 (the “**Series II Debentures**”). The REIT intends to use all proceeds from the Rights Offering to redeem, in whole or in part, the outstanding Series II Debentures at, or prior to, maturity.

**To the extent the net proceeds from this Rights Offering are insufficient to retire the Series II Debentures, the REIT will consider other financing sources such as a sale of one or more of the REIT’s properties. See “Liquidity Risk” below**

The completion of the Rights Offering is not conditional upon the REIT receiving any minimum amount of subscriptions for Units. The REIT intends to spend the available funds as stated. However, there may be circumstances where a reallocation of the available funds may be necessary. The REIT will reallocate funds only for sound business reasons. In any event, the available funds will be used by the REIT in furtherance of its business and consistent with its stated business plan.

### Liquidity Risk

The REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations are generally funded from cash flows from operations or from drawing on the \$10.0 million Credit Facility (\$nil drawn at March 31, 2017 and May 19<sup>th</sup>, 2017). Property debt repayment obligations are generally funded from obtaining debt refinancing on maturing mortgages. Convertible debenture obligations that are not converted to equity can be repaid at maturity from either a new convertible debenture issue, mortgage financings on existing properties or property dispositions and/or from an equity raise.

As of March 31, 2017 the REIT has \$6.5 million in regularly scheduled principal repayments and \$143.3 million in maturing mortgages on eleven properties for a total mortgage commitment of \$149.8 million. The REIT also has \$34.5 million in Series II Debentures and \$23.0 million in series III convertible unsecured subordinated debentures (the "**Series III Debentures**") maturing September 30, 2017 and March 31, 2018, respectively. There is currently a significant spread between the REIT's unit price and the conversion price for the Series II Debentures and Series III Debentures, and this reduces the likelihood that the debentures will be converted to equity in advance of their maturity. The REIT may need to re-finance the maturing mortgages while also raising funds from a debt/equity issue(s) or net cash from property disposition(s), or a combination thereof, so that there is sufficient cash to repay the Series II Debentures and Series III Debentures.

The REIT attempts to mitigate its liquidity risk by:

- staggering the maturities of its maturing mortgages;
- not entering into property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisitions;
- planning capital spending around the availability of cash from operations or debt/equity funding;
- reviewing the current liquidity position and forecasted cash flows in advance of the quarterly approval of monthly distributions; and
- obtaining sufficient funds from debt / equity issue(s) and/or property disposition(s) to fund the repayment of maturing convertible debentures.

Except for the periodic impact to cash for the \$1.7 million in bi-annual interest payments on the two series of debentures (interest payments are due March 31st and September 30th) most operating revenues and expenses are consistent on a month to month basis thereby assisting management in forecasting cash flows and liquidity. As at March 31, 2017, the REIT had \$5.7 million in cash and \$10.0 million of capacity available under its Credit Facility, thereby providing \$15.7 million in liquidity.

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

As at March 31, 2017, the REIT had \$216.6 million in current liabilities:

- \$9.7 million is made up of accounts payable, accruals and distributions payable. These payables are to be repaid from a combination of working capital assets and ongoing cash flows from operations;
- \$132.9 million from thirteen maturing mortgages across ten properties to be repaid from regular mortgage re-financings, at their respective maturity dates;
- \$10.4 million from a mortgage in technical violation of an annual financial covenant. This mortgage is not due until 2020 and the REIT has received a tolerance letter after December 31, 2016;
- \$6.6 million in regularly scheduled mortgage payments. These payments are to be made from a combination of working capital assets, ongoing operating cash flows and regular mortgage re-financings; and
- \$57.0 million from the maturing Series II Debentures and Series III Debentures. Management expects to repay all or a significant portion of the Series II Debentures from this Rights Offering. The Series III Debentures will be repaid from a combination of the net monies from the regular re-financing of maturing mortgages, property disposition(s) and a public or private debt/equity issue.

Subsequent to March 31, 2017, the REIT refinanced two maturing mortgages for gross proceeds of \$3.0 million and \$13.0 million. These new financings replaced maturing mortgages of \$2.1 million and \$16.8 million for a net cash deficit of \$2.9 million. The deficit was funded from excess cash and reduced the liquidity from \$15.7 million at March 31, 2017 to \$12.8 million. The REIT expects to generate excess cash from the refinancing of the eight property mortgages maturing over the May 19<sup>th</sup>, 2017 to March 31, 2018 period.

#### **How long will the available funds last?**

The REIT expects that after completion of the Rights Offering, together with a possible sale of one or more assets of the REIT, ongoing cash flow from operations and the refinancing of property mortgages in the ordinary course, cash on hand, and availability under the Line of Credit, it will have sufficient liquidity to repay the maturing debentures and satisfy all of its other obligations, over the next 12 months.

#### **Will insiders be participating?**

The REIT has been advised by its three largest unitholders, who, in the aggregate, own approximately 49% of the currently outstanding Units (and who each own over 10% of the outstanding Units), that they intend to exercise all of the Rights they are issued and may subscribe for whatever additional rights are available to them. Each of the Trustees of the REIT and its senior management who hold Units have also confirmed their current intention to exercise their Basic Subscription Privilege. This is not a legally binding commitment from these three unitholders, the Trustees or senior management and their intentions could change at their absolute and unfettered discretion.

The foregoing disclosure reflects the intentions of the REIT's insiders as of the date hereof to the extent such intentions are known to the REIT after reasonable inquiry, however, such insiders may alter their intentions before the Expiry Time on the Expiry Date. No assurance can be given that the respective insiders will exercise their Rights to acquire Units.

**Who are the holders of 10% or more of the Units before and after the Rights Offering?**

<b>Name</b>	<b>Holdings before the offering</b>	<b>Holdings after the offering<sup>2</sup></b>
Ronald Anthony McCowan <sup>1</sup>	6,332,935 Units (18.5%) <sup>1</sup>	8,443,913 Units (18.5%)
Moray Tawse <sup>1</sup>	5,881,086 Units (17.2%) <sup>1</sup>	7,841,448 Units (17.2%)
Grant Anthony <sup>1</sup>	4,571,736 Units (13.3%) <sup>1</sup>	6,095,648 Units (13.3%)

<sup>1</sup> Based on publicly available information as of the date hereof.

<sup>2</sup> Assumes that all Unitholders, exercise all of their Rights to purchase Units under their Basic Subscription Privilege and that the maximum Rights Offering is completed.

**If you do not exercise your Rights, by how much will your Unit holdings be diluted?**

If you do not exercise your Rights under the Rights Offering, other Rightholders that have exercised their Basic Subscription Privilege and wish to participate in the Additional Subscription Privilege discussed below will have the opportunity to subscribe for the Units you would have been entitled to receive if you had exercised your Rights.

Assuming the 11,418,466 Units offered under the Rights Offering are fully subscribed, this will result in a 33.33% dilution of the outstanding Units as at May 19, 2017.

**Is there a minimum amount of subscriptions for Units required under the Rights Offering?**

The completion of the Rights Offering is not conditional upon the REIT receiving any minimum amount of subscriptions for Units.

**Is there a stand-by commitment under the Rights Offering?**

There is no stand-by commitment under the Rights Offering and no person will act as stand-by guarantor in connection with the Rights Offering.

**Has the REIT retained any dealers to organize or solicit the exercise of Rights in connection with the Rights Offering?**

The REIT has not retained any dealers to organize or participate in the solicitation of the exercise of Rights under the Rights Offering. The REIT does not intend to pay any fees or commissions relating to the solicitation of the exercise of Rights in connection with the Rights Offering.

**How does a Unitholder who is not a registered holder participate in the Rights Offering?**

If you are an eligible Unitholder and you hold your Units through a securities broker, dealer, bank, trust company, custodian or other intermediary (each, a “Participant”), you will not receive a Rights Certificate. Instead, on the Record Date, Rights will be represented under the book-based system administered by CDS Clearing and Depository Services Inc. (“CDS”) and registered in the name of CDS or its nominee. The REIT expects that you will receive a confirmation of the number of Rights issued to you from your Participant in accordance with the practices and procedures of your Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding Rights.

If you are eligible and hold your Rights through a Participant and wish to exercise your Rights, the REIT expects in most cases you will be able to exercise your Rights by: (a) delivering to your Participant a properly completed Beneficial Owner Election Form required by your Participant to effect the exercise of your Rights, and (b) forwarding to your Participant the subscription price for each Unit that you wish to subscribe for in accordance with the terms of the Rights Offering. However, the exact manner of exercising your Rights will depend on the policies and practices of your Participant and so you should contact your Participant to confirm how your Rights may be exercised.

The REIT expects you will be able to pay the subscription price for Rights held through your Participant by way of wire transfer, cheque or bank draft payable to the Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism, in each case payable in Canadian dollars.

The entire subscription payment for the exercise of any Rights exercised must be paid at the time of subscription and must be received by the Subscription Agent (as defined below) at its subscription office prior to the Expiry Time. Accordingly, subscribers must provide the Participant holding their Rights with their instructions in the applicable form for their Participant and the corresponding subscription payment sufficiently in advance of the Expiry Time to permit proper exercise of their Rights. Participants will have an earlier deadline for receipt of these instructions and the corresponding subscription payment than the Expiry Time. Subscribers should contact their Participant to confirm any relevant deadlines set by such participant that are applicable to the subscriber.

Subscriptions for Units made through a Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Neither the REIT nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or by Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or by Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or by Participants, as the case may be. The ability of a person having an interest in Rights held through a Participant to pledge such interest or otherwise take action with respect to such interest (other than through a Participant) may be limited due to the lack of a physical Rights Certificate. Holders of Rights that hold such Rights through a Participant must arrange exercises of Rights through their Participant.

### **How does a Unitholder that is a registered holder participate in the Rights Offering?**

If you are an eligible Unitholder and you are the registered holder of your Units, you will receive a Rights certificate in the mail.

To participate in the Rights Offering, you must complete and deliver your Rights Certificate to the REIT's subscription agent, Computershare Investor Services Inc., (the "**Subscription Agent**") in accordance with the instructions below:

- 1. To subscribe for Units, complete and sign Form 1 on your Rights Certificate and pay the subscription price.** The maximum number of Rights that you may exercise under your Basic Subscription Privilege is shown in the box on the upper right-hand corner of the face of your Rights Certificate. You must complete and sign Form 1 on your Rights Certificate to exercise your Rights.

If you want to exercise some but not all of your Rights under your Basic Subscription Privilege and you also want to retain the ability to exercise the balance of your unexercised Rights under your Basic Subscription Privilege, you must first complete and submit to the Subscription Agent Form 4 on your Rights Certificate in order to divide the Rights and be issued two separate Rights



Certificates: one certificate representing the number of Rights that you want to exercise in the first instance (which should then be completed and delivered to the Subscription Agent) and a second certificate representing the balance of unexercised Rights available for future exercise under your Basic Subscription Privilege. You must still exercise these Rights before the Expiry Time in order to subscribe for additional Units.

By completing Form 1 of the Rights Certificate, unless you are otherwise eligible to participate in the Rights Offering as discussed in the answer under “*Who is eligible to receive Rights?*” below, you are representing and warranting to the REIT that you are a resident of one of the provinces or territories of Canada (collectively, the “**Qualified Jurisdictions**”) or an agent of a person that is a resident of one of the Qualified Jurisdictions.

2. **To exercise your Additional Subscription Privilege, complete and sign Form 2 on your Rights Certificate and pay the subscription price.** If you exercise your Basic Subscription Privilege in full, you can subscribe for additional Units under your Additional Subscription Privilege by completing Form 2 on your Rights Certificate and specifying the number of additional Units for which you wish to subscribe. You should only complete Form 2 on your Rights Certificate if you wish to exercise your Additional Subscription Privilege, as discussed in the answer under “*What is the Additional Subscription Privilege and how can you exercise this privilege?*” below. **The completion of Form 2 constitutes a binding commitment to subscribe for the number of additional Units specified (or such lesser amount as may be allocated to you, as described below).**
3. **To transfer your Rights, complete and sign Form 3 on your Rights Certificate.** You should only complete Form 3 on your Rights Certificate if you wish to transfer the Rights represented by your Rights Certificate. To complete a transfer of your Rights you must complete Form 3 and have your signature guaranteed by one of the following methods:
  - Holders in Canada : A Medallion Guarantee obtained from a member of an acceptable Medallion Guarantee Program (STAMP, SEMP or MSP). Many banks, financial institutions, credit unions, savings associations and broker-dealers are members of a Medallion Guarantee Program. The guarantor must affix a stamp in the designated space bearing the actual words “**Medallion Guaranteed**”. As an alternative to a Medallion Guarantee, holders in Canada may obtain a Signature Guarantee from a major Canadian Schedule I bank that is not a member of a Medallion Guarantee Program. The guarantor must affix a stamp in the appropriate space bearing the actual words “**Signature Guaranteed**”.
  - Holders outside Canada : If you reside outside of Canada but are otherwise eligible to participate in the Rights Offering, you must obtain a guarantee from a local financial institution that has a corresponding affiliate in Canada that is a member of an acceptable Medallion Guarantee Program. The corresponding Canadian affiliate must over-guarantee the guarantee provided by the local financial institution.

It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signatures of the transferee on Form 1 and Form 2, if applicable, must correspond in every particular with the name of the transferee on Form 3 (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the REIT and the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.

4. **To divide or combine your Rights, complete and sign Form 4 on your Rights Certificate.** You should only complete and sign Form 4 if you wish to divide or combine the Rights represented by your Rights Certificate. Rights Certificates need not be endorsed if the new Rights Certificate(s) will be issued in the same name. The Subscription Agent will then issue new Rights Certificate(s)

in such denominations (totalling the same number of Rights as represented by the Rights Certificate(s) being divided or combined) as are requested by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time before the Expiry Time to permit the new Rights Certificate(s) to be issued to and used by the Rights Certificate holder. The Subscription Agent will facilitate any divisions or combinations until 5:00 p.m. (Toronto time) on July 12, 2017, three trading days before the Expiry Date.

- 5. Pay the subscription price for your Units (based on your completion of Forms 1 through 4) by cheque or bank draft made payable to the Subscription Agent.** The subscription price per Unit is payable in Canadian dollars by way of certified cheque or bank draft payable to the order of "Computershare Investor Services Inc.". **Payment must include the total subscription price for the aggregate number of Units subscribed for under your Basic Subscription Privilege and, if you wish to exercise your Additional Subscription Privilege, the Units you wish to subscribe for under your Additional Subscription Privilege.**

If you have exercised your Additional Subscription Privilege and the number of additional Units issued to you is less than the number of additional Units that you subscribed for, the Subscription Agent will refund (without interest or deduction) the excess portion of the total subscription price you paid. Refunds will be made in the same currency as the funds received by the Subscription Agent.

- 6. Deliver your completed Rights Certificate and payment to the Subscription Agent.** Holders of Rights that exercise their Rights for Units must complete and mail the Rights Certificate to the Subscription Agent, together with the applicable subscription payment, in the return envelope delivered with their Rights Certificate. The completed Rights Certificate and the applicable Subscription Payment must be received by the Subscription Agent by no later than the Expiry Time. Delivery can be made as follows:

By Mail:  
Computershare Investor Services Inc.  
PO Box 7021  
31 Adelaide St E  
Toronto, Ontario M5C 3H2  
Attention: Corporate Actions

By Hand or Courier:  
Computershare Investor Services Inc.  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1  
Attention: Corporate Actions

The method used to deliver a completed Rights Certificate and Subscription Payment is at the option and risk of the subscriber, and delivery will be deemed effective only when such Rights Certificate and payment are actually received by the Subscription Agent. Delivery by hand, or registered mail or courier service with return receipt requested and which is properly insured, allowing sufficient time to ensure timely delivery, is recommended. Deposit in the mail **DOES NOT** constitute delivery to the Subscription Agent.

The signature of the holder of a Rights Certificate (or a transferee of Rights exercising such Rights) must correspond in every particular with the name that appears on the face of the Rights Certificate (or the name of the transferee that appears in Form 3). Signatures by a trustee, executor, administrator, guardian, attorney, general partner, officer or director of a corporation or other legal entity or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.

Subscriptions for Units will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Any eligible Rightholder that fails to complete their subscription in accordance with the foregoing instructions prior to the Expiry Time will forfeit their Rights under their Basic Subscription Privilege and, to the extent it applies, their Additional Subscription Privilege attaching to those Rights.

Rights Certificates returned to the Subscription Agent as undeliverable will be held by the Subscription Agent until the Expiry Time, after which time the Rights represented by such Rights Certificate will be void and of no value and no longer be exercisable for any Units. As a result, the Subscription Agent will not sell or attempt to sell such undelivered Rights and no proceeds of sale will be credited to holders of such Rights.

### **Who is eligible to receive Rights?**

This Circular covers the distribution of the Rights and Units issuable on exercise of the Rights in the Qualified Jurisdictions only. Rights Certificates will not be sent to any Unitholders with addresses of record in a jurisdiction that is not a Qualified Jurisdiction (a “**Non-Qualified Jurisdiction**”) and, except as described in this Circular, Rights may not be exercised by or on behalf of, and the REIT will not accept any subscriptions from or on behalf of, any holder of Rights with an address of record in a Non-Qualified Jurisdiction. As a condition to a purchase of any Units under the Rights Offering, each holder that exercises Rights (except as described below) will be deemed to have represented and warranted that it is resident in a Qualified Jurisdiction, and this representation and warranty will be relied upon by the REIT and the Subscription Agent.

However, the REIT will accept a subscription from a holder resident in Non-Qualified Jurisdiction where the REIT determines, in its sole discretion, that the offering to and subscription by such person is lawful and in compliance with all securities and other laws applicable in the Non-Qualified Jurisdiction where such person is resident and is not prejudicial to the REIT or its securityholders.

If you are a Unitholder resident in a Non-Qualified Jurisdiction and you wish to participate in the Rights Offering, you must, as soon as possible (and, in any event, leaving sufficient time for the Subscription Agent to send you your Rights Certificate and for you to complete and return to the Subscription Agent all materials required for the exercise of your Rights before the Expiry Date), (i) notify the Subscription Agent, in writing, that you wish to participate in the Rights Offering; and (ii) provide evidence satisfactory to the REIT that, among other things, the exercise of the Rights and purchase of the Units upon the exercise of the Rights (a) is lawful and in compliance with all securities and other laws applicable in the jurisdiction where you are resident, and (b) do not require the REIT to file any documents, make any application, or pay any amount in any jurisdiction outside of the Qualified Jurisdictions. If the REIT is satisfied, in its sole discretion, that you are eligible to participate in the Rights Offering, the REIT shall deliver a notice of this decision to the Subscription Agent.

Only when the REIT is satisfied, in its sole discretion, that you are eligible to participate in the Rights Offering, as described above, will it issue you your Rights and cause your Rights Certificate to be mailed to you.

### **What is the Additional Subscription Privilege and how can you exercise this privilege?**

If you are an eligible holder and you have exercised in full your Basic Subscription Privilege in respect of all your Rights, you are entitled to subscribe for additional Units subject to allotment and certain limitations described below. Your entitlement to subscribe for Units beyond your Basic Subscription Privilege is called your “**Additional Subscription Privilege**”.

If any holder entitled to subscribe for Units under their Basic Subscription Privilege (including the Basic Subscription Privilege attaching to any purchased Rights) does not subscribe for the full amount of Units to which they are entitled, the unsubscribed Units offered to them will be aggregated with all other unsubscribed Units under the Rights Offering to make up the available additional Units that holders exercising their Additional Subscription Privilege will be entitled to subscribe for.

If you are a registered holder, to exercise your Additional Subscription Privilege you must complete Form 1 on your Rights Certificate(s) for the maximum number of Units that can be subscribed for under your Basic Subscription Privilege (being the number of Rights evidenced by your Rights Certificate(s)) and you must also complete Form 2 and specify the number of additional Units for which you would like to subscribe.

The maximum number of Additional Units for which you will be entitled to subscribe under your Additional Subscription Privilege will be limited to your *pro rata* share of the total amount of additional Units available for additional subscription. If you subscribe for a greater number of Units than your available *pro rata* share, you will be allocated such lesser number of additional Units and any excess subscription payment will be returned to you without interest or deduction.

**The aggregate Subscription Price for additional Units must accompany your Rights Certificate when it is delivered to the Subscription Agent and is payable in Canadian funds in accordance with the subscription price by certified cheque or bank draft payable to the order of “Computershare Investor Services Inc.”** For more information on how to complete your Rights Certificate(s) to exercise your Additional Subscription Privilege, see the answer under “*How does a Unitholder that is a registered holder participate in the Rights Offering?*” above.

Funds for the additional Units will be placed in a segregated non-interest bearing account pending allocation of the additional Units in the manner contemplated in this Circular, and any funds in excess of the subscription price for the additional Units so allocated will be returned by mail, without interest or deduction in the currency submitted. If there are sufficient additional Units to satisfy all subscriptions made by subscribers on exercise of their Additional Subscription Privilege, each such subscriber will be allotted the number of additional Units for which he or she has subscribed.

Each subscriber that exercises the Basic Subscription Privilege in full and that exercises their Additional Subscription Privilege will be entitled to receive the number of additional Units that is the lesser of:

- (a) the number of additional Units subscribed for by the subscriber under their Additional Subscription Privilege; and
- (b) the number of additional Units (disregarding fractions) obtained by multiplying the total number of available additional Units by a fraction (i) the numerator of which is the number of Rights exercised by such subscriber under their Basic Subscription Privilege, and (ii) the denominator of which is the aggregate number of Rights exercised under the Basic Subscription Privilege by all subscribers that are exercising the Additional Subscription Privilege.

If any holder has subscribed for fewer additional Units than the number resulting from the application of the formula in (b) above, then the excess additional Units will be allocated in the manner described above among the holders that were allocated fewer additional Units than they subscribed for.

As soon as practicable after the closing of the Rights Offering, the Subscription Agent will send to each subscriber that has exercised their Additional Subscription Privilege the number of additional Units allocated to such subscriber and will return to the subscriber any excess funds paid, without interest or deduction.

### **How does a Rightholder sell or transfer Rights?**

A holder of Rights in registered form may sell or transfer some or all of such Rights to any person resident in a Qualified Jurisdiction. For further information see “*How does a Unitholder that is a registered holder participate in the Rights Offering*” above.

Holders that hold their Rights through a Participant must arrange purchases or transfers of Rights through their Participant. It is anticipated by the REIT that each transferor or transferee of a Right will receive a customer confirmation of transfer from the Participant through which such Right is transferred in accordance with the practices and policies of such Participant.

**Persons interested in selling or purchasing Rights should be aware that the exercise of Rights by holders that are located in Non-Qualified Jurisdictions will not be permitted unless the person exercising the Rights meets the conditions and satisfies the procedures described in the answer under “Who is eligible to receive Rights?” above.**

### **When can you trade the Units issuable upon the exercise of your Rights?**

The Rights will expire at the Expiry Time on the Expiry Date and it is anticipated that the Rights Offering will close on or about July 19, 2017, one business day after the Expiry Date (the “**Closing Date**”).

If you exercise your Rights and subscribe for any Units pursuant to the Rights Offering, the REIT will deliver your Units to you as soon as practicable after the Closing Date.

If your Units are held through a Participant, you will not receive any physical Unit certificates and the Units purchased pursuant to the Rights Offering will instead be held through your Participant. Please contact your Participant or other financial intermediary to determine when Units purchased in the Rights Offering will be allocated to your account.

Registered Unitholders will receive Unit certificates evidencing the Units subscribed for under their Basic Subscription Privilege and Additional Subscription Privilege, if any. Any Units issued in connection with the exercise of Rights pursuant to the Rights Offering will be registered in the name of the person to whom the Rights Certificate was issued or to whom the Rights have been properly and duly transferred. The certificates representing such Units will be delivered by mail to the address of the subscriber as it appears on the Rights Certificate, unless otherwise directed, or to the address of the transferee, if any, indicated on the appropriate form on the Rights Certificate as soon as practicable after the Closing Date. It is expected that such certificates will generally be delivered within three business days following the Closing Date.

### **Are there restrictions on the resale of securities?**

Rights offered to holders of Units in the Qualified Jurisdictions and the Units issuable on exercise of such Rights may be resold without hold period restrictions under the applicable securities laws of the Qualified Jurisdictions by such holders provided that: (i) the REIT is and has been a “reporting issuer” in a jurisdiction of Canada for four months immediately preceding the trade; (ii) the sale is not a “control distribution”, as defined in securities legislation; (iii) no unusual effort is made to prepare the market or create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or the REIT in respect of the trade; and (v) if the selling security holder is an insider or officer of the REIT, the selling security holder has no reasonable grounds to believe that the REIT is in default of securities legislation.

In either case above, if such conditions have not been met, then the Rights and the Units may not be resold except in compliance with the prospectus requirement or pursuant to a prospectus exemption, which may only be available in limited circumstances.

Neither the Rights nor the Units issuable on exercise of the Rights have been or will be registered under the U.S. Securities Act and they may not be offered or re-offered or sold or re-sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act.

**Each holder is urged to consult their professional advisor to determine the exact conditions and restrictions applicable to the right to trade in securities.**

**Will the REIT issue fractional Units upon the exercise of Rights?**

No. Only subscriptions for whole Units will be accepted.

**What are the material Canadian federal income tax implications relating to the receipt and disposition of Rights?**

The following generally describes certain Canadian federal income tax considerations relevant to the receipt and exercise of Rights under the Rights Offering by holders of Units. This summary is applicable only to a person who acquires such Rights pursuant to the Rights Offering in its capacity as a holder of Units and who, for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (the “**Tax Act**”) and any applicable income tax treaty or convention, and at all relevant times (i) is an individual (other than a trust); (ii) is or is deemed to be, resident in Canada; (iii) holds Units, and will hold Rights and any Units issued pursuant to the exercise of the Rights, as capital property; and (iv) deals at arm’s length with, and is not affiliated with, the REIT (a “**Holder**”).

This summary is based on the current provisions of the Tax Act, the current administrative positions of the Canada Revenue Agency (“**CRA**”) published in writing by the CRA, and the proposed amendments to the Tax Act publicly announced by or on behalf of the Minister of Finance prior to the date hereof.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Rights and Units must be expressed in Canadian dollars.

**This summary is a general overview only and does not apply to certain holders such as financial institutions, trusts, corporations or partnerships or to holders that enter into a “derivative forward agreement”. All such holders are encouraged to consult their own tax advisors as to the tax consequences applicable to them having regard to their own particular circumstances.**

***Distribution of Rights***

The income tax consequences of the receipt of a Right are unclear. There are two possible scenarios under the Tax Act. First, the value, if any, of a Right issued hereunder may be required to be included in income by the Holder as a taxable benefit from the REIT. Alternatively, the issuance of a Right may be considered to be an amount distributed in respect of a Holder's capital interest in the REIT such that the fair market value thereof, if any, will be deducted from the adjusted cost base of the Holder's existing Units. Under either of those two scenarios, the Rights should have a cost to the Holder equal to their fair market value at the time of issuance. Notwithstanding the foregoing, the CRA’s current published administrative position is that where a trust grants an option to acquire units of the trust that are to be issued by the trust, there are no tax consequences to the trust or the recipient of the option. Applying this administrative position, the issuance of the Rights should have no immediate tax consequences for a Holder and the Holder would be

deemed to acquire the Rights at a cost of nil. Holders should note that the CRA is not bound by its administrative positions and may change such positions at any time.

The cost of a Right acquired by a Holder under the Rights Offering generally will be averaged with the adjusted cost base to the Holder of all other Rights held at that time as capital property to determine the adjusted cost base of each such Right to the Holder.

### ***Exercise of Rights***

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Holder upon the exercise of Rights. A Unit acquired by a Holder upon the exercise of Rights will have a cost to the Holder equal to the aggregate of the subscription price paid for such Unit and the adjusted cost base, if any, to the Holder of the Rights so exercised. The cost of a Unit acquired by a Holder upon the exercise of Rights generally will be averaged with the adjusted cost base to the Holder of all other Units held at that time as capital property to determine the adjusted cost base of each such Unit to the Holder.

### ***Expiry and Disposition of Rights***

Upon the expiry of an unexercised Right, the Holder of such Right will be considered to have disposed of the Right for purposes of the Tax Act for nil proceeds of disposition and will generally realize a capital loss equal to the adjusted cost base to the holder of the Right, if any, immediately before its expiry.

Upon the disposition by a Holder of a Right, other than pursuant to the exercise thereof, the Holder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate adjusted cost base to the Holder of such Right and any reasonable costs of disposition.

Generally, one half of any capital gain (a “taxable capital gain”) realized in a taxation year must be included in the income of the Holder for the year, and one half of any capital loss (an “allowable capital loss”) realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act. Holders may be subject to minimum tax in respect of capital gains and should consult their own tax advisors in that regard.

### ***Taxation of Holders of Units***

This summary does not address the income tax consequences to a holder of acquiring, holding or disposing of Units. Holders are advised to consult their own tax advisors in respect of the tax consequences to them of acquiring, holding and disposing of Units having regard to their own particular circumstances.

### ***Eligibility for Investment***

As described herein under “*Where will the Rights and the Units issuable upon the exercise of the Rights be listed for trading?*” the Rights and Units will be listed on a “designated stock exchange” (which currently includes the TSX) such that the Rights and Units will be “qualified investments” on that basis under the Tax Act for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), deferred profit sharing plans, registered education savings plans (“RESPs”), registered disability savings plans (“RDSPs”), and tax-free savings accounts (“TFSA”). Notwithstanding the foregoing, in certain limited circumstances, the Units or Rights could be a “prohibited investment” for purposes of a particular TFSA, RRSP or RRIF in which case a penalty tax as set out in the Tax Act could apply. Pursuant to legislative proposals to amend the Tax Act released on March 22, 2017, the rules in respect of “prohibited investments” are proposed to also apply to (i) RDSPs and the holders thereof and (ii)

RESPs and the subscribers thereof. Prospective purchasers who intend to hold Rights or Units in a TFSA, RRSP, RRRIF, RDSP or RESP are advised to consult their own tax advisors.

### **What are the risk factors relating to the Rights Offering and the Units?**

An investment in the Rights or the Units issuable on exercise of the Rights is subject to a number of risks. You should review the continuous disclosure documents filed by the REIT with the securities regulatory authorities to gain an understanding of the material risks and uncertainties relating to the REIT and the Units. In particular, you are encouraged to review the section entitled “Risk Factors” set forth in the REIT’s annual information form dated March 30, 2017 for the year ended December 31, 2016.

The risks described in the REIT’s continuous disclosure documents are not the only risks that affect the REIT. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT’s future financial condition and results of operations.

In addition, there are material risks and uncertainties relating to the Rights Offering, including those described below.

#### ***Unitholders may suffer significant dilution in connection with the Rights Offering.***

If a Unitholder does not exercise its Rights for Units pursuant to its Basic Subscription Privilege, or if a Unitholder sells or transfers its Rights, the Unitholder’s current ownership percentage or economic interest in the Units, as the case may be, may be significantly diluted by the issuance of Units pursuant to the exercise of Rights by other holders of such Rights.

#### ***No prior trading market exists for the Rights.***

Even upon listing of the Rights on the TSX, holders may not be able to resell Rights acquired. There can be no assurance that an active trading market will develop in the Rights on the TSX or, if developed, that such market will be sustained. To the extent an active trading market for the Rights does not develop, the pricing of the Rights in the secondary market, the transparency and availability of trading prices and liquidity of the Rights would be adversely affected, which may have a material adverse impact on the REIT and its share price.

#### ***Exercises of Rights may not be revoked.***

If the Unit trading price declines below the subscription price for the Units, effectively resulting in a loss of some or all of the subscribers’ subscription payment, subscribers may not revoke or change the exercise of Rights after they send in their subscription forms and payment.

#### ***If the Rights Offering does not proceed, neither the REIT nor the Subscription Agent will have any obligation to you except to return any Subscription Payments paid.***

If the Rights Offering does not proceed for any reason, although any subscription payments paid in connection with the exercise of Rights would be returned promptly to subscribers by the Subscription Agent without interest or deduction, all outstanding Rights would cease to be exercisable for Units and would lose all of their value. In such circumstances, any person who had purchased Rights in the market would lose the entire purchase price paid to acquire such Rights.



***A large number of Units may be issued and subsequently sold upon the exercise of the Rights.***

To the extent that subscribers that exercise Rights sell the Units underlying such Rights, the market price of the REIT's Units may decrease due to the additional selling pressure in the market. The risk of dilution from issuances of Units underlying the Rights may cause Unitholders to sell their Units, which may have a material adverse impact on the REIT and its share price. Sales by Unitholders might also make it more difficult for the REIT to sell equity securities at a time and price that it deems appropriate.

***The sale of Units issued upon exercise of the Rights could encourage short sales by third parties, which could depress the price of the Units.***

Any downward pressure on the price of Units caused by the sale of Units underlying the Rights could encourage short sales by third parties. In a short sale, a prospective seller borrows Units from a Unitholder or broker and sells the borrowed Units. The prospective seller hopes that the Unit price will decline, at which time the seller can purchase Units at a lower price for delivery back to the lender. The seller profits when the Unit price declines because it is purchasing Units at a price lower than the sale price of the borrowed Units. Such sales could place downward pressure on the price of the Units by increasing the number of Units being sold, which may have a material adverse impact on the REIT and its share price.

***The Subscription Price is not necessarily an indication of value.***

The Subscription Price does not necessarily bear any relationship to the book value of the REIT's assets, past operations, cash flows, losses, financial condition, net worth or any other established criteria for value. Holders of Rights should not consider the subscription price to be an indication of the REIT's value or of the Units to be offered in the Rights Offering, and the Units may trade at prices above or below the Subscription Price.

***A decline in the market price of the Units may occur.***

The trading price of the Units in the future may decline below the subscription price. The REIT can give no assurance that the subscription price will remain below any future trading price for the Units. Future prices of the Units may adjust positively or negatively depending on various factors, including the REIT's future revenues, cash flows and operations and overall conditions affecting the REIT's business, economic trends and the securities markets and changes in the estimated value and prospects for the REIT's projects.

***The trading price of the Units has been and may continue to be subject to large fluctuations, which may result in losses to investors.***

The price of the Units is likely to be affected by factors such as fluctuations in the REIT's operating results, the result of any public announcements made by us, and general market conditions. The trading price of the Units has been and may continue to be subject to large fluctuations, which may result in losses to investors. The high and low closing sale prices of the Units on the TSX were \$4.01 and \$3.04 in 2015, \$3.85 and \$3.10 in 2016 and \$3.76 and \$3.36 in 2017 to date, respectively.

**Where can you find more information about the REIT?**

Copies of the audited financial statements, quarterly unaudited financial statements, annual information form and other continuous disclosure documents filed by the REIT with the securities regulatory authorities may be obtained on the REIT's profile at [www.sedar.com](http://www.sedar.com) and on the REIT's website at [www.partnersreit.com](http://www.partnersreit.com).

**There is no material fact or material change about the REIT that has not been generally disclosed.**

## NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

This Circular contains “forward-looking information” as defined under Canadian securities laws (collectively, “**forward-looking statements**”) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words “plans”, “expects”, “does not expect”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes”, or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved”, or “continue” and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this Circular include, but are not limited to statements with respect to the following: (a) the intention of the REIT to complete the Rights Offering on the terms and conditions described herein, the expected closing date thereof, the use of net proceeds of the Rights Offering and the listing on the TSX of the Units; (b) the anticipated effect of the Rights Offering on the performance of the REIT; and (c) the intention of the REIT to repay the maturing Series II Debentures. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including that the transactions contemplated herein are completed.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date of this Circular, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT’s future growth potential, results of operations, future prospects and opportunities; the demographic and industry trends; legislative or regulatory matters; future levels of indebtedness; the tax laws as currently in effect; the continual availability of capital; and the current economic conditions.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including but not limited to those factors referred to in the answer under “*What are the risk factors relating to the Rights Offering and the Units?*” in this Circular.

Certain statements included in this Circular may be considered a “financial outlook” for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this Circular. All forward-looking statements are made as of the date of this Circular. Except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this Circular are qualified by these cautionary statements.