ANNUAL INFORMATION FORM
MARCH 10, 2016

MELCOR | REIT

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DATE OF INFORMATION

All information contained in this Annual Information Form (AIF) is dated December 31, 2015 unless otherwise stated.

OTHER INFORMATION

Additional information about Melcor REIT (the REIT), including our Management Information Circular (Circular), annual and quarterly reports, and all documents incorporated by reference in the Annual Information Form are available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This AIF and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent the REIT's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Forward-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2016 and beyond, future leasing, acquisition and financing plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition, or the results of or outlook for our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the western Canadian economy and how this performance will affect the REIT's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion "Business Environment & Risks" in our Management's Discussion and Analysis (MD&A) for the year ended December 31, 2015, which is incorporated by reference.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the REIT or on its behalf.

MELCOR REIT STRUCTURE

Name, Address and Incorporation

Melcor Real Estate Investment Trust, (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Alberta.

The principal, registered and head office of the REIT is located at:

900, 10310 Jasper Avenue
Edmonton, Alberta
T5J 1Y8

Operations, including the management of investments, are subject to the control and direction of a Board of Trustees. The Board of Trustees has power and responsibilities analogous to those applicable to boards of directors of corporations.

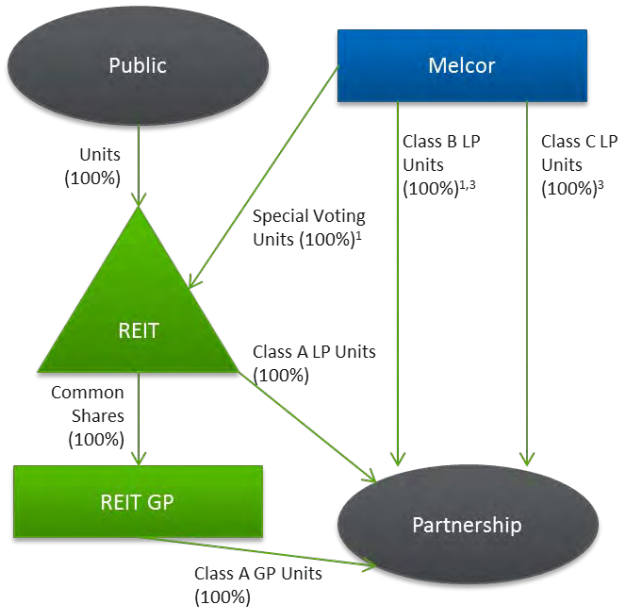
The REIT completed its initial public offering (IPO) on May 1, 2013 and used a portion of the proceeds to indirectly acquire, through the Partnership, interests in a portfolio of 27 income-producing properties, comprised primarily of retail, office and industrial properties, located in Western Canada (the “Initial Properties”), with a total carrying value of $397.90 million. In consideration for the transfer of the Initial Properties to the Partnership, Melcor Developments Ltd. (“Melcor”) received cash consideration and Class B LP Units of the Partnership and Special Voting Units of the REIT, which together represented a 55.5% effective interest in the REIT.

As at March 10, 2016, the REIT indirectly holds, through the Partnership, interests in 38 properties located in Western Canada. The REIT currently owns approximately 43.3% of the Partnership, through the ownership of Class A LP Units. The Partnership is bound by the investment guidelines and operating polices of the REIT.

Melcor has a controlling 56.7% effective interest in the REIT.

REIT Structure

The following chart is a simplified illustration of the REIT’s organizational structure as at December 31, 2015:



Notes:

1. The 14,615,878 Class B LP Units (accompanied by an equivalent number of Special Voting Units) represent an approximate 56.7% effective interest in the REIT. Pursuant to the Exchange Agreement, the Class B LP Units are exchangeable on a one-for-one basis into Units.
2. All of the properties are 100% owned by the Partnership, except for Capilano Centre, Chestermere Station and Watergrove, which are 50% owned.
3. The Class B LP Units and the Class C LP Units are held indirectly by Melcor through an affiliate, Melcor REIT Holdings Limited Partnership.

GENERAL DEVELOPMENT OF THE BUSINESS

History

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated January 25, 2013, which was subsequently amended and restated May 1, 2013.

We began operations on May 1, 2013, when our trust units were issued for cash pursuant to the initial public offering (IPO).

The IPO consisted of a public offering of 8,300,000 Units issued at a price of $10.00 per Unit, resulting in total gross proceeds of $83.00 million. On May 1, 2013, the REIT used a portion of the IPO proceeds to indirectly acquire, through the Partnership, interests in a portfolio of 27 income-producing properties located in Western Canada, comprised primarily of retail, office and industrial properties (the "Initial Properties"), with a total carrying value of $397.90 million. In consideration for the transfer of the Initial Properties to the Partnership, Melcor received cash consideration and Class B LP Units of the Partnership and Special Voting Units of the REIT, which together represented a 55.5% effective interest in the REIT.

On May 10, 2013, the IPO underwriters exercised, in full, their over-allotment option to purchase an additional 830,000 Units from Melcor, at the IPO price, for gross proceeds of $8.30 million to Melcor. The over-allotment was fulfilled through conversion of Class B LP Units, owned by Melcor, into Units.

The acquisition of the Initial Properties by the REIT constituted a significant acquisition under applicable securities laws. Consequently the REIT filed a Business Acquisition Report with Canadian securities regulatory authorities with respect to its acquisition of the Initial Properties on July 12, 2013, which is available on SEDAR at www.sedar.com.

2013 Developments

The REIT completed the following acquisitions:

- A 59,725 square foot ("sf") retail centre (Coast Home Centre) for $12.30 million on September 12, 2013.
- A 63,317 sf multi-tenant retail centre (Liberty Crossing) for $13.25 million on December 24, 2013.

2014 Developments

The REIT completed the following acquisitions from Melcor:

- Kingsview Market Phase 3 (retail - 11,555 sf) and Market Mall (retail - 42,586 sf) for $13.50 million on May 9, 2014.
- Lethbridge Centre (office – 446,272 sf), Telford Industrial (industrial – 88,699 sf), Leduc Common Phase 4 (retail – 71,240 sf), Village at Blackmud (office – 48,335 sf and retail – 9,029 sf), University Park (retail – 41,238 sf) and West Henday Promenade (retail – 34,987 sf) for $138.25 million on December 18, 2014.

The REIT completed the following third party acquisitions:

- LC Industrial (industrial – 67,610 sf) for $5.90 million on January 10, 2014.
- Select Building (formerly known as 107th Avenue building, office – 23,432 sf) for $5.55 million on May 27, 2014.
- White Oaks Square (office/retail mix – 158,319 sf) for $31.38 million on December 11, 2014.

As a result of these acquisitions, the REIT's GLA grew by 62% in 2014.

To fund these acquisitions and for general trust purposes, the REIT completed the following transactions:

- A bought deal (including exercise of overallotment option) issuance of 2,145,000 Units for gross proceeds of $22.84 million on May 9 and 14, 2014.
- A bought deal issuance of 5.50% convertible debentures (including exercise of an overallotment option) for gross proceeds of $34.50 million on December 3, 2014.

2015 Developments

On June 26, 2015, the REIT announced a normal course issuer bid (NCIB). The REIT purchased and cancelled 123,703 shares for $1.00 million under an automatic purchase plan.

On November 12, 2015, the REIT purchased two commercial properties (31,629 sf GLA at JV%) from Melcor for a total of $15.25 million. The purchased properties were additional buildings in assets already in the REIT's portfolio:

- A 43,076 sf CRU at Chestermere Station (50% joint venture interest).
- A 10,091 sf single tenant industrial building in Telford Industrial park.

DESCRIPTION OF THE BUSINESS

General Information

The REIT was formed to own a portfolio of income-producing properties, comprised primarily of retail, office and industrial properties. The REIT trades on the Toronto Stock Exchange under the symbol "MR.UN."

The REIT's portfolio is comprised of properties located in western Canada, specifically in the metropolitan areas of Edmonton, Calgary, Lethbridge and Red Deer, Alberta; Regina, Saskatchewan; and Kelowna, British Columbia.

The objectives of the REIT are to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unit value through active asset and property management; and (iii) expand the asset base of the REIT and increase adjusted funds from operations (AFFO) per Unit, primarily through acquisitions and improvement of its properties, including the Initial Properties, through targeted and strategically deployed capital expenditures.

The REIT is externally managed, administered and operated by Melcor pursuant to the Asset Management Agreement and the Property Management Agreement entered into in connection with the IPO and acquisition of the Initial Properties. Melcor is a diversified real estate development and management company with over 90 years of stable returns in real estate.

Management Strategy

The REIT's strategy is to invest in a diversified portfolio of income-producing properties that provide stable and growing monthly cash distributions to unitholders. The REIT's strategy for growth involves acquiring and improving appropriate properties.

Acquiring:

Our acquisition growth strategy is focused on:

- Increasing penetration in existing geographic markets to exploit existing competitive advantage
- Diversifying our property portfolio, and
- Expanding to adjacent geographic markets.

We focus on two channels to support our acquisition growth strategy:

- Acquiring properties via our proprietary pipeline: As Melcor completes development and leasing of commercial properties, the REIT has a right to purchase each asset for its portfolio. This organic asset pipeline is unique to the REIT.

  In 2015, we acquired 31,629 sf of GLA from Melcor on properties that met the REIT acquisition criteria (90%+ occupied and rent paying, construction completed and titled).

  In 2014, we acquired 793,941 sf of GLA from Melcor.

  Based on projects currently being developed or planned to begin in the near-term, we expect Melcor's pipeline to yield approximately 7 million sf of GLA over the next 5-10 years. Under the development and opportunities agreement entered into at the IPO, the REIT has a priority right to acquire these assets, and also has the opportunity to participate in investment opportunities, joint ventures and mezzanine financing on Melcor projects.

  Melcor currently has 130,554 sf under development and 418,279 sf of developed property under management.

- Acquiring accretive income-producing properties from third parties: We actively seek strategic property acquisitions that fit our SMART investment criteria: properties that have a good Story, are in the right Market, Accretive to AFFO per Unit, at the Right price and in our Targeted areas. Target acquisitions include properties with potential to increase value through expansion, redevelopment or improved property management.

  In 2015, we did not complete any external acquisitions.

  In 2014, we completed 3 external acquisitions, adding 249,361 sf of GLA to our portfolio for $42.83 million.

  In 2013, we completed 2 external acquisitions, adding 123,042 sf of retail GLA to our portfolio for a total purchase price of $25.55 million.

Each of these acquisitions has been consistent with our acquisition growth strategy and has helped to diversify our portfolio.

In contemplating and completing strategic acquisitions, we use our proven due diligence process and ability to quickly execute on opportunities.

Improving:

There are two key components to improving our existing assets – property management and asset enhancement. The goals of our property management and asset enhancement programs are to:

- Maximize occupancy
- Maximize tenant retention
- Increase rental income

Property Management

To ensure that our occupancy rates remain high and that our space is leased at attractive rates, we are committed to being the Landlord of Choice by providing consistent, high quality service and our signature customer care program to our clients.

Efficient property management optimizes operating costs, occupancy and rental rates. Our hands-on, on-site building management identifies issues early on for prompt resolution, and with continuous logging and monitoring of all maintenance activity, we can make capital investment decisions at the right time to sustain long-term operating margins.

Our property management practices are designed to improve operating efficiency and reduce cost while at the same time increasing client satisfaction and thus retention rates. We enjoy strong, long-term relationships with our clients, some of whom have been with Melcor and the REIT for over 20 years.

Our signature customer care program is focused on responsiveness. We are proud of our track record of responding to over 95% of service requests within 30 minutes during business hours. Our signature customer care program was enhanced and rebranded shortly after the IPO. We added an online customer care portal and extended the program to our retail and industrial properties.

Asset Enhancements

Our capital expenditures program strategy has two elements:

Preserve:

- Inner works (boilers, roofs, maintenance)
- Maintain asset value through routine care
- Improve efficiencies through upgrades (lower building operating costs)
- Driven by annual building & equipment condition assessments

Enhance:

- Visible improvements (common areas upgrades, landscaping, improved comfort & aesthetics
- Upgrades that help lease buildings & retain tenants
- Driven by lease expiries/vacancy and need

We continually look to improve our assets with value-adding investments that enhance property quality, which leads to higher occupancy and rental rates. These upgrades typically focus on increasing operating efficiency, property attractiveness, functionality and desirability. We use our intimate knowledge of the buildings we operate to support capital investment decisions, optimize operating efficiency and continuously improve our buildings for improved client satisfaction. Each building undergoes an annual assessment to identify preventative maintenance and capital investment requirements, and we continuously monitor and log all equipment and maintenance activity.

Specialized Skill and Knowledge

The REIT's external manager, Melcor, has an experienced team of real estate professionals with diverse backgrounds in the acquisition, divestiture, development, financing and operation of commercial income producing real estate.

Melcor also provides significant redevelopment expertise with the ability to undertake property expansion and redevelopment opportunities, where appropriate, in compliance with the investment guidelines and operating policies of the REIT.

Competitive Conditions

A description of competitive conditions relevant to the REIT's business is set out in the Business Environment and Risks section of the 2015 Management's Discussion and Analysis under the heading "Competitive Conditions" and is incorporated by reference.

Financing

The REIT has strong relationships with its major lenders.

The REIT uses fixed rate, long-term mortgages on its revenue-producing assets to raise capital for acquisitions and other business expenditures. As such, most of its borrowings are in the form of long-term financings secured by specific assets.

Operations are also supplemented by a syndicated operating line of credit, which is secured by certain assets owned by the REIT.

To support its growth objectives, the REIT expects to access capital markets through public offerings, dependent on market conditions.

Overview of Property Portfolio

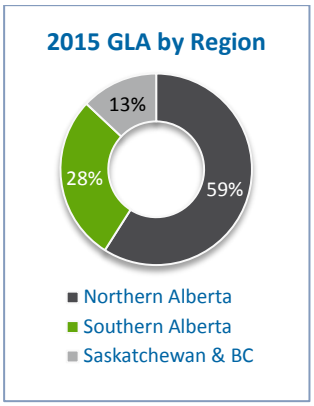
At December 31, 2015, the REIT owned interests in a portfolio of 38 income-producing properties located in Western Canada.

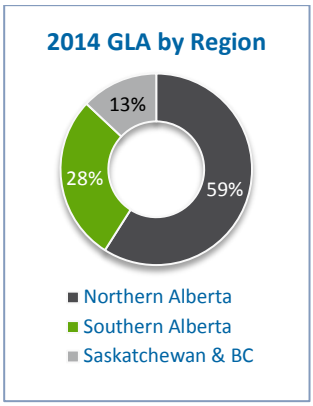
The composition of the portfolio as at December 31, 2015 by geographic location is as follows:

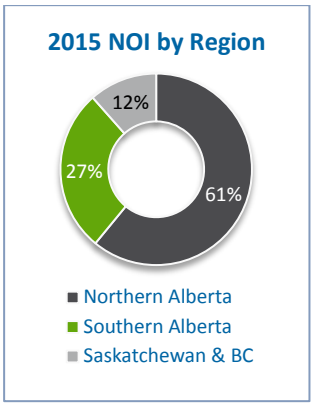
Region	2015 GLA	2014 GLA	Δ%	2015 Occupancy
Edmonton region	1,562,630	1,554,833	1%	93%
Calgary region	213,242	187,967	13%	95%
Lethbridge	562,887	562,887	-	95%
Regina	265,409	265,409	-	94%
Kelowna	101,264	101,054	-	85%
Red Deer	63,317	63,317	-	100%
Total	**2,768,750**	**2,735,467**	**1%**	**94%**

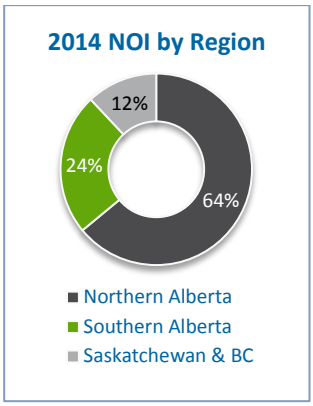
1. Leasable sf is updated periodically, typically as leases renew.

The following charts summarize the portfolio by geographic region as at December 31, 2015.









Portfolio Composition

The following table details the REIT's investment property holdings as at December 31, 2015:

Commercial	Owned since[5]	Type	GLA[4]	% Occ.
Edmonton Region			**1,570,464**	**93**
100 Street Place	2000	Office	44,295	68
Birks Building	2001	Office	34,599	82
Capilano Centre[1]	1999	Office	45,487	99
Coast Home Centre	2013	Retail	59,725	83
Corinthia Plaza	1975	Retail	23,179	100
Leduc Common[2]	2003-14	Retail	283,305	98
Melton Building	1973	Office	114,612	89
Miller Crossing	2009	Retail	27,336	97
Princeton Place	1999	Office	59,081	74
Royal Bank Building	2005	Office	132,377	90
Select Building	2014	Office	23,432	100
Stanley Buildings	2004	Office	34,976	99
Sterling Business Centre	2003	Office	67,718	99
Telford	2014-15	Industrial	98,790	100
TKE Building	2002	Industrial	15,968	100
Trail Business Centre	2002	Office	77,295	89
Village at Blackmud Creek	2014	Office/ Retail	57,364	97
West Henday Promenade	2014	Retail	34,987	96
Westcor Building	1978	Office	72,810	93
Westgate Business Centre	2001	Office	75,141	95
Westgrove Common	2006-10	Retail	21,810	99
White Oaks	2014	Retail/ Office	158,343	99
Calgary Region			**213,242**	**95**
Chestermere Station[1,3]	2006-15	Retail	74,010	93
Crowfoot Building	2002	Office	67,630	98
Kensington Road Building	1980	Office	24,044	84
Kingsview Market	2010-14	Retail	47,558	100
Lethbridge, AB			**562,887**	**95**
LC Industrial	2014	Industrial	67,610	93
Lethbridge Industrial	2012	Industrial	49,005	100
LethCentre	2014	Office/ Retail	446,272	90
Red Deer, AB			**63,317**	**100**
Liberty Crossing	2013	Retail	63,317	100
Regina, SK			**265,409**	**94**
Executive Terrace	2007	Office	42,845	88
Market Mall	2014	Retail	42,586	93
Parliament Place	2007	Office	24,411	86
Towers Mall	2007	Retail	114,331	97
University Park	2014	Retail	41,238	100
Kelowna, BC			**101,264**	**85**
Kelowna Business Centre	2006	Office	72,286	81
Richter Street	2007	Office	28,978	95
Total @ 100% ownership			**2,888,246**	
Total net of JV ownerships			**2,768,750**	

1. Owned through joint arrangement.
2. Includes 56,980 sf of land leases.
3. Includes 3,186 sf of land leases.
4. Leasable sf is updated periodically, typically as leases renew.
5. Date Melcor or the REIT first acquired the property, whether purchased from a third party or transferred to Melcor Investment Properties

Residential	Location	Year Acquired	Units	% Leased
Watergrove[1]	Calgary, AB	1995	308	100
Total			**308**	**100**

1. Watergrove is a manufactured home community that the REIT owns through a joint arrangement (50%)

Environmental Protection

The REIT is subject to various laws and regulations concerning the protection of the environment. For example, laws apply to releasing hazardous, toxic or other regulated substances into the environment. Such substances may be present at or under our properties. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. The failure to remove or otherwise address such substances may materially adversely affect the REIT's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the REIT.

The REIT maintains a rigorous due diligence process prior to the acquisition of any investment property to mitigate its exposure to these potential issues.

Environmental protection requirements did not have a significant financial or operational effect on the REIT's capital expenditures, earnings or competitive position during 2015, and management does not expect significant effects in future years.

Risk Factors

Reference is made to the REIT's MD&A for the year ended December 31, 2015 under the heading "Business Environment & Risks", which is incorporated by reference into this Annual Information Form.

Acquisition of Future Properties from Melcor

The REIT's ability to expand its asset base and increase AFFO per Unit through acquisitions is affected by the REIT's ability to leverage its relationship with Melcor to acquire additional investment properties that satisfy the REIT's investment guidelines. Melcor has advised the REIT that its current intention is to offer to sell to the REIT additional investment properties that it owns and/or develops in one or more transactions over the next few years, subject to market conditions, although no assurances can be given in that regard or in respect of Melcor's future development sites. There can be no assurance that the REIT will be able to access such opportunities and acquire additional properties or do so on terms favourable to the REIT. The inability of the REIT to expand its asset base by virtue of its relationship with Melcor or pursuant to the Right of First Offer, the Joint Venture Option, the Development Property Option and the Mezzanine Financing Option may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to unitholders.

Potential Conflicts of Interest with Melcor

Melcor's continuing businesses may lead to conflicts of interest between Melcor and the REIT. The REIT may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements between the REIT and Melcor may be amended upon agreement between the parties, subject to applicable law and approval of the Independent Trustees. See "Arrangements with Melcor". As a result of Melcor's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant unitholders.

Dependence on Melcor and the Partnership

The REIT is dependent on Melcor for management, administrative and operations services relating to the REIT's business. The Asset Management Agreement has a term of five years, with automatic five-year renewals, and may at times in the future not reflect current market terms for duties and responsibilities of Melcor. There is a risk that, because of the term and termination provisions of the Asset Management Agreement, termination of the Asset Management Agreement may be uneconomical for the REIT and accordingly not in the best interest of the REIT.

Should Melcor terminate the Asset Management Agreement or the Property Management Agreement, the REIT may be required to engage the services of an external asset manager and/or property manager. The REIT may be unable to engage an asset manager and/or property manager on acceptable terms, in which case the REIT's operations and cash available for distribution may be materially adversely affected. Alternatively, it may be able to engage an asset manager and/or property manager on acceptable terms or it may elect to

internalize its external management structure, but the process undertaken to engage such manager(s) or to internalize management could be costly and time-consuming and may divert the attention of management and key personnel away from the REIT's business operations, which could materially adversely affect its financial condition.

Additionally, the Development and Opportunities Agreement provides that, subject to certain exceptions, the REIT will not engage a party other than Melcor or its affiliates to perform any of the services to be performed by Melcor pursuant to the Asset Management Agreement.

While the Trustees have oversight responsibility with respect to the services provided by Melcor pursuant to the Asset Management Agreement and the Property Management Agreement, the services provided by Melcor under such agreements will not be performed by employees of the REIT or the Partnership, but by Melcor directly, and through entities to which it may subcontract its duties. Further, the foregoing arrangements are subject to limited termination rights in favour of the REIT. See "Arrangements with Melcor". As a result, Melcor will directly, and indirectly through entities to which it may subcontract, have the ability to influence many matters affecting the REIT and the performance of its properties now and in the foreseeable future.

While the Melcor name and trade-mark and related marks and designs are licensed to the REIT by Melcor under a non-exclusive, royalty-free trademark license agreement, such license will not be on a perpetual basis and may be terminated by Melcor at any time on 30 days' notice following the date of termination of the Asset Management Agreement. Termination of the license would require the REIT to rebrand its business, which could be costly and time-consuming and may divert attention of management and key personnel from the REIT's business operations, which could materially adversely affect its financial condition.

Arrangements with Melcor

The following agreements govern the relationship between the REIT, the Partnership and Melcor:

Asset Management Agreement

Services

Pursuant to the Asset Management Agreement, Melcor provides asset management services to the REIT, including: (a) advisory, consultation and investment management services and monitoring financial performance, (b) providing the services of members of Melcor's senior management team to act as Chief Executive Officer and Chief Financial Officer, and (c) advising the Board on strategic matters, including potential acquisitions, dispositions, financings and development. In providing the asset management services, Melcor will exercise the degree of care, diligence, judgment and skill that would be exercised by a professional, prudent and competent person who is experienced in providing substantially similar services.

Asset Management Fee

Melcor is entitled to the following fees for the services it provides pursuant to the Asset Management Agreement:

(a) a base annual management fee calculated and payable on a quarterly basis, equal to 0.25% of Gross Book Value of the REIT's investment properties;

(b) a capital expenditures fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of $100,000, with such capital expenditure fee specifically excluding work done on behalf of tenants or any maintenance expenditures;

(c) an acquisition fee equal to (i) 1.0% of that portion of the purchase price paid by the REIT for the purchase of any new property acquired in each fiscal year which is less than or equal to $100,000,000 (ii) 0.75% of that portion of the purchase price paid by the REIT for the purchase of any new property acquired in each fiscal year which is greater than $100,000,000 but less than or equal to $200,000,000, and iii) 0.50% of that portion of the purchase price paid by the REIT for the purchase of any new property acquired in each fiscal year which is greater than $200,000,000. Melcor did not and will not receive an acquisition fee from the REIT in respect of the acquisition of the Initial Properties or any other properties acquired directly or indirectly from Melcor or a party affiliated or related to Melcor; and

(d) financing fee equal to 0.25% of the debt and equity of all financing transactions completed for the REIT to a maximum of actual expenses incurred by Melcor in supplying services relating to financing transactions. Melcor did not and will not receive a financing fee in respect of the IPO or any other subsequent financing by the REIT to Melcor, including any issuances of securities to Melcor.

The fees under the Asset Management Agreement are subject to review by Melcor and the Independent Trustees on the fifth anniversary of the closing of the IPO and each subsequent fifth anniversary thereof. In the

event that Melcor and the Independent Trustees are unable to agree on the current market fees to be payable under the Asset Management Agreement on the applicable anniversary for the associated renewal period, such fees shall be determined by binding arbitration. In such event, following the applicable anniversary, the fees under the Asset Management Agreement shall continue to be the fees payable thereunder for the expiring period until a final determination has been made pursuant to the binding arbitration.

Expenses

The REIT reimburses Melcor for all out-of-pocket costs and expenses incurred by Melcor in connection with carrying out its duties and obligations under the Asset Management Agreement. Melcor is, however, responsible for its own overhead costs and certain other costs and expenses, including its office rent and costs relating to its employees providing services pursuant to the Asset Management Agreement.

Term of the Asset Management Agreement

The Asset Management Agreement is for a term of five years and is renewable for further five-year terms, unless and until it is terminated in accordance with the provisions thereof. Subject only to the termination provisions, Melcor will automatically be rehired at the expiration of each term.

The REIT has the right to terminate the Asset Management Agreement ("AMA") upon:

(a) the occurrence of any of the following event (each a "Melcor AMA Event of Default"):

(i) an event of insolvency of Melcor;

(ii) a material breach by Melcor under the Asset Management Agreement, if such material breach is not cured within 30 days after receipt by Melcor of written notice from the REIT with respect thereto unless Melcor has commenced rectification of such material breach within such 30 day period and thereafter promptly, diligently and continuously proceeds with the rectification of such breach;

(iii) fraudulent misconduct of, or misappropriation of funds by, Melcor;

(iv) an act of gross negligence by Melcor;

(v) a default by Melcor under the Development and Opportunities Agreement, that results in the termination by the REIT of such agreement;

(vi) a default by Melcor under the Property Management Agreement, that results in the termination by the REIT of such agreement; or

(vii) a default by Melcor under the Restrictive Covenant Agreement, or

(b) a change of control of Melcor, subject to reimbursement of Melcor for AMA Employee Severance Costs (defined below).

The REIT may also terminate the Asset Management Agreement at the end of a term or renewal term if a majority of the Independent Trustees determine that Melcor has not been meeting its obligations under the Asset Management Agreement and such termination is approved by a majority of the votes cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that the REIT provides Melcor with at least 12 months' prior written notice of such termination, or payment in lieu thereof.

Further, upon the REIT achieving a Gross Book Value of $1.15 billion, if a majority of the Independent Trustees determine that it is in the best interests of the REIT to internalize the asset management services, then the REIT may terminate the Asset Management Agreement, provided that the REIT provides Melcor with at least 12 months' prior written notice of such termination, or payment in lieu thereof.

Melcor has the right to terminate the Asset Management Agreement upon the occurrence:

(a) an event of insolvency of the REIT, within the meaning of the Asset Management Agreement;

(b) a material breach by the REIT under the Asset Management Agreement, if such material breach is not cured within 30 days after receipt by the REIT of written notice from Melcor with respect thereto unless the REIT has commenced rectification of such material breach within such thirty (30) day period and thereafter promptly, diligently and continuously proceeds with the rectification of such breach, or

(c) a change of control of the REIT.

Melcor also has the right to terminate the Asset Management Agreement upon one year's prior notice to the REIT after the later of: (i) the date that Melcor owns, directly or indirectly, less than 20% of the Units (calculated on a fully diluted basis); or (ii) ten years from the closing of the IPO (a "Melcor Permitted AMA Resignation").

Upon the termination of the Asset Management Agreement, Melcor shall be entitled to reimbursement for

AMA Employee Severance Costs, which reimbursement will not derogate from or in any way affect or preclude any other rights of Melcor for damages or otherwise at law or equity. For purposes of the Asset Management Agreement, "AMA Employee Severance Costs" means any and all severance or termination costs and payments (if any) actually incurred by Melcor or its affiliates in respect of employees of Melcor or its affiliates arising out of or resulting from the ensuing termination of redundant or surplus employees as a consequence of the termination of the Asset Management Agreement (other than as a result of: (i) a Melcor AMA Event of Default; (ii) a change of control of the REIT; or (iii) a Melcor Permitted AMA Resignation) in respect of the period after Closing that each such employee has worked on REIT matters and based on the proportion of each such employee's services attributable to REIT matters, provided that, notwithstanding the foregoing, in the event that the REIT or an affiliate of the REIT employs any employee of Melcor within 12 months of termination of the Asset Management Agreement for any reason whatsoever, the REIT or such affiliate shall be responsible for any and all severance and termination costs and payments paid or payable by Melcor to such employee.

Removal of an Officer of the REIT

If the REIT requests the removal, without cause, of a senior officer of the REIT (including the Chief Executive Officer or Chief Financial Officer of the REIT) whose services were being provided by Melcor or its affiliates, the REIT will be responsible for reimbursing Melcor for severance and termination costs and payments (if any) actually incurred by Melcor or its affiliates for such senior officer in respect of: (i) the period after closing of the IPO that such senior officer has worked on REIT matters; and (ii) the proportion of such senior officer's services attributable to REIT matters.

Change of Control Payment

Upon a change of control of the REIT, other than a change of control caused by Melcor, and upon Melcor terminating the Asset Management Agreement within the 12 months following such change of control, the REIT shall pay Melcor an amount equal to the gross fees paid to Melcor over the preceding 12 months, provided that Melcor will not be entitled to any reimbursement for severance costs or payments incurred by it except in respect of any employee of Melcor employed by the REIT or its affiliates within the 12 months following resignation.

Non-Solicitation

Upon termination of the Asset Management Agreement, the REIT will not solicit employees of Melcor for a period of 18 months, provided that the REIT will be entitled to solicit any employee of Melcor for whom the REIT is responsible to reimburse Melcor for severance or termination costs pursuant to the Asset Management Agreement, other than the Chief Executive Officer and Chief Financial Officer of the REIT or any other employee of Melcor appointed as a senior officer of the REIT. Notwithstanding the foregoing, if Melcor terminates the Asset Management Agreement as a result of an event of default by the REIT, the REIT shall not be entitled to solicit any employee of Melcor for a period of 18 months.

Property Management Agreement

Services

Pursuant to the Property Management Agreement, Melcor provides property management services to the REIT, including (a) managing and administering the day-to-day operations of the REIT and its subsidiaries, (b) conducting the day-to-day relations with respect to the REIT's investment properties with third parties, including suppliers, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers, and (c) supervising investment property expansions, capital projects and development projects.

In providing the property management services, Melcor will exercise the degree of care, diligence, judgment and skill that would be exercised by a professional, prudent and competent person who is experienced in providing substantially similar services.

Subcontracting

Melcor is responsible for performing the property management services through its dedicated management team and employees. In performing such duties, Melcor may from time to time retain the services of third parties where it is appropriate to do so provided that Melcor will at all times remain responsible for such functions in accordance with the Property Management Agreement. To the extent that Melcor performs any of its duties and responsibilities through contractual arrangements with other parties, Melcor will remain responsible for such functions in accordance with the Property Management Agreement. Except as specifically described below under the heading "Expenses", to the extent that Melcor performs any of the property management services through contractual arrangements with third parties, Melcor will bear the related costs and will remain responsible for such functions in accordance with the Property Management Agreement.

Property Management Services Fee

In consideration of providing the property management services, Melcor is entitled to the following fees:

(a) a monthly fee, payable in arrears on or about the fifteenth (15th) day of each month, equal to one-twelfth (1/12) of 3.0% of Gross Property Revenue based on the monthly average of the Gross Property Revenue as at the end of the immediately preceding fiscal quarter; and

(b) an upfront lease fee equal to the aggregate of the following:

(i) 5.0% of Aggregate Base Rent for New Leases for the first five years of the initial term and 2.5% of Aggregate Base Rent for New Leases for the second five years of the initial term, provided that in the event that Melcor lists a property with a third party leasing agent and that leasing agent cooperates with an outside agent, then the fee payable to Melcor shall, if the listing agreement with the leasing agent provides for an additional fee payable to the outside agent, be 1.5 times the lease base fee so as to compensate Melcor for having to pay the additional fee; and

(ii) 2.5% of Aggregate Base Rent for Lease Renewals and Expansions for the first five years of the initial term.

The lease fees are subject to review by Melcor and the Independent Trustees on an annual basis to ensure that the lease fee structure represents current market terms in each particular market within which leasing services are provided. The objective of this review is to set the leasing fees at no more, and no less, than an industry-standard rate in each particular market. In the event that Melcor and the Independent Trustees are unable to agree on such lease fee structure for a particular market, such fee structure shall be determined by binding arbitration.

Further, all fees under the Property Management Agreement are subject to review by Melcor and the Independent Trustees on the fifth anniversary of the closing of the IPO and each subsequent fifth anniversary thereof. In the event that Melcor and the Independent Trustees are unable to agree on the current market fees to be payable under the Property Management Agreement on the applicable anniversary for the associated renewal period, such fees shall be determined by binding arbitration. In such event, following the applicable anniversary, the fees under the Property Management Agreement shall continue to be the fees payable thereunder for the expiring period until a final determination has been made pursuant to the binding arbitration.

Property management fees are not payable under the Property Management Agreement with respect to Capilano Centre, Chestermere Station and Watergrove as each of these Initial Properties is a joint venture subject to an existing property management agreement, with fees ranging between 2.25% of net revenue and 4.00% of gross revenue.

Expenses

The REIT will reimburse Melcor for out-of-pocket costs and expenses incurred by Melcor in connection with carrying out its duties and obligations under the Property Management Agreement provided that such costs and expenses are approved as part of the REIT's annual budget processes or are otherwise approved by the REIT. Melcor will, however, be responsible for its own overhead costs and certain other costs and expenses, including its office rent and costs relating to its employees providing the property management services other than: (i) employees designated as property managers for a specific property or properties; and (ii) employees who are on-site at a property. The REIT is also responsible for the costs and expenses associated with certain sub-contractors acting as property managers and building operators.

Term of the Property Management Agreement

The Property Management Agreement has an initial term of five years and shall be renewed automatically for successive five year terms until terminated in accordance with its provisions. Subject only to the termination provisions, Melcor will automatically be rehired at the expiration of each term.

The REIT has the right to terminate the Property Management Agreement ("PMA") upon the occurrence of any of the following:

(a) the occurrence of any of the following event (each a "Melcor PMA Event of Default"):

(i) event of insolvency of Melcor;

(ii) a material breach by Melcor under the Property Management Agreement, if such material breach is not cured within 30 days after receipt by Melcor of written notice from the REIT with respect thereto unless Melcor has commenced rectification of such material breach within such 30 day period and thereafter promptly, diligently and continuously proceeds with the rectification of such breach;

(iii) fraudulent misconduct of, or misappropriation of funds by, Melcor;

(iv) an act of gross negligence by Melcor;

(v) a default by Melcor under the Development and Opportunities Agreement, that results in the termination by the REIT of such agreement;

(vi) a default by Melcor under the Asset Management Agreement, that results in the termination by the REIT of such agreement; or

(vii) a default by Melcor under the Restrictive Covenant Agreement; or

(b) a change of control of Melcor, subject to reimbursement of Melcor for PMA Employee Severance Costs (defined below).

The REIT may also terminate the Property Management Agreement at the end of a term or renewal term if a majority of the Independent Trustees determine that Melcor has not been meeting its obligations under the Property Management Agreement, provided that the REIT provides Melcor with at least 90 days' prior written notice, or payment in lieu thereof.

Further, upon the REIT achieving a Gross Book Value of $1.15 billion, if a majority of the Independent Trustees determine that it is in the best interest of the REIT to internalize the property management services, then the REIT may terminate the Property Management Agreement, provided that the REIT provides Melcor with at least 90 days' prior written notice, or payment in lieu thereof.

Melcor has the right to terminate the Property Management Agreement upon the occurrence of any of the following:

(a) an event of insolvency of the REIT;

(b) a material breach by the REIT under the Property Management Agreement, if such material breach is not cured within 30 days after receipt by the REIT of written notice from Melcor with respect thereto unless the REIT has commenced rectification of such material breach within such 30 day period and thereafter promptly, diligently and continuously proceeds with the rectification of such breach; or

(c) upon a change of control of the REIT.

Melcor also has the right to terminate the Property Management Agreement upon one year's prior notice to the REIT after the date that is ten years after the Closing Date (a "Melcor Permitted PMA Resignation").

Upon the termination of the Property Management Agreement, Melcor shall be entitled to reimbursement for PMA Employee Severance Costs, which reimbursement will not derogate from or in any way affect or preclude any other rights of Melcor for damages or otherwise at law or equity. For purposes of the Property Management Agreement, "PMA Employee Severance Costs" means any and all severance or termination costs and payments (if any) actually incurred by Melcor or its affiliates in respect of employees of Melcor or its affiliates arising out of or resulting from the ensuing termination of redundant or surplus employees as a consequence of the termination of the Property Management Agreement (other than as a result of: (i) a Melcor PMA Event of Default; (ii) a change of control of the REIT; or (iii) a Melcor Permitted PMA Resignation) in respect of the period after Closing that each such employee has worked on REIT matters and based on the proportion of each such employee's services attributable to REIT matters, provided that, notwithstanding the foregoing, in the event that the REIT or an affiliate of the REIT employs any employee of Melcor within 12 months of termination of the Property Management Agreement for any reason whatsoever, the REIT or such affiliate shall be responsible for any and all severance and termination costs and payments paid or payable by Melcor to such employee.

Change of Control Payment

Upon a change of control of the REIT, other than a change of control caused by Melcor, and upon Melcor terminating the Property Management Agreement within the 12 months following such change of control, the REIT shall pay Melcor an amount equal to the gross fees paid to Melcor over the preceding 12 months, provided that Melcor will not be entitled to any reimbursement for severance or termination costs or payments in respect of redundant or surplus employees except in respect of any employee of Melcor employed by the REIT or its affiliates within the 12 months following resignation, and then only in respect of the period after the closing of the IPO that each such employee has worked on REIT matters and based on the proportion of each such employee's services attributable to REIT matters.

Non-Solicitation

Upon termination of the Property Management Agreement, the REIT will not solicit employees of Melcor for a period of 18 months, provided that the REIT will be entitled to solicit any employee of Melcor for whom the REIT is responsible to reimburse Melcor for severance or termination costs pursuant to the Property Management Agreement. Notwithstanding the foregoing, if Melcor terminates the Property Management Agreement as a result of an event of default by the REIT, the REIT shall not be entitled to solicit any employee of Melcor for a period of 18 months.

Development and Opportunities Agreement

Pursuant to the Development and Opportunities Agreement, Melcor granted the following rights to the REIT.

Right of First Offer

Melcor has granted the REIT a Right of First Offer to acquire any interest of Melcor in investment properties that it owns after the closing of the IPO (whether forming part of the Retained Commercial Properties, or acquired or developed by Melcor after the closing of the IPO, including a Refused Property, but excluding an investment property that is then subject to the Development Property Option or the Mezzanine Financing Option), prior to disposition of any such interest to third parties, which right will be on terms not less favourable to the REIT than those offered by or to such third party.

The Right of First Offer will provide that if at any time, and from time to time, Melcor determines that it desires to sell, or receives and desires to accept an offer to acquire (directly or indirectly by way of the sale or acquisition of securities), an investment property (a "Proposed Disposition"), Melcor will, by notice in writing, advise the REIT of such opportunity. Such a notice shall be accompanied by a formal offer to sell which shall set forth the purchase price, manner of payment and closing date (which shall be a date not less than 60 days from the date of issuance of the notice or such other date as mutually agreed by the parties) and which shall otherwise contain customary terms and conditions for a commercial real estate transaction of comparable size and type, and shall be accompanied by all material information relating to the Proposed Disposition as is in the control or possession of Melcor.

The REIT will have up to 30 days to accept Melcor's offer to sell (or in the event that the notice of Proposed Disposition is issued as a result of an unsolicited offer from an arms' length party, 10 business days following receipt of the notice of Proposed Disposition, including all relevant information regarding the unsolicited offer). If the REIT notifies Melcor that it does not wish to acquire the Proposed Disposition, or the applicable period for the REIT accepting Melcor's offer to sell lapses, the Proposed Disposition shall become a Refused Property and Melcor will be entitled to complete the sale of the Refused Property within the following 180 days (or within 270 days, in the event that Melcor enters into an agreement for sale with respect to such property and the purchaser's terms and conditions thereunder are satisfied or waived within such 180 day period) to any third party on terms not materially more favourable to the third party than those contained in Melcor's offer to sell. If Melcor does not complete the sale of the Refused Property within such 180 day or 270 day period, as applicable, it shall again become subject to the Right of First Offer. In respect of investment properties of Melcor that are the subject of joint ventures with unrelated parties, the Right of First Offer will be subject to the terms of contractual arrangements with such unrelated parties. Further, the Right of First Offer may be subject to the rights of lenders under certain loan documents securing properties in which Melcor has an interest.

Investment Opportunities

If Melcor identifies an opportunity (an "Investment Opportunity") to acquire, directly or indirectly, an ownership interest in (including as a result of making a loan secured by): (i) any income producing commercial properties that satisfy the investment guidelines of the REIT; or (ii) a portfolio or an interest in a portfolio of income producing commercial properties that satisfy the investment guidelines of the REIT, then, provided that the acquisition of such property by the REIT would be accretive, having regard to the per Unit AFFO of the REIT assuming appropriate financing assumptions, Melcor shall by notice in writing (an "Opportunity Notice") advise the REIT of the Investment Opportunity. The Opportunity Notice shall outline all of the material terms and conditions of the Investment Opportunity then known to Melcor and shall be accompanied by all information relating to the Investment Opportunity as is in the possession of Melcor.

The REIT will have up to ten business days to advise Melcor in writing that it is interested in acquiring such Investment Opportunity, but such notice shall not constitute a commitment on the part of the REIT to acquire such Investment Opportunity. If the REIT notifies Melcor that it does not wish to acquire the Investment Opportunity, or the applicable period for the REIT to respond expires without the REIT advising Melcor that it wishes to acquire the Investment Opportunity, Melcor shall thereafter be entitled to pursue the Investment Opportunity for its own account.

If the REIT advises Melcor in writing that it is interested in acquiring such Investment Opportunity within the applicable period, Melcor will grant the REIT the right to pursue such Investment Opportunity for its own account. If the REIT subsequently ceases to actively pursue the Investment Opportunity or notifies Melcor in writing that it has ceased all efforts to complete such Investment Opportunity (which it shall be obliged to do if it ceases all efforts in respect of an Investment Opportunity), Melcor thereafter shall be entitled to pursue the Investment Opportunity for its own account and if acquired by

Melcor, such property shall become a Refused Property subject to the Right of First Offer.

The Investment Opportunities Provisions contained in the Development and Opportunities Agreement shall not apply to commercial investment properties which are located in the United States until such time as ten percent of the Gross Book Value of the REIT's assets are located in the United States, and thereafter shall apply so long as the REIT's publically announced target for the United States is in excess of such threshold.

Joint Venture Option

If Melcor intends to enter into a joint venture with respect to a Development Property (such determination to be made by Melcor in its sole and unfettered discretion), Melcor shall offer to the REIT the opportunity (the "Joint Venture Option"), by notice in writing, to participate in such joint venture on terms to be mutually agreed upon, except that if the parties form a joint venture, the definitive agreement shall provide that: (i) Melcor will be the development manager; and (ii) Melcor and the REIT shall agree on a budget, design and general profile for such Development Property.

The REIT will have the exclusive right to negotiate with Melcor for a period of 30 days with respect to the formation of a joint venture. During such period, Melcor shall use commercially reasonable efforts to provide the REIT with any and all information concerning the Development Property which is the subject of the Joint Venture Option. If such exclusivity period expires without Melcor and the REIT entering into a definitive joint venture agreement with respect to the Development Property, Melcor shall have the right to enter into a joint venture with an unrelated party with respect to such Development Property. If Melcor enters into a joint venture with an unrelated party with respect to such Development Property, Melcor's interest in such property shall become a Refused Property and subject to the Right of First Offer. If Melcor subsequently does not enter into a joint venture with an unrelated party with respect to such property, such Property shall continue to be a Development Property and subject to either the Development Property Option or the Mezzanine Financing Option, as applicable.

The Joint Venture Option shall not apply in situations where Melcor approaches, or is approached by, a third party owner of land with respect to the acquisition of an interest in such lands by Melcor, and the formation of a joint venture with the land's owner with respect to the development of such land. However, Melcor's interest in such joint ventures will be subject to the Development Property Option.

Development Property Option

Once a Development Property for which the REIT has not provided mezzanine financing has reached Stabilization, whether or not such property is the subject of a joint venture between Melcor and the REIT or Melcor and a third party, Melcor shall deliver a formal offer to sell such Development Property to the REIT (the "Development Property Option"). Such offer shall set forth the purchase price, manner of payment and closing date (which shall be a date not less than 60 days from the date of issuance of the notice or such other date as mutually agreed to by the parties) and shall otherwise contain customary terms and conditions for a commercial real estate transaction of comparable size and type, and shall be accompanied by all material information relating to the Development Property as is in the control or possession of Melcor.

The REIT will have up to 30 days to accept Melcor's offer to sell. If the REIT notifies Melcor that it does not wish to acquire the Development Property, or the applicable period for the REIT accepting Melcor's offer to sell lapses, such Development Property shall become a Refused Property and Melcor will be entitled to complete the sale of such Refused Property within the following 180 days (or within 270 days, in the event that Melcor enters into an agreement for sale with respect to such property and the purchaser's terms and conditions thereunder are satisfied or waived within such 180 day period) to any arm's length third party on terms not materially more favourable to the third party than those contained in the offer to sell to the REIT. If such Refused Property is not sold to an arm's length party within such 180 day or 270 day period, as applicable, it shall then become subject to the Right of First Offer.

Notwithstanding the foregoing, in the event that Melcor receives an unsolicited offer from an arm's length party with respect to a Development Property that is then subject to the Development Property Option that it is prepared to accept, whether or not such Development Property has reached Stabilization, such Development Property shall: (i) cease to be subject to the Development Property Option; and (ii) become subject to the Right of First Offer.

Mezzanine Financing Option

In the event that the REIT has provided mezzanine financing with respect to a Development Property that has not previously become a Refused Property, Melcor and the REIT shall agree on a budget, design and general profile with respect to such Development Property. Once such Development Property for which the REIT has provided mezzanine financing has reached Stabilization, whether or not such property is the subject of a joint

venture between Melcor and the REIT, Melcor shall deliver a formal offer to sell such Development Property to the REIT (the "Mezzanine Financing Option"). Such offer shall set forth the purchase price (which shall be 95% of the appraised fair market value at the time of Stabilization of such Development Property), manner of payment and closing date (which shall be a date not less than 60 days from the date of issuance of the notice or such other date agreed to by the parties) and shall otherwise contain customary terms and conditions for a commercial real estate transaction of comparable size and type, and shall be accompanied by all material information relating to the Development Property as is in the control or possession of Melcor.

The REIT will have up to 30 days to accept Melcor's offer to sell. If the REIT notifies Melcor that it does not wish to acquire the Development Property, or the applicable period for the REIT accepting Melcor's offer to sell lapses, such Development Property shall become a Refused Property and Melcor will be entitled to complete the sale of such Refused Property within the following 180 days (or within 270 days, in the event that Melcor enters into an agreement for sale with respect to such property and the purchaser's terms and conditions thereunder are satisfied or waived within such 180 day period) to any arm's length third party on terms not materially more favourable to the third party than those contained in the offer to sell to the REIT. If such Refused Property is not sold to an arm's length party within such 180 day or 270 day period, as applicable, it shall then become subject to the Right of First Offer.

Notwithstanding the foregoing, in the event that Melcor receives an unsolicited offer from an arms' length party with respect to a Development Property that is then subject to the Mezzanine Financing Option that it is prepared to accept, whether or not such Development Property has reached Stabilization, such Development Property shall: (i) cease to be subject to the Mezzanine Financing Option; and (ii) become subject to the Right of First Offer. Consequently, the REIT shall not be able to utilize the appraised fair market value provisions contained in the Mezzanine Financing Option if it has provided mezzanine financing to such Development Property.

Mezzanine Financing for Development Properties

Melcor may request the REIT to provide mezzanine financing for a Development Property. If the REIT elects in writing to provide mezzanine financing, which it shall not be obligated to do, such mezzanine loans shall:

(a) be payable as to interest only, until maturity. Interest shall be payable in cash on the principal balance of a loan at a rate to be agreed upon by the REIT and Melcor and calculated monthly not in advance and payable monthly both before and after maturity and both before and after default;

(b) be fully due and payable 12 months from the date that the Development Property has reached Stabilization. Melcor may prepay all or any part of the outstanding principal balance on three business days' notice. In the event that the REIT purchases the Development Property or in the event that Melcor sells the Development Property to an arm's length party, the loan, including all interest and other amounts due to the date of repayment, shall be repaid in full on the date of successful completion of such transaction;

(c) be full recourse to Melcor notwithstanding that the borrower under such loan may be an affiliate of Melcor;

(d) be cross-collateralized; and

(e) otherwise be on such terms and conditions as may be mutually agreed upon by the REIT and Melcor.

Melcor shall use its reasonable commercial efforts to secure each mezzanine loan by way of a registered second charge/mortgage in favour of the REIT on the title to the Development Property. In the event that Melcor is unable to secure a mezzanine loan by way of a registered second charge/mortgage on the title to the Development Property, it shall covenant in favour of the REIT not to grant any encumbrance on the Development Property which would adversely affect the rights of the REIT under the Development and Opportunities Agreement (other than in favour of the construction lender in respect of the construction financing) and in such case the Development Property shall be transferred to and be held by a single purpose company that is wholly owned by Melcor until the loan is repaid. Such obligation shall be secured by a pledge of the shares of the wholly owned subsidiary that holds registered title to the Development Property in favour of the REIT. Any such charge/mortgage or pledge will be assignable to the REIT's financiers and subordinate to any construction financing of the Development Property.

Project Management Development Opportunities

Pursuant to the Development and Opportunities Agreement, if the REIT intends to retain an arm's length party to provide project management services with respect to the development of real property which it owns into an investment property, then the REIT first shall offer such project management development opportunity to Melcor.

Melcor will have the exclusive right to negotiate with the REIT for a period of 30 days with respect to the project management development opportunity. During such period, the REIT shall use commercially reasonable efforts to provide Melcor with any and all information concerning the project management development opportunity. If such exclusivity period expires without Melcor and the REIT entering into a definitive project management development agreement, the REIT shall have the right to enter into a project management development agreement with an unrelated party on terms not materially more favourable to the unrelated party than those offered to Melcor during the exclusive negotiation period.

Obligations of the REIT

During the term of the Development and Opportunities Agreement, the REIT will not engage the services of a party that is not Melcor (or an affiliate of Melcor) to provide asset management services in respect of any current or after-acquired investment properties of the REIT or investment properties in which the REIT has an opportunity to make an investment, provided that such obligation does not apply in respect of properties in which the REIT has or would have an ownership interest of 50% or less.

Term of the Development and Opportunities Agreement

The Development and Opportunities Agreement is for a term that ends on the later of: (i) the date that Melcor owns, directly or indirectly, less than 20% of the Units (calculated on a fully diluted basis); (ii) the date of termination of the Asset Management Agreement; or (iii) that date which is ten years from the closing of the IPO, unless earlier terminated in accordance with the provisions thereof.

The REIT may terminate the Development and Opportunities Agreement if it has terminated the Asset Management Agreement pursuant to the provisions contained therein which permit the REIT to terminate such agreement in connection with the internalization by the REIT of the asset management services.

Restrictive Covenant Agreement

Pursuant to the Restrictive Covenant Agreement, Melcor will not, directly or indirectly, without the consent of the Independent Trustees, solicit any specific tenant to vacate any REIT property in favour of a property in which Melcor or any of its affiliates has an ownership or operating interest during the occupancy of such tenant at such REIT property. In addition, none of Melcor nor its affiliates will preferentially market buildings in which it has an ownership or operating interest over buildings held directly or indirectly by the REIT.

Further, without the approval of the Independent Trustees, Melcor will not be entitled to act as the promoter of, or asset manager to, any publicly traded real estate business primarily focused on office, retail and/or industrial real estate in Canada and/or the United States, or acquire, invest in or have an ownership interest in, directly or indirectly, income producing office, retail and/or industrial real estate other than: (i) any income producing office, retail and/or industrial real estate assets owned and retained by Melcor at the time of the closing of the IPO; (ii) any office, retail and/or industrial real estate assets that were being or had been developed and retained by Melcor at the time of the closing of the IPO; (iii) any investment property that the REIT has been offered pursuant to the Development and Opportunities Agreement and has declined to invest in; (iv) any commercial property that Melcor is not required to offer to the REIT pursuant to the Investment Opportunity provisions contained in the Development and Opportunities Agreement as they are not accretive to the REIT; (v) any property that is a part of a portfolio of primarily non-office, retail and/or industrial rental properties; (vi) any investment of up to 10% of the issued and outstanding equity securities of any public issuer; (vii) and Melcor's interest in the REIT and/or the Partnership.

The Restrictive Covenant Agreement will be in effect until the termination of both the Asset Management Agreement and the Development and Opportunities Agreement.

Exchange Agreement

Exchange Rights

The REIT, the Partnership and Melcor are parties to the Exchange Agreement, pursuant to which Melcor has the right to require the REIT to exchange each Class B LP Unit held by Melcor for one Unit, subject to customary anti-dilution adjustments. Upon an exchange, the corresponding number of Special Voting Units will be cancelled. Collectively, the exchange rights granted by the REIT are referred to as the "Exchange Rights".

A holder of a Class B LP Unit will have the right to initiate the exchange procedure at any time so long as each of the following conditions have been satisfied:

(a) the exchange would not cause the REIT to breach the restrictions respecting non-resident ownership contained in the Declaration of Trust (as described under "Trust Units and Declaration of Trust – Limitation on Non-Resident Ownership") or otherwise cause it to cease to be a "mutual fund

trust" or "real estate investment trust" for purposes of the Tax Act or cause or create a substantial risk that the REIT would be subject to tax under paragraph 122(1)(b) of the Tax Act;

(b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange rights; and

(c) the person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws.

Pre-Emptive Rights

In the event that the REIT, the Partnership or one of their subsidiaries decides to issue equity securities of the REIT or the Partnership or securities convertible into or exchangeable for equity securities of the REIT or the Partnership or an option or other right to acquire any such securities other than to an affiliate thereof ("Issued Securities"), the Exchange Agreement will provide Melcor, for so long as it continues to hold at least 10% of the Units (calculated on a fully diluted basis), with pre-emptive rights to purchase Units, Class B LP Units or Issued Securities, to maintain Melcor's pro rata ownership interest (calculated on a fully diluted basis). The pre-emptive right will not apply to the issuance of Issued Securities in certain circumstances, including the following: (i) in respect of the exercise of options, warrants, rights or other securities issued under the REIT's or Partnership's security based compensation arrangements, if any, (ii) the issuance of Units in lieu of cash distributions, (iii) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which Melcor did not exercise, failed to exercise, or waived, its pre-emptive right or in respect of which the pre-emptive right did not apply, (iv) pursuant to a Unitholder rights plan of the REIT, and (v) to the REIT, the Partnership or any subsidiary of the REIT or the Partnership or an affiliate of any of them.

Registration Rights

The Exchange Agreement provides Melcor with the right (the "Piggy-Back Registration Right"), among others, to require the REIT to include Units held by Melcor, including Units issuable upon exchange of Class B LP Units, in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "Piggy-Back Distribution"). The REIT is required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units Melcor requests to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Exchange Agreement provides Melcor with the right (the "Demand Registration Right") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held by Melcor, including Units issuable upon the exchange of Class B LP Units, for distribution (a "Demand Distribution"). Melcor is entitled to request a Demand Distribution no more than once in any calendar year and the REIT must take such steps as may be reasonably necessary to assist it in making a Demand Distribution, provided that, among other things, each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least $20 million and if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to Melcor.

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time from 18 months following the closing of the IPO, provided that Melcor owns at least 10% of the Units (calculated on a fully diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right are subject to various conditions and limitations, and the REIT is entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by Melcor and the fees of Melcor's external legal counsel will be borne by Melcor. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and Melcor on a proportionate basis according to the number of Units distributed by each. Pursuant to the Exchange Agreement, the REIT will indemnify Melcor for any misrepresentation in a prospectus under which Melcor's Units are distributed (other than in respect of any information provided by Melcor, in respect of Melcor, for inclusion in the prospectus) and Melcor will indemnify the REIT for any information provided by Melcor, in respect of Melcor, for inclusion in the prospectus.

Tag/Drag Rights

The Exchange Agreement provides that if Melcor owns at least 10% of the Units (calculated on a fully diluted basis), and so requests, the REIT will cause, in respect of the Partnership, a purchaser (other than the REIT or an affiliate of the REIT) of securities of the Partnership owned by the REIT (or any permitted assignee) to purchase a pro rata portion of the securities of the Partnership held by Melcor, on the same terms and subject to the same conditions as are applicable to the purchase of securities of the Partnership by the purchaser. If Melcor or any permitted assignee holds in aggregate less than 10% of the Units (calculated on a fully diluted basis), the REIT will be entitled, in connection with the direct or indirect sale of all of its securities of the Partnership, to require Melcor or any permitted assignee to sell its securities in the Partnership on the same conditions as are applicable to the REIT's direct or indirect sale of all other interests in the Partnership, and upon the REIT making such request and completing such sale, Melcor or any permitted assignee will have no further interest in the Partnership.

Assignment

The pre-emptive rights, registration rights and tag/drag rights described above are personal to Melcor and are not assignable by Melcor (without the REIT's prior written consent) other than to an affiliate of Melcor, provided that such entity remains an affiliate of Melcor. The transfer of Class B LP Units is subject to a number of restrictions. See "The Partnership – Transfer of LP Units".

Acquisition and Indemnity Agreements

The REIT indirectly acquired interests in the Initial Properties from Melcor, pursuant to the IPO Acquisition Agreement, for an aggregate purchase price of approximately $354.26 million. The REIT indirectly acquired interest in six commercial properties (the "2014 Melcor Acquisition Properties") from Melcor pursuant to an acquisition agreement (the "2014 Acquisition Agreement") dated November 12, 2014, for an aggregate purchase price of approximately $138.25 million

Each of the IPO Acquisition Agreement and the 2014 Acquisition Agreement contained representations and warranties typical of those contained in acquisition agreements negotiated between sophisticated purchasers and vendors acting at arm's length, certain of which were qualified as to knowledge and materiality and subject to reasonable exceptions, relating to Melcor and relating to the properties acquired from Melcor in favour of the REIT and the Partnership (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital, compliance with laws, title to the properties, condition of tangible assets, financial information, outstanding indebtedness and guarantees, outstanding liens, absence of undisclosed liabilities, material agreements, accuracy of rent rolls, tax matters, environmental matters and employment matters).

Pursuant to the IPO Indemnity Agreement, Melcor indemnified the REIT and the Partnership for breaches of representations, warranties and covenants arising under the Acquisition Agreement. The maximum liability of Melcor under such indemnity is limited to an amount equal to the net proceeds of the IPO and no claim under such indemnity may be made until the aggregate losses exceed $750,000. The Partnership indemnified Melcor with respect to obligations to pay the IPO Assumed Mortgages and the Retained Debt after the closing of the IPO. Pursuant to the 2014 Indemnity Agreement, Melcor indemnified the REIT and the Partnership for breaches of representations, warranties and covenants arising under the Acquisition Agreement. The maximum liability of Melcor under such indemnity is limited to the cash purpose of the purchase price paid to Melcor pursuant to the 2014 Acquisition Agreement and no claim under such indemnity may be made until the aggregate losses exceed $400,000. The Partnership indemnified Melcor with respect to obligations to pay the 2014 Acquisition Assumed Mortgages.

Pursuant to the IPO Indemnity Agreement and the 2014 Indemnity Agreement, Melcor indemnified the REIT and the Partnership for a period of seven years with respect to any damages incurred or losses suffered by the REIT or the Partnership relating to environmental matters at 22 of the Initial Properties and four of the 2014 Melcor Acquisition Properties.

Melcor also indemnified the REIT and the Partnership indefinitely with respect to any damages incurred or losses suffered by the REIT or the Partnership relating to environmental matters at five of the Initial Properties and two of the 2014 Melcor Acquisition Properties. Pursuant to the IPO Acquisition Agreement and the 2014 Melcor Acquisition Properties, Melcor is required to conduct ongoing monitoring and sampling, at its expense, at certain of the Initial Properties and the 2014 Melcor Acquisition Properties.

TRUST UNITS, DECLARATION OF TRUST AND THE PARTNERSHIP

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Alberta.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of the holders thereof.

Units

The Units are listed on the TSX under the symbol MR.UN. As at December 31, 2015, there were 11,151,297 Units outstanding.

Units do not have preference or priority over one another. No holder of Units has or is deemed to have any right of ownership of any of the assets of the REIT. Each Unit represents a holder's proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net realized capital gains of the REIT or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued (unless issued on an installment receipt basis) and are transferable. The Units are redeemable at the holder's option, as described below under "Redemption Right" and, except as set out in "Description of the Business - Arrangements with Melcor - Exchange Agreement." The Units have no other conversion, retraction, redemption or pre-emptive rights. On any consolidation, fractional Units, if any, will not be issued but rather rounded down to the nearest whole Unit.

Special Voting Units

As at December 31, 2015, there were 14,615,878 Special Voting Units outstanding.

Special Voting Units have no economic entitlement in the REIT or in the distributions or assets of the REIT but entitle the holder to one vote per Special Voting Unit at any meeting of the Unitholders. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into Units, including Class B LP Units, for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units are issued in conjunction with the Class B LP Units to which they relate, and are evidenced only by the certificates representing such Class B LP Units. Special Voting Units are not transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities. Each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Unitholders that is equal to the number of Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Upon the exchange or surrender of a Class B LP Unit for a Unit, the Special Voting Unit attached to such Class B LP Unit will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including: (i) for the election or removal of Trustees; (ii) the appointment or removal of the auditors of the REIT; (iii) the approval of amendments to the Declaration of Trust (except as described under "Amendments to Declaration of Trust"); (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees); (v) the termination of the REIT, (vi) generally, any other matter which requires a resolution of Unitholders; and (vii) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders will be called and held annually for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than

5% of the aggregate Voting Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the ABCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two or more persons present in person or represented by proxy representing in the aggregate not less than 10% of the total number of outstanding Voting Units on the record date for the meeting will constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, will be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the Chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Holders of Special Voting Units have an equal right to be notified of, attend and participate in meetings of Unitholders on the same basis as Unitholders.

Pursuant to the Declaration of Trust, a resolution in writing executed by Unitholders holding a proportion of the outstanding Voting Units (or a class thereof) equal to the proportion required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid as if it had been passed at a meeting of Unitholders.

Redemption Rights

A Unitholder may at any time demand redemption of some or all of their Units by delivering to the REIT a duly completed and properly executed notice requiring redemption in a form satisfactory to the Trustees, together with written instructions as to the number of Units to be redeemed. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a) 90% of the Market Price (as defined below) of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and

(b) 100% of the Closing Market Price (as defined below) on the Redemption Date.

For purposes of this calculation, the market price of a Unit as at a specified date (the "Market Price") will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(b) an amount equal to the weighted average of the Closing Market Prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(c) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The closing market price of a Unit for the purpose of the foregoing calculations (the "Closing Market Price"), as at any date, will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion. The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (the "Monthly Limit") (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units tendered for redemption in such calendar month); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

To the extent Unitholders are not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the portion of the Redemption Price per Unit equal to the Monthly Limit divided by the number of Units tendered for redemption in the month shall be paid and satisfied by way of a cash payment in Canadian dollars and the remainder of the Redemption Price per Unit shall be paid and satisfied by way of a distribution in specie to such Unitholders of Subsidiary Notes having a fair market value equal to the product of (i) the remainder of the Redemption Price per Unit of the Units tendered for redemption and (ii) the number of Units tendered by such holder for redemption. To the extent Unitholders are not entitled to receive cash upon the redemption of Units as a result of the limitations described at (ii) or (iii) of the foregoing paragraph, then the Redemption Price per Unit shall be paid and satisfied by way of a distribution in specie of Subsidiary Notes having a fair market value determined by the Trustees equal to the product of (i) the Redemption Price per Unit of the Units tendered for redemption and (ii) the number of Units tendered by such Unitholders for redemption. No Subsidiary Notes in integral multiples of less than $100 will be distributed and, where Subsidiary Notes to be received by Unitholders includes a multiple less than that number, the number of Subsidiary Notes shall be rounded to the next lowest integral multiple of $100 and the balance shall be paid in cash. The Redemption Price payable as described in this paragraph in respect of Units tendered for redemption during any month shall be paid by the transfer to or to the order of the Unitholders who exercised the right of redemption, of the Subsidiary Notes, if any, and the cash payment, if any, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments by the REIT as described in this paragraph are conclusively deemed to have been made upon the mailing of certificates representing the Subsidiary Notes, if any, and a cheque, if any, by registered mail in a postage prepaid envelope addressed to the former Unitholders and/or any party having a security interest and, upon such payment, the REIT shall be discharged from all liability to such former Unitholders and any party having a security interest in respect of the Units so redeemed. The REIT shall be entitled to all interest paid on the Subsidiary Notes, if any, on or before the date of distribution in specie as described in the foregoing paragraph. Any issuance of Subsidiary Notes will be subject to receipt of all necessary regulatory approvals, which the REIT shall use reasonable commercial efforts to obtain forthwith.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Subsidiary Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Subsidiary Notes so

distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Issuance of Units

Subject to the pre-emptive right of Melcor, the REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Voting Units proposed to be issued would be first offered to existing Unitholders, except that for so long as Melcor continues to hold at least 10% of the Units (calculated on a fully diluted basis), Melcor will have the pre-emptive right to purchase additional Voting Units issued by the REIT to maintain its *pro rata* voting interest in the REIT.

If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution in respect of Units, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may also issue new Units: (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees; (ii) pursuant to any incentive or option plan established by the REIT from time to time; (iii) pursuant to a distribution reinvestment plan of the REIT; or (iv) pursuant to a Unitholder rights plan of the REIT.

The Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the holder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed to non-resident holders are subject to taxes required to be withheld, such taxes will be deducted from the amounts distributed and the consolidation will not result in such non-resident holders of Units holding the same number of Units. Such non-resident holders of Units will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Limitations on Non-Resident Ownership

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may (i) non-residents of Canada and (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents and such partnerships (all within the meaning of the Tax Act) ("Non-Residents") be the beneficial owners of more than 49% of the Units and the Trustees will inform the transfer agent of this restriction. The Trustees may require a registered Unitholder to provide the Trustees with a declaration as to the jurisdictions in which beneficial owners of the Units registered in such Unitholder's name are resident and as to whether such beneficial owners are Non-Residents (or in the case of a partnership, whether the partnership is a Non-Resident). If the Trustees become aware, as a result of acquiring such declarations as to beneficial ownership or as a result of any other investigations, that the beneficial owners of 49% of the Units are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person or partnership unless the person or partnership provides a declaration in form and content satisfactory to the Trustees that the person or partnership, as the case may be, is not a Non-Resident and does not hold such Units for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units are held by Non-Residents, the Trustees may send a notice to such Non-Resident holders of the Units chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such holders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units (other than the right to receive the net proceeds from the sale). Upon such sale, the affected holders shall cease to be holders of the relevant Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Units. The Trustees will have no liability for the amount received provided that they act in good faith. The REIT

may direct its transfer agent to assist the Trustees with respect to any of the foregoing. Class B LP Units, which are economically equivalent to Units, are not permitted to be transferred to Non-Residents.

Notwithstanding the foregoing, the Trustees may determine not to take any of the actions described above if the Trustees have been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the REIT as a "mutual fund trust" for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the REIT as a "mutual fund trust" for purposes of the Tax Act.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by not less than two-thirds of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose. Additionally, certain amendments to the Declaration of Trust require the approval of Melcor.

Approval by Special Resolution of Unitholders

The following amendments, among others, require the approval of not less than two-thirds of the votes cast by all Unitholders at a meeting (or by written resolution in lieu thereof):

(a) an exchange, reclassification or cancellation of all or part of the Voting Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Voting Units, except where such addition, change or removal is made by the Trustees pursuant to subparagraphs (f), (h) or (i) at "Approval by Trustees" below;

(c) the constraint of the issue, transfer or ownership of the Voting Units or the change or removal of such constraint;

(d) the sale or transfer of the assets of any of the REIT or its subsidiaries as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of any of the REIT or its subsidiaries approved by the Trustees);

(e) the termination of any of the REIT or its subsidiaries (other than as part of an internal reorganization as approved by the Trustees);

(f) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity that is not the REIT or a subsidiary of the REIT (other than as part of an internal reorganization as approved by the Trustees); and

(g) except as described herein, the amendment of the Investment Guidelines and Operating Policies of the REIT (see "Investment Guidelines and Operating Policies – Amendments to Investment Guidelines and Operating Policies").

Approval by Trustees

Notwithstanding the foregoing, the Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees; (ii) the REIT; or (iii) the distribution of Units;

(b) which, in the opinion of the Trustees, provide additional protection for the Unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the IPO Prospectus and the Declaration of Trust;

(e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;

(f) which, in the opinion of the Trustees, are necessary or desirable: (i) as a result of changes in accounting standards from time to time which may affect the REIT or its beneficiaries; or (ii) to ensure the Units qualify as equity for purposes of IFRS;

(g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in installments;

(h) which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders: (i) to create and issue one or more new classes of preferred equity securities of the REIT (each of which may be comprised of unlimited series) that rank in priority to the Units (in payment of distributions and in connection with any termination or winding-up of the REIT); and/or (ii) to remove the redemption right attaching to the Units and convert the REIT into a closed-end limited purpose trust;

(i) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify as a "mutual fund trust", "unit trust" or "real estate investment trust" as those terms are defined in the Tax Act or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to tax under the SIFT Rules;

(j) which, in the opinion of the Trustees, are necessary or desirable to ensure the REIT has not been established, nor maintained, primarily for the benefit of non-residents of Canada;

(k) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(l) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

Approval by Melcor

Provided that Melcor beneficially owns more than 10% of the issued and outstanding Units calculated on a fully diluted basis, any amendment to the Declaration of Trust that affects the right of Melcor to nominate certain Trustees of the REIT will require the prior written approval of Melcor.

Limitations

Any amendment to the Declaration of Trust (except as noted at "Investment Guidelines and Operating Policies-Amendments to Investment Guidelines and Operating Policies) which directly or indirectly adds, changes or removes any of the rights, privileges, restrictions or conditions in respect of the Special Voting Units shall require the approval of a majority of the votes cast by all holders of Special Voting Units at a meeting of Unitholders (or by written resolution in lieu thereof).

Investment Guidelines and Operating Policies

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made by the REIT. The assets of the REIT may be invested only in accordance with the following guidelines and the REIT shall cause its subsidiaries to conduct their operations and affairs in such a manner that such conduct does not render the REIT investments to be contrary to the following guidelines:

(a) the REIT and each of its subsidiaries will focus its activities on the acquisition, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with income producing real property located in Canada and the United States and which is primarily commercial in nature;

(b) notwithstanding anything else contained in the Declaration of Trust, the REIT will not make or hold any investment, take any action or omit to take any action or permit a subsidiary to make or hold any investment, or take any action or omit to take any action that would result in: (i) the REIT ceasing to qualify as a "mutual fund trust" or "unit trust", both within the meaning of the Tax Act; (ii) the units being disqualified for investments by Plans; or (iii) the REIT and its subsidiary being liable under the Tax Act to pay a tax imposed under either paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act;

(c) the REIT may, directly or indirectly, make such investments, do all such things and carry out all such activities as are necessary or desirable in connection with the conduct of its activities provided they are not otherwise specifically prohibited by the Declaration of Trust;

(d) unless otherwise specifically prohibited by the Declaration of Trust, the REIT may invest in freehold, leasehold, or other interests in property (real, personal, moveable or immovable);

(e) the REIT and its subsidiaries shall not purchase any interest in a single real property if, after giving effect to the proposed purchase, the cost to the REIT or any subsidiary of such purchase (net of the amount of debt incurred or assumed in connection with such purchase) will exceed 20% of Gross Book Value at the time the purchase is made;

(f) the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies;

(g) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or of Canada, short-term government debt securities or money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank maturing prior to one year from the date of issue, or except as otherwise permitted by the Declaration of Trust, the REIT may not hold securities other than securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (ii) which focuses its activities primarily on the acquisition, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with income producing real property, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 20% of the outstanding units of the securities issuer (the "Acquired Issuer"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;

(h) the REIT and its subsidiaries will not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as ancillary to an investment in real property;

(i) the REIT will not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction: (i) where revenue will be derived, directly or indirectly, principally from real property; or (ii) which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of real or immovable property (in each case as determined by the Trustees);

(j) the REIT and its subsidiaries may invest in mortgages and mortgage bonds (including a participating or convertible mortgage) only where: (i) the mortgage or mortgage bond is secured; (ii) the real property which is security therefore is income producing real property which otherwise meets the other investment guidelines of the REIT; and (iii) the aggregate book value of such investments of the REIT in mortgages after giving effect to the proposed investment, will not exceed 15% of Gross Book Value;

(k) the REIT and its subsidiaries will not invest in raw land for development, except for: (i) existing properties with additional development; (ii) the purpose of renovating or expanding existing properties; or (iii) the development of new properties that will be capital properties of the REIT and which otherwise meets the other investment guidelines of the REIT, provided that the aggregate cost of the investments of the REIT in raw land, after giving effect to the proposed investment, will not exceed 5% of Gross Book Value; and

(l) notwithstanding any other provision of the Declaration of Trust but subject to subparagraph (b) above, the REIT may make investments that do not otherwise comply with one or more of subparagraphs (a), (g), (h) and (j) of the investment guidelines provided the aggregate amount of such investments will not exceed 15% of Gross Book Value.

For the purpose of the foregoing guidelines and restrictions (other than subparagraph (b)), the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT are deemed to be those of the REIT on a proportionate consolidated basis. In addition, any reference in the foregoing to investment in real property is deemed to include an investment in a joint venture arrangement.

Operating Policies

The Declaration of Trust provides that the operations and affairs of the REIT are conducted in accordance with the following policies and the REIT shall not permit its subsidiaries to conduct their operations and affairs in such a manner that such conduct renders the REIT's operations and affairs to be contrary to the following guidelines:

(a) the REIT and its subsidiaries will not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes to the extent that such hedging activity complies with National Instrument 81-102, as amended from time to time, or any successor instrument or rule and provided that subparagraph (b) of the foregoing investment guidelines is complied with;

(b) (i) any written instrument creating an obligation which is or includes the granting by the REIT or its subsidiaries of a mortgage; and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duty to act in the best interests of Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(c) the REIT and its subsidiaries will not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the Indebtedness, the total Indebtedness of the REIT would be more than 60% of Gross Book Value (65% including any convertible debentures of the REIT);

(d) at no time shall the REIT incur Indebtedness aggregating more than 20% of Gross Book Value (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more) at floating interest rates or having maturities of less than one year;

(e) the REIT and its subsidiaries shall not incur or assume any Indebtedness (other than by the assumption of existing Indebtedness and the renewal, extension or modification thereof from time to time) or renew or refinance any Indebtedness under a mortgage on any of the real property (other than on raw land and/or land under development and/or assumed debt) of the REIT or its subsidiaries where (i) in the case of an individual property, the total amount of Indebtedness, excluding operating lines, secured by mortgages on such property exceeds 75% of the market value of such individual property; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of Indebtedness, excluding operating lines, secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;

(f) except in connection with or related to the acquisition of the Initial Properties, the REIT shall not directly or indirectly guarantee any Indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted under the REIT's investment guidelines; (ii) has been approved by the Trustees; and (iii) (A) would not disqualify the REIT as a "mutual fund trust" within the meaning of the Tax Act, and (B) would not result in the REIT losing any other status under the Tax Act that is otherwise beneficial to the REIT and its Unitholders;

(g) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(h) the REIT or its subsidiaries shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant;

(i) the REIT and its subsidiaries will obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and its subsidiaries and the accidental loss of value of the assets of the REIT and its subsidiaries from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and

(j) the REIT and its subsidiaries shall either: (i) have conducted a Phase I environmental site assessment; or (ii) be entitled to rely on a Phase I environmental site assessment dated no earlier than six months prior to receipt by the REIT, in respect of each real property that it intends to acquire and, if the Phase I environmental site assessment report recommends that further environmental site investigations be conducted, the REIT shall have conducted such further environmental investigations, in each case, by an independent and experienced environmental consultant.

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

Amendments to Investment Guidelines and Operating Policies

General

Pursuant to the Declaration of Trust, the investment guidelines set forth at "-Investment Guidelines" and the operating policies set forth in subparagraphs (a), (c), (d), (e), (g), (h) and (i) at "-Operating Policies" may be amended only with the approval of not less than two-thirds of the votes cast at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast at a meeting of Unitholders called for such purpose.

Regulatory Conflict

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than subparagraph (b) at "Investment Guidelines"), such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of Unitholders.

The Partnership

General

The Partnership is a limited partnership formed under the laws of the Province of Alberta and governed by the Limited Partnership Agreement. The Partnership acquired, directly or indirectly, all of the Initial Properties and following the closing of the IPO owned, operated and leased real estate assets and property and engaged in all activities ancillary and incidental thereto. The general partner of the Partnership is REIT GP, a corporation incorporated pursuant to the laws of Alberta that is a wholly owned subsidiary of the REIT, and the limited partners of the Partnership are the REIT and Melcor.

Partnership Units

The Partnership has outstanding Class A GP Units and Class A LP Unit, all of which are held by the REIT. The Class A LP Units represent approximately 43.3% of the limited partnership interests in the Partnership. The Partnership also has outstanding Class B LP Units and Class C LP Units, all of which are held by Melcor. The Class B LP Units represent approximately 56.7% of the limited partnership interests in the Partnership.

The Class B LP Units are, in all material respects, economically equivalent to the Units on a per unit basis. Under the Exchange Agreement, the Class B LP Units are exchangeable on a one-for-one basis for Units (subject to customary anti-dilution adjustments) at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Tax Act and subject to satisfaction of conditions set out therein.

The Class C LP Units have been designed to provide Melcor with an interest in the Partnership that will entitle Melcor to distributions, in priority to distributions to holders of the Class A LP Units, Class B LP Units and Class A GP Units in an amount, if paid, expected to be sufficient (without any additional amounts) to permit Melcor to satisfy amounts payable in respect of principal, interest or any other amount owing under the Retained Debt.

So long as any of the Class C LP Units are outstanding, the Partnership will not at any time without, but may at any time with, the approval of the holders of a majority of the Class C LP Units: (i) pay any distribution on the Class A LP Units, the Class B LP Units or the Class A GP Units unless distributions payable on the Class C LP Units have been paid in full; (ii) offer to accept the withdrawal of the Class A LP Units or the Class B LP

Units of the Partnership; or (iii) issue any additional Class C LP Units, other than to Melcor, in each case, subject to certain limited exceptions, including, in connection with (A) the redemption rights available to unitholders, (B) an exchange of Class B LP Units pursuant to the Exchange Agreement and (C) the refinancing of the Retained Debt.

Except as required by law or the Limited Partnership Agreement, and in certain specified circumstances in which the rights of a holder of Class B LP Units and/or holders of Class C LP Units are particularly affected, the holders of Class B LP Units and holders of Class C LP Units will not be entitled to vote at any meeting of the holders of LP Units.

Operations

The business and affairs of the Partnership are managed and controlled by Melcor REIT GP which is bound by the investment guidelines and operating policies applicable to the REIT. The Limited Partners are not entitled to take part in the management or control of the business or affairs of the Partnership. Subject to certain exception, the Partnership will reimburse REIT GP for all direct costs and expenses incurred by it in the performance of its duties as the general partner of the Partnership.

The Board shall determine the composition of REIT GP's board of directors; provided REIT GP shall have a majority of directors who are "independent" within the meaning of applicable securities laws.

The Partnership operates in a manner to ensure, to the greatest extent possible, the limited liability of the Limited Partners. The Limited Partners may lose their limited liability in certain circumstances. If the limited liability of any limited partner of the Partnership is lost by reason of the negligence of REIT GP in performing its duties and obligations under the Limited Partnership Agreement, REIT GP will indemnify any limited partner of the Partnership against all claims arising from assertions that its liabilities are not limited as intended by the Limited Partnership Agreement. REIT GP, however, has no significant assets or financial resources other than its respective distribution entitlements from the Partnership. Accordingly, this indemnity may only be of nominal value.

Distributions

Distributions Policy and Priority

REIT GP shall, on behalf of the Partnership, distribute cash, subject to the priorities and other provisions set out below. REIT GP shall determine on a monthly basis, but in no event later than the 10th day of each month, the amount of cash on hand of the Partnership, that is derived from any source and that is determined by REIT GP not to be required for use in connection with the business of the Partnership.

Distributions on Class C LP Units

The Class C LP Units have been designed to provide Melcor with an interest in the Partnership that will entitle Melcor to distributions, in priority to distributions to holders of the Class A LP Units, Class B LP Units and Class A GP Units, in an amount, if paid, expected to be sufficient (without any additional amounts) to permit Melcor to satisfy amounts payable in respect of principal, interest or any other amount owing under the Retained Debt.

Distributions to Melcor REIT GP

REIT GP, as the sole holder of the Class A GP Units, will receive priority distributions from the Partnership equal to the aggregate of: (i) amounts sufficient to reimburse REIT GP for expenses incurred in performing its duties and obligations under the Partnership Agreement, and (ii) 0.001% of distributions made by REIT GP, on behalf of the Partnership, in priority to distributions to holders of the Class A LP Units and the Class B LP Units, but after holders of the Class C LP Units have been paid their respective distributions.

Distributions on Class A LP Units and Class B LP Units

REIT GP, on behalf of the Partnership, will make monthly cash distributions to the holder of the Class A LP Units in the amount required to account for expenses incurred directly by the REIT as determined by REIT GP. Distributions on the Class A LP Units for expenses incurred by the REIT will be made in priority to distributions to holders of the Class A LP Units and the Class B LP Units but after the holders of the Class C LP Units and the Class A GP Units have been paid their respective distributions.

In addition, REIT GP, on behalf of the Partnership, will make monthly cash distributions to the holder of Class A LP Units and to holders of Class B LP Units with reference to the monthly cash distributions payable by the REIT to holders of Units on a per Unit basis. Distributions to be made on the Class B LP Units will be equal to the distributions that the holders of Class B LP Units would have received if they were holding Units instead of Class B LP Units. Distributions to Melcor REIT GP, as a holder of the Class A GP Units, and holders of Class C LP Units will

be made in priority to distributions to holders of Class A LP Units and to holders of Class B LP Units.

Allocation of Partnership Income

Income or loss of the Partnership for tax purposes for a fiscal year will be allocated at the end of each fiscal year in the following manner:

(a) first, to Melcor as the holder of Class C LP Units, in an amount equal to the interest component of the Retained Debt payable in the fiscal year;

(b) second, to Melcor REIT GP as the holder of Class A GP Units in an amount equal to the aggregate of (i) all of the amounts paid to REIT GP as reimbursement for expenses in performing its duties and obligations under the Partnership Agreement and (ii) all distributions from the Partnership that it has received during that year; and

(c) the balance shall be allocated to the REIT as the holder of Class A LP Units and to Melcor as the holder of the Class B LP Units in an amount calculated by multiplying the remaining income (or loss) by a fraction, the numerator of which is the sum of the distributions received or receivable by that holder of Class A LP Units or Class B LP Units in such fiscal year and the denominator of which is the aggregate amount of distributions received or receivable by all holders of Class A LP Units and Class B LP Units during such fiscal year.

The amount of income allocated to a Limited Partner may exceed or be less than the amount of cash distributed by the Partnership to that Limited Partner in respect of a given fiscal year. If, with respect to a given fiscal year, there is no cash distributed, or the Partnership has a loss for tax purposes, the income or loss for tax purposes from each source for that fiscal year will be allocated, at the end of each month in that fiscal year, first, to the holders of Class C LP Units, in proportion to the Units held by each of them at each of those dates, in each case in an amount not to exceed $1,000 per holder, and the balance, if any, to the holders of Class A LP Units and Class B LP Units in proportion to the LP Units held by each of them at each of those dates.

Transfer of LP Units

The transfer of Class A LP Units, Class B LP Units and Class C LP Units will be subject to a number of restrictions, including: (i) the Class A LP Units, Class B LP Units and Class C LP Units may not be transferred to a person or partnership who is a Non-Resident; (ii) no Class A LP Units, Class B LP Units or Class C LP Units will be transferable in part; (iii) no transfer of the Class B LP Units or the Class C LP Units will be accepted by Melcor REIT GP if such transfer would cause the Partnership to be liable for tax under subsection 197(2) of the Tax Act; and (iv) no transfer of Class A LP Units, Class B LP Units or Class C LP Units will be accepted by REIT GP unless a transfer form, duly completed and signed by the registered holder of such Class A LP Units, Class B LP Units or Class C LP Units, as applicable, has been remitted to the registrar and transfer agent of the Partnership. In addition, a transferee of Class A LP Units, Class B LP Units or Class C LP Units must provide to REIT GP such other instruments and documents as REIT GP may require, in appropriate form, completed and executed in a manner acceptable to the REIT GP and must pay the administration fee, if any, required by REIT GP. A transferee of a unit of the Partnership will not become a partner or be admitted to the Partnership and will not be subject to the obligations and entitled to the rights of a partner under the Limited Partnership Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Partnership's register of partners.

In addition to the above restrictions, the Limited Partnership Agreement also provides that no holder of Class B LP Units will be permitted to transfer such Class B LP Units, other than for Units in accordance with the terms of the Exchange Agreement or the Limited Partnership Agreement, unless: (i) the transfer is to an affiliate of the holder; (ii) such transfer would not require the transferee to make an offer to holders of Units to acquire Units on the same terms and conditions under applicable securities laws if such Class B LP Units, and all other outstanding Class B LP Units, were converted into Units at the then current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer; or (iii) the offeror acquiring such Class B LP Units makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and does not acquire such Class B LP Units unless the offeror also acquires a proportionate number of Units actually tendered to such identical offer. Certain rights affecting Melcor as a holder of the Class B LP Units, as such rights are set forth in the Declaration of Trust and the Exchange Agreement, are specific to Melcor and are not transferable to a transferee of the Class B LP Units, other than a Melcor entity.

In addition to the above restrictions, the Limited Partnership Agreement also provides that no holder of Class C LP Units will be permitted to transfer such Class

C LP Units without the consent of the Board, unless such transfer is to an affiliate of the holder.

Amendments to Limited Partnership Agreement

The Limited Partnership Agreement may be amended with the prior consent of the holders of at least 66 and 2/3% of the Class A LP Units voted on the amendment at a duly constituted meeting of holders of Class A LP Units or by a written resolution of partners holding more than 66 and 2/3% of the Class A LP Units entitled to vote at a duly constituted meeting of holders of Class A LP Units, except for certain amendments which require unanimous approval of holders of Class A LP Units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of Class A LP Units; and (iii) changing the Partnership from a limited partnership to a general partnership. REIT GP may also make amendments to the Limited Partnership Agreement without the approval or consent of the Limited Partners to reflect, among other things: (i) a change in the name of the Partnership or the location of the principal place of business or registered office of the Partnership; (ii) the admission, substitution, withdrawal or removal of Limited Partners in accordance with the Limited Partnership Agreement; (iii) a change that, as determined by REIT GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the limited partners have limited liability under applicable laws; (iv) a change that, as determined by REIT GP, is reasonable and necessary or appropriate to enable the Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Limited Partnership Agreement which may be defective or inconsistent with any other provision contained in the Limited Partnership Agreement or which should be made to make the Limited Partnership Agreement consistent with the disclosure set out in the IPO Prospectus. Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of REIT GP may be made without the consent of REIT GP; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class.

In addition, the Declaration of Trust provides that the REIT will not agree to or approve any material amendment to the Limited Partnership Agreement without the approval of not less than 66 and 2/3% of the votes cast at a meeting of Unitholders called for such purpose (or by written resolution in lieu thereof).

Debentures

In order to partially finance the acquisition of the 2014 Melcor Acquisition Properties, the REIT sold on December 3, 2014, on a bought-deal basis, $34.5 million aggregate principal amount of 5.50% Convertible Debentures to a syndicate of underwriters co-led by RBC Dominion Securities Inc. and CIBC World Markets Inc. The 5.50% Convertible Debentures were issued pursuant to a trust indenture (the "Indenture") among the REIT and the CST Trust Company ("Debenture Trustee"). The Indenture is available on SEDAR at www.sedar.com. The following is a summary of the material attributes and characteristics of the 5.50% Convertible Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Indenture.

Overview

The Maturity Date for the 5.50% Convertible Debentures is December 31, 2019. The 5.50% Convertible Debentures bear interest at 5.50% per annum, payable semi-annually in arrears on June 30 and December 31 (each an "Interest Payment Date") in each year, commencing on June 30, 2015 until the maturity date of the 5.50% Convertible Debenture; the first payment will include accrued and unpaid interest for the period from December 3, 2014 to, but excluding, June 30, 2015.

The 5.50% Convertible Debentures are direct obligations of the REIT and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all other liabilities of the REIT as described under "Subordination". The Indenture does not restrict the REIT from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness. The 5.50% Convertible Debentures are transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Calgary, Alberta and Toronto, Ontario.

Conversion Privilege

Each Debenture is convertible into trust units at the option of the holder at any time prior to 5:00 p.m. (Alberta time) on the earlier of December 31, 2019 and the business day immediately preceding the date specified by the REIT for redemption of the 5.50% Convertible Debentures, at the conversion price ("Conversion Price") of $12.65 per trust unit, being a conversion rate of approximately 79.0514 Units per $1,000 principal amount of the 5.50% Convertible Debentures, subject to adjustment in certain events. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on 5.50% Convertible Debentures surrendered for conversion; however, holders converting their 5.50% Convertible Debentures will be entitled to receive, in addition to the applicable number of trust units, accrued and unpaid interest on such 5.50% Convertible Debentures for the period from, and including, the last interest payment date to and including the last record date set by the REIT, occurring prior to the date of conversion, for determining the holders of trust units entitled to receive a distribution on the trust units. In the event distributions have been suspended by the REIT or a public announcement has been made giving notice of the suspension of regular distributions to holders of trust units prior to the applicable date of conversion, and such suspension is in effect on such date of conversion, holders, in addition to the applicable number of trust units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from, and including, the last interest payment date prior to the date of conversion to and including the date of conversion. Notwithstanding the foregoing, no 5.50% Convertible Debenture may be converted during the five business days preceding June 30 and December 31 in each year, as the register of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events, including: (i) the subdivision, redivision, reduction, combination or consolidation of the outstanding trust units; (ii) the issuance of trust units to holders of all or substantially all of the outstanding trust units by way of distribution or otherwise (other than an issue of trust units to holders of trust units who have elected to receive distributions in the form of trust units in lieu of receiving cash distributions paid in the ordinary course on the trust units); (iii) the issuance of options, rights or warrants to holders of all or substantially all of the outstanding trust units entitling such holders to acquire (a) trust units at a price per trust unit of less than 95% of the then Current Market Price of a trust unit or (b) securities convertible or exchangeable into trust units at a conversion or exchange price per trust unit, as the case may be, of less than 95% of the then Current Market Price of a trust unit; and (iv) the distribution to holders of all or substantially all of the outstanding trust units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if, subject to prior written consent of the exchange on which the 5.50% Convertible Debentures are then listed, holders are entitled to participate in such event as though they had converted their 5.50% Convertible Debentures prior to the effective date or record date, as the case may be, of such event.

In the case of any reclassification of the trust units or a capital reorganization of the REIT (other than a subdivision, redivision, reduction, combination or consolidation of the outstanding trust units) or an amalgamation, arrangement or merger of the REIT or a similar transaction with or into any other person or other entity, or a sale or conveyance of the property and assets of the REIT as an entirety or substantially as an entirety to any other person or other entity or a liquidation, dissolution or winding-up or other similar transaction of the REIT, the terms of the conversion privilege shall be adjusted so that each 5.50% Convertible Debenture shall, after such event, be convertible into the kind and amount of securities or assets of the REIT or of the person or other entity resulting from such event, as the case may be, which the holder thereof would have been entitled to receive as a result of such event if on the effective date or the record date, as the case may be, of such event the holder had been the registered holder of the number of trust units into which the 5.50% Convertible Debenture was convertible prior to the effective date or the record date, as the case may be, of such event.

Redemption and Purchase

The 5.50% Convertible Debentures will not be redeemable prior to December 31, 2017, except upon the satisfaction of certain conditions after a Change of Control has occurred (see "Put Right upon a Change of Control"). On and from December 31, 2017, and prior to December 31, 2018, the 5.50% Convertible Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more

than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2018, and prior to December 31, 2019, the 5.50% Convertible Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption.

The REIT has the right to purchase 5.50% Convertible Debentures in the market, by tender or by private contract, at any price, subject to compliance with regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, the REIT does not have the right to purchase the 5.50% Convertible Debentures by private contract. In the case of redemption of less than all of the 5.50% Convertible Debentures, the 5.50% Convertible Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis to the nearest multiple of $1,000 or by lot in such manner as the Debenture Trustee deems equitable, subject to the consent of the exchange on which the 5.50% Convertible Debentures are then listed, if required.

Payment upon Redemption or Maturity

On redemption or on the maturity date, as applicable, the REIT will repay the indebtedness represented by the 5.50% Convertible Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding 5.50% Convertible Debentures, together with accrued and unpaid interest thereon. The REIT may, at its option, on not more than 60 days' and not less than 30 days' prior written notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the 5.50% Convertible Debentures which are to be redeemed or which have matured by issuing and delivering that number of fully paid, non-assessable and freely-tradeable trust units to the holders of 5.50% Convertible Debentures obtained by dividing the principal amount of the 5.50% Convertible Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional trust units will be issued to 5.50% Convertible Debenture Holders. In lieu thereof, the REIT shall satisfy such fractional interests by cash payments equal to the Current Market Price of such fractional interests.

Interest Payment Election

Provided no Event of Default has occurred and is continuing, and subject to applicable regulatory approval, the REIT may elect (the "Unit Interest Payment Election"), from time to time, to satisfy its obligation to pay interest on the 5.50% Convertible Debentures on the date interest is payable under the Indenture, by issuing and delivering fully paid, non-assessable and freely-tradeable trust units to the Debenture Trustee to be sold by the Debenture Trustee for proceeds, which together with any cash payments to be made by the REIT in lieu of fractional trust units, are sufficient to satisfy all of the REIT's obligations to pay interest on the 5.50% Convertible Debentures in accordance with the Indenture. The Indenture provides that, upon such election, the Debenture Trustee shall request bids to purchase trust units in accordance with the Indenture and shall (i) accept delivery of trust units from the REIT, (ii) accept bids with respect to, and facilitate settlement of sales of, such trust units, each as the REIT shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), (iv) deliver proceeds to holders sufficient to satisfy the REIT's interest payment obligations, and (v) perform any other action necessarily incidental thereto as directed by the REIT.

The amount received by a holder in respect of interest will not be affected by whether or not the REIT elects to use the Unit Interest Payment Election. Neither the REIT's making of the Unit Interest Payment Election nor the consummation of sales of trust units in connection therewith will (i) result in the holders of 5.50% Convertible Debentures not being entitled to receive on the applicable interest payment date cash in an aggregate amount equal to the interest payable on such interest payment date, or (ii) entitle such holders to receive any trust units in satisfaction of the interest payable on the applicable Interest Payment Date.

Cancellation

All 5.50% Convertible Debentures converted, redeemed or purchased as aforesaid will be cancelled and may not be reissued or resold.

Subordination

The payment of the principal of, and interest on, the 5.50% Convertible Debentures is subordinated in right

of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness.

Each debenture issued under the Indenture of the same series of debentures will rank pari passu with each other debenture of the same series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the REIT, except for sinking fund provisions (if any) applicable to different series of debentures or other similar types of obligations of the REIT. The 5.50% Convertible Debentures do not limit the ability of the REIT to incur additional indebtedness, including indebtedness that ranks senior to the 5.50% Convertible Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness.

The Indenture provides that in the event of any dissolution, winding-up, liquidation, reorganization, bankruptcy, insolvency, receivership, creditor enforcement or realization or other similar proceedings relating to the REIT or any of its property (whether voluntary or involuntary, partial or complete) or any other marshalling of the assets and liabilities of the REIT or any sale of all or substantially all of the assets of the REIT, all Senior Indebtedness and trade creditors of the REIT will first be paid in full, or provision made for such payment, before any payment is made on account of the indebtedness, liabilities and obligations of the REIT under the 5.50% Convertible Debentures (excluding the issuance of trust units or other securities upon any conversion, redemption or at maturity).

The Indenture also provides that the REIT will not make any payment, and the holders of 5.50% Convertible Debenture will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without limitation, by set-off, combination of accounts, realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the 5.50% Convertible Debentures (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the 5.50% Convertible Debentures or (ii) at any time when a default has occurred under the Senior Indebtedness and is continuing and which permits the holder of the Senior Indebtedness to demand payment or to accelerate the maturity thereof, and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the REIT, unless the Senior Indebtedness has been cured, waived or repaid in full.

The 5.50% Convertible Debentures are also effectively subordinated to claims of creditors of the REIT's subsidiaries, except to the extent the REIT is a creditor of such subsidiaries ranking at least pari passu with such other creditors.

Put Right upon a Change of Control

Upon the occurrence of a Change of Control, each holder shall have the right (the "Put Right") to require the REIT to purchase, on the date (the "Put Date") which is not later than 30 days following the date upon which the Debenture Trustee provides notice of the Change of Control to the Debenture Holders as set out below, all or any part of such holder's 5.50% Convertible Debentures, in accordance with the requirement of applicable Canadian securities laws, in lawful money of Canada at a price equal to 101% of the principal amount thereof (the "Put Price") plus accrued and unpaid interest up to, but excluding, the Put Date.

If on the Put Date, 90% or more of the aggregate principal amount of the 5.50% Convertible Debentures outstanding on the date the REIT provides notice of the Change of Control to the Debenture Trustee have been tendered for purchase pursuant to the Put Right, the REIT has the right to redeem all the remaining Debentures on the Put Date at the Put Price, together with accrued and unpaid interest up to, but excluding, such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and promptly thereafter, by the Debenture Trustee to the holders of 5.50% Convertible Debentures not tendered for purchase.

The Indenture contains notification provisions to the following effect: (i) the REIT will, as soon as practicable, and in any event no later than two business days after the occurrence of a Change of Control, give written notice to the Debenture Trustee and the Debenture Trustee will, as soon as practicable thereafter, and in any event no later than two business days thereafter, deliver to the holders of 5.50% Convertible Debenture a notice of the Change of Control, which will include a description of the Change of Control, details of the holders' Put Right and a description of the rights of the REIT to redeem untendered 5.50% Convertible Debentures; and (ii) a holder, to exercise the Put Right, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right.

Modification

The rights of the holders of 5.50% Convertible Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, the Indenture contains, among others, certain provisions that will make binding on all holders resolutions passed at meetings of holders of 5.50% Convertible Debenture Holders by votes cast thereat by holders of not less than 66 2⁄3% of the principal amount of the then outstanding 5.50% Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2⁄3% of the principal amount of the then outstanding 5.50% Convertible Debentures. In certain cases, the modification will, instead of or in addition to, require assent by the holders of the required percentage of debentures of each particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the holders of 5.50% Convertible Debenture.

Events of Default

The Indenture provides that an event of default ("Event of Default") in respect of the 5.50% Convertible Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following events has occurred and is continuing with respect to the 5.50% Convertible Debentures: (i) failure for 15 days to pay interest on the 5.50% Convertible Debentures when due; (ii) failure to pay principal or premium, if any, on the 5.50% Convertible Debentures, whether at the maturity date of the 5.50% Convertible Debentures, upon redemption, by declaration or otherwise; (iii) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the REIT specifying such default and requiring the REIT to rectify the same; or (iv) certain events of bankruptcy or insolvency of the REIT under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon receipt of a request in writing signed by the holders of not less than 25% of the principal amount of the 5.50% Convertible Debentures then outstanding, declare the principal of (and premium, if any) and accrued interest on all outstanding Debentures to be immediately due and payable to the Debenture Trustee. In certain cases, the holders of more than 662⁄3% of the principal amount of the 5.50% Convertible Debentures then outstanding may, on behalf of all holders, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made to acquire outstanding 5.50% Convertible Debentures where, as of the date of the offer to acquire, the 5.50% Convertible Debentures that are subject to the offer to acquire, together with the offeror's 5.50% Convertible Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the 5.50% Convertible Debentures, and, among other things, (i) within the time provided in the offer for its acceptance or within 60 days after the date the offer is made, whichever period is shorter, the offer is accepted by holders of 5.50% Convertible Debentures representing at least 90% of the outstanding principal amount of the 5.50% Convertible Debentures, other than 5.50% Convertible Debentures beneficially owned, or over which control or direction is exercised, on the date of the offer by the offeror, any affiliate or associate of the offeror or any person acting jointly or in concert with the offeror and (ii) the offeror is bound to take up and pay for, or has taken up and paid for the 5.50% Convertible Debentures of the holders who accepted the offer, the offeror will be entitled to acquire, for the same consideration per 5.50% Convertible Debenture payable under the offer, the 5.50% Convertible Debentures held by holders who did not accept the offer.

DISTRIBUTION POLICY

In setting distributions, the REIT's Board of Trustees considers relevant factors such as REIT performance and financial condition, earnings, availability of cash and capital requirements. The Board determines the timing and amount of future distributions based on these factors.

The REIT currently makes monthly cash distributions of $0.05625 per Unit to Unitholders. The Partnership makes corresponding monthly cash distributions to Melcor, as holder of Class B LP Units.

Management of the REIT believes that the current payout ratio set by the REIT will allow it to meet its internal funding needs, while being able to support stable growth in cash distributions. However, the future payout ratio will be determined by the Trustees from time to time in their discretion. The REIT cannot provide assurance that distributions at the current level will be made or sustained.

Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions. The REIT intends to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary Canadian income taxes, net of capital gains tax refunds, on such income. Any increase or reduction in distributions on the Units will result in a corresponding increase or reduction in the distributions of the Class B LP Units.

Unitholders of record as at the close of business on the last business day of the month preceding a distribution date will have an entitlement on and after that day to receive distributions in respect of that month on such distribution date.

Distributions may be adjusted for amounts paid in prior periods if the actual figures for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the above-described distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units.

REIT GP, on behalf of the Partnership, will make monthly cash distributions to holders of Class A LP Units and holders of Class B LP Units by reference to the monthly cash distributions payable by the REIT to Unitholders Distributions to be made on the Class B LP Units will be equal to the distributions that the holders of Class B LP Units would have received if they were holding Units instead of Class B LP Units. Distributions to holders of Class C LP Units will be made in priority to distributions to holders of Class A LP Units and holders of Class B LP Units.

The following table shows distributions per Unit paid out in 2015:

Period	Record Date	Payable Date	Amount
January	January 30	February 16	$0.05625
February	February 27	March 16	$0.05625
March	March 31	April 15	$0.05625
April	April 30	May 15	$0.05625
May	May 29	June 15	$0.05625
June	June 30	July 15	$0.05625
July	July 31	August 17	$0.05625
August	August 31	September 15	$0.05625
September	September 30	October 15	$0.05625
October	October 30	November 16	$0.05625
November	November 30	December 15	$0.05625
December	December 31	January 15, 2016	$0.05625

MARKET FOR SECURITIES

The REIT's trust units and 5.50% Convertible Debentures are listed on The Toronto Stock Exchange (TSX) under the symbols "MR.UN" and "MR.DB". Trading information for 2015 is shown in the table set below:

Trust Units	High	Low	Close	Volume
January	9.50	8.49	8.89	293,112
February	8.94	8.20	8.40	478,491
March	8.81	8.30	8.64	343,554
April	8.80	8.44	8.60	210,839
May	8.84	8.00	8.56	322,854
June	8.74	8.20	8.73	240,663
July	8.73	8.20	8.22	146,173
August	8.67	7.85	8.07	225,733
September	8.28	7.85	7.95	147,849
October	8.43	7.81	7.81	186,577
November	8.00	7.19	7.50	210,262
December	7.60	6.90	7.21	285,989
5.50 % Convertible Debentures	**High**	**Low**	**Close**	**Volume**
January	101.75	100.25	101.00	14,690
February	103.35	100.00	103.00	11,480
March	103.25	101.50	102.50	11,310
April	103.10	101.49	101.50	9,850
May	103.00	101.25	103.00	6,810
June	103.51	102.75	103.51	2,660
July	103.66	101.50	101.50	8,700
August	102.26	101.00	101.50	5,490
September	102.01	100.50	101.00	2,990
October	102.50	100.49	102.00	4,860
November	102.00	100.50	100.50	3,290
December	101.51	99.75	99.75	2,550

TRUSTEES
AND EXECUTIVE OFFICERS

Trustees

The Declaration of Trust provides that, subject to certain conditions, the Trustees will have full, absolute and exclusive power, control and authority over the REIT's assets, affairs and operations, to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets.

The following table lists the trustees of the REIT, their province of residence, and their principal occupation:

Name and Municipality of Residence	Position with the REIT	Principal Occupation	Trustee since
Andrew Melton[3] Calgary, Alberta	Trustee, Chair of the Board	Executive Vice-Chairman, Melcor Developments Ltd. since October 2010; previously principal at Avison Young Commercial Real Estate	2013
Brian Baker[3] Edmonton, Alberta	Trustee	Chief Executive Office of Melcor Developments Ltd.	2013
Brian Hunt[1] Calgary, Alberta	Independent Trustee	President and Director of Taviston Inc.	2013
Patrick Kirby[2] Edmonton, Alberta	Independent Trustee	Counsel, Felesky Flynn LLP	2013
Donald Lowry ICD.D[1,2] Edmonton, Alberta	Lead and Independent Trustee	Corporate Director, former President and CEO of EPCOR Utilities Inc.	2013
Larry Pollock[1,3] Edmonton, Alberta	Independent Trustee	Corporate Director, former President, CEO and Director of Canadian Western Bank	2013
Ralph Young[2] Edmonton, Alberta	Trustee	Corporate Director, former Chief Executive Officer of Melcor Developments Ltd.	2013

(1) Member of the Audit Committee

(2) Member of the Compensation & Governance Committee

(3) Member of the Investment Committee

Executive Officers

The following table lists the name, municipality of residence and positions held with the REIT of each executive officer of the REIT:

Name and Municipality of Residence	Office with the REIT	Principal Occupation
Darin Rayburn Edmonton, Alberta	Chief Executive Officer	Executive Vice-President-Investment Properties of Melcor Developments Ltd.
Jonathan Chia Edmonton, Alberta	Chief Financial Officer	Chief Financial Officer of Melcor Developments Ltd.

The Trustees and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3.94% of the REIT's outstanding trust units as at March 10, 2016.

ADDITIONAL INFORMATION

Promoters

Melcor took the initiative in founding and organizing the REIT and was considered a promoter of the REIT in connection with the IPO. As of December 31, 2015, Melcor owned, through an affiliate, approximately 56.7% effective interest in the REIT through its ownership of 14,615,878 Class B LP Units, where each Class B LP Unit is attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Melcor also holds all of the Class C LP Units of the Partnership. The REIT also acquired the Initial Properties from Melcor. See "Description of the Business" above.

Legal Proceedings & Regulatory Actions

The REIT is not aware of any existing or contemplated legal proceedings to which it is or was a party to, or to which any of its properties is or was the subject of, since January 1, 2015.

The REIT is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the REIT, nor has the REIT entered into any settlement agreements before a court or with a securities regulatory authority.

Interest of Management & Others in Material Transactions

Other than as noted below, there are no material interests, direct or indirect, of any Trustee or executive officer of the REIT, any Unitholder that beneficially owns, or controls or directs, (directly or indirectly) more than 10% of the Units or Special Voting Units of the REIT, or any associate or affiliate of any of the foregoing persons, in any transaction since the establishment of the REIT (up to the date hereof) that has materially affected or is reasonably expected to materially affect the REIT or any of its subsidiaries.

Andrew J. Melton (Trustee, Chair of the Board), Brian Baker (Trustee), Ralph B. Young (Trustee), Darin Rayburn (Chief Executive Officer) and Jonathon Chia (Chief Financial Officer) are directors and/or executive officers of Melcor. Melcor has a 56.7% effective interest in the REIT.

Names & Interests of Experts

PricewaterhouseCoopers LLP, Chartered Accountants, Suite 1501, 10088 – 102 Avenue NW, Edmonton, Alberta, T5J 3N5 are Melcor's independent external auditors. PricewaterhouseCoopers LLP are independent of Melcor in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Altus Group Limited, Suite 780, 10180 - 100 Street NW, Edmonton, Alberta, T5J 3S4, are Melcor's independent valuators. Altus Group Limited, a member of the Appraisal Institute of Canada, prepares and certifies a report with respect to the valuation of Melcor's investment properties as required to be presented in accordance with International Financial Reporting standards. Altus Group Limited is independent of Melcor in accordance with the Canadian Uniform Standards of Professional Appraisal Practices, which regulates the Appraisal Institute of Canada.

Transfer Agent & Registrar

The REITs transfer agent and registrar is CST Trust Company through its offices in Calgary, Alberta.

Material Agreements

This Annual Information Form includes a summary description of certain material agreements of the REIT (see "Description of the Business - Arrangements with Melcor"). The summary description discloses all attributes material to an investor in Units but is not complete and is qualified by reference to the terms of the material agreements, which have been filed with the Canadian securities regulatory authorities and are available on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

Except for certain contracts entered into in the ordinary course of business of the REIT and its subsidiaries, the following are the only contracts entered into by the REIT or its subsidiaries on or after January 1, 2013 that are material to the REIT:

- The IPO Acquisition Agreement and the 2014 Acquisition Agreement described under Description of the Business - Arrangements with Melcor - Acquisition and Indemnity Agreements;

- The Declaration of Trust described under "Trust Units, Declaration of Trust and the Partnership";
- The Limited Partnership Agreement described under "Trust Units, Declaration of Trust and the Partnership - Partnership";
- The Asset Management Agreement described under "Description of the Business - Arrangements with Melcor - Asset Management Agreement";
- The Property Management Agreement described under "Description of the Business - Arrangements with Melcor - Property Management Agreement";
- The Development and Opportunities Agreement described under "Description of the Business - Arrangements with Melcor - Development and Opportunities Agreement";
- The Restrictive Covenant Agreement described under "Description of the Business -Arrangements with Melcor - Restrictive Covenant Agreement";
- The IPO Indemnity Agreement and the 2014 Indemnity Agreement described under "Description of the Business - Arrangements with Melcor - Acquisition and Indemnity Agreements"; and
- The Exchange Agreement described under "Description of the Business - Arrangements with Melcor - Exchange Agreement".
- On May 1, 2015 our revolving credit facility matured with an outstanding balance of $2.00 million. We cancelled the facility and entered into a new revolving credit facility with Alberta Treasury Branches and Canadian Western Bank. Under the terms of the agreement the REIT has an available credit limit based on the carrying values of specific investment properties up to a maximum of $35.00 million for general purposes, including a $5.00 million swingline sub-facility. Depending on the form under which the credit facility is accessed, rates of interest will vary between prime plus 1.15% or bankers acceptance plus 2.25% stamping fee. The facility matures May 1, 2018.

Exemptive Relief from certain requirements of Multilateral Instrument 61-101

Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirements. An exemption from such requirements is available where the fair market value of the transaction does not exceed 25% of the market capitalization of the issuer. The REIT has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, permits it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of the REIT's market capitalization, if exchangeable Class B LP Units of the Partnership held indirectly by Melcor are included in the calculation of the REIT's market capitalization. As a result, the 25% threshold, above which the minority approval and valuation requirements would apply, is increased to include approximately 56.7% indirect exchangeable equity interest in the REIT held indirectly by Melcor in the form of exchangeable Class B LP Units of the Partnership.

Additional Information

Additional financial information is provided in the REIT's consolidated financial statements for the year ended December 31, 2015, and related Management Discussion and Analysis.

Additional information, including Trustee's and officers' remuneration and principal holders of the REIT's securities is contained in the REIT's information circular for its Annual Meeting of Unitholders to be held on April 27, 2016.

Additional information relating to the REIT's business is available on SEDAR at www.sedar.com or under the 'Investor Relations' tab on the REIT's website at www.melcorreit.ca.

In addition, any request for materials can be directed to:

By Mail: Investor Relations
Melcor REIT
900, 10310 Jasper Avenue
Edmonton, Alberta T5J 1Y8

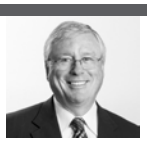
By Phone: 855-673-6931

By Email: ir@melcorreit.ca

AUDIT COMMITTEE


BRIAN HUNT


DONALD LOWRY


LARRY POLLOCK

Audit Committee Mandate

The mandate of the Audit Committee is attached as Appendix A. The Audit Committee Chair Position Description is attached as Appendix B.

Composition of the Audit Committee

The Board of Trustees believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "financially literate" and "independent" as defined under National Instrument 52-110. The Audit Committee is comprised of the following members:

Committee Member	Relevant Education & Experience
Brian S. Hunt *Chair* *Trustee since 2013* *Independent*	Mr. Hunt is the co-founder, President and Director of Taviston Inc., Talisman Properties Ltd., and 1204 Kensington Road Ltd. Previously, he held executive roles at TSX Venture Exchange-listed The Westaim Corporation, including Senior Advisor and Executive Vice President. He served as CFO of Steward Green Properties Ltd and as chair of the audit committee of the Calgary Regional Health Authority. He was also a director of Savvion, a private Silicon Valley-based software engineering firm. Mr. Hunt was also the co-founder, President and Director of Sebring Energy Inc. Mr. Hunt received his Bachelor of Arts from the University of Western Ontario, and his Bachelor of Laws and MBA from the University of Alberta. He is a member of the Law Society of Alberta.
Donald Lowry ICD.D *Trustee since 2013* *Independent*	Subsequent to his retirement in March 2013, Mr. Lowry is now self-employed as a corporate director. From 1998 to February 2013, he was the CEO of EPCOR Utilities, and was previously President and Chief Operating Officer of Telus Communications and Chairman of Alta Telecom. Mr. Lowry is currently non-executive Chair of Capital Power and also serves as a director of Stantec, Hydrogenics Corporation, Canadian Water Network and was past Chair of Canadian Oil Sands and Chair of the 2015 Edmonton Organizing Committee for the ITU World Triathalon. He holds a B.Comm. (Honours) and an MBA from the University of Manitoba and is also a graduate of the Harvard Advanced Management Program and the Banff School of Management.
Larry Pollock *Trustee since 2013* *Independent*	Mr. Pollock retired in March 2013 from the position of President, CEO and Director of Canadian Western Bank (listed on the TSX). Prior to joining Canadian Western Bank, Mr. Pollock was Regional Vice President of Lloyds Bank Canada in Toronto and Calgary from 1985 to 1990. In addition to having served on the board of Canadian Western Bank and several of its subsidiaries, Mr. Pollock currently serves on the following boards: • WestJet Airlines (TSX listed) - audit, HR and governance committees • EPCOR Utilities Inc. - HR and governance committees • HNZ Group Inc. (TSX listed) - Chair of the board, audit, HR and governance committees Mr. Pollock graduated from the Saskatchewan Institute of Applied Science and Technology in Business Administration in 1968 and was awarded an Honorary Bachelor of Business Administration degree from the Northern Alberta Institute of Technology in 2009.

Preapproval Policy

The Audit Committee pre-approves the annual audit plan and non-audit services performed by the independent auditor in order to ensure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed service exceeding pre-approved cost levels requires specific pre-approval by the Audit Committee.

External Auditor Fees

PricewaterhouseCoopers LLP are the REIT's auditors. The following fees have been accrued or paid to its auditors in 2015 and 2014:

	2015	2014
Audit fees	136,500	113,000
Audit-related fees[1]	36,000	34,900
Tax fees[2]	17,850	28,000
All other fees[3]	27,725	346,200
Total	**218,075**	**522,100**

1. Audit-related fees include quarterly reviews.
2. Tax fees include tax compliance services and tax advisory and planning services.
3. All other fees include services rendered for advice related to accounting policies.

APPENDIX A
AUDIT COMMITTEE MANDATE

Purpose

The overall purpose of the Audit Committee (the "Committee") is to monitor the REIT's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the REIT, to enhance the independence of the REIT's external auditors and to oversee the financial reporting process of the REIT.

Composition, Procedures and Organization

1. The Committee shall consist of at least three members of the Board of the REIT (the "Board"), each of whom shall be, in the determination of the Board, "independent" as that term is defined by Multilateral Instrument 52-110, as amended from time to time, and the majority of whom shall be resident Canadians. Each member shall complete and return to the REIT annually a questionnaire regarding the member's independence. The definition of "independent" is set out in Exhibit A hereto.

2. All members of the Committee shall be, in the determination of the Board, "financially literate" as that term is defined by Multilateral Instrument 52-110, and at least one member of the Committee must have, in the determination of the Board, ''accounting or related financial expertise''. The definition of "financially literate" is set out in Exhibit A hereto.

3. The Board, at its organizational meeting held in conjunction with each annual meeting of Unitholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a Trustee of the REIT shall cease to be a member of the Committee.

4. Unless the Board shall have appointed a Chair of the Committee, the members of the Committee shall elect a Chair from among their number.

5. The Committee shall have access to such officers and employees of the REIT and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers necessary or advisable in order to perform its duties.

6. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat. Meetings of the Committee shall be conducted as follows:

   6.1 the Committee shall meet on a regular basis, at such times and at such locations as the Chair of the Committee shall determine;

   6.2 the external auditors or any member of the Committee may call a meeting of the Committee;

   6.3 any Trustee of the REIT may request the Chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair of the Committee; and

   6.4 the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.

   6.5 the Committee shall have an *in camera* session at each meeting with the only the external auditors present; with only management present; and with Committee members present.

7. The external auditors shall be entitled to communicate directly with the Chair of the Committee and may meet separately with the Committee. The Committee, through its Chair, may contact directly any employee in the REIT as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

8. Compensation to members of the Committee shall be limited to Trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board and Board Committee members).

9. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

Duties

1. The overall duties of the Committee shall be to:
   (a) assist the Board in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;
   (b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;
   (c) oversee the co-ordination of the activities of the external auditors;
   (d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;
   (e) monitor the credibility and objectivity of the REIT's financial reports;
   (f) report regularly to the Board on the fulfillment of the Committee's duties;
   (g) assist the Board in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and
   (h) assist the Board in the discharge of its duties relating to risk assessment and risk management.
2. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:
   (a) recommending to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;
   (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 - Continuous Disclosure Obligations or any successor legislation ("NI 51-102"), and the planned steps for an orderly transition;
   (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
   (d) reviewing the engagement letters of the external auditors, both for audit and non-audit services;
   (e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
   (f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.
3. The duties of the Committee as they relate to audits and financial reporting shall be to:
   (a) review the audit plan with the external auditor and management;
   (b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;
   (c) review the contents of the audit report;
   (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
   (e) review the scope and quality of the audit work performed;
   (f) review the adequacy of the REIT's financial and auditing personnel;
   (g) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by

the external auditors and any restrictions on the external auditor's work;

(h) review the internal resources used;

(i) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(j) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;

(k) review and approve the REIT's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(l) review and approve the REIT's interim unaudited financial statements, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(m) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by management;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings press releases, MD&A, prospectuses, annual reports to Unitholders, annual information forms and management's discussion and analysis; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

5. The other duties of the Committee shall include:

(a) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(b) formulating clear hiring policies for employees or former employees of the REIT's external auditors;

(c) reviewing annual operating and capital budgets;

(d) reviewing the funding and administration of the REIT's compensation and pension plans;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the REIT of concerns regarding such; and

(h) any other questions or matters referred to it by the Board.

EXHIBIT A
DEFINITIONS

Definitions

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

Meaning of "**Independence**":

1. A member of an audit committee is independent if the member has no direct or indirect material relationship with the REIT.
2. For the purposes of paragraph 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
3. Despite paragraph 2, the following persons are considered to have a material relationship with the REIT:
   (a) a person who is, or whose immediate family member is, or at any time during the prescribed period has been, an officer or employee of the REIT, its parent, or of any of its subsidiary entities or affiliated entities;
   (b) a person who is, or has been an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the REIT, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
   (c) a person whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the REIT, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
   (d) a person who is, or has been, or whose immediate family member is or has been, employed as an executive officer of an entity if any of the REIT current executives serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
   (e) a person who accepts, or has accepted at any time during the prescribed period, directly or indirectly, any consulting, advisory or other compensatory fee from the REIT or any subsidiary entity of the REIT, other than as remuneration for acting in his or her capacity as a member of the Committee, the Board, or any other Board committee; and
   (f) a person who is an affiliated entity of the REIT or any of its subsidiary entities.
4. For the purposes of paragraph 3, the prescribed period is the three year period ending immediately prior to the determination required by paragraph 3.
5. For the purposes of paragraphs 3(b) and 3(c), a partner does not include a limited partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way or continued service.
6. For the purpose of paragraph 3(e), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
7. For the purposes of paragraph 3(e), the indirect acceptance by a person of any consulting, advisory or other compensatory fee includes acceptance of a fee by:
   (a) an immediate family member, or
   (b) a partner, member or executive officer of, or a person who occupies a similar position with, an entity that provides accounting, consulting, legal, investment banking or financial advisory services to the REIT or any subsidiary entity of the REIT, other than limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the REIT.

APPENDIX B
POSITION DESCRIPTION – AUDIT COMMITTEE CHAIR

The Chair of the Audit Committee of the REIT has the duties and responsibilities described below:

- Provide overall leadership to facilitate the effective functioning of the Committee, including:
    - Overseeing the structure, composition, membership and activities delegated to the Committee;
    - Chairing every meeting of the Committee and encouraging free and open discussion at meetings of the Committee;
    - Setting the agenda for Committee meetings with input from Committee members and management as appropriate;
    - Facilitating the timely distribution of meeting materials and minutes;
    - encouraging Committee members to ask questions and express viewpoints during meetings; and
    - taking all other reasonable steps to ensure that the responsibilities and duties of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.
- Foster ethical and responsible decision making by the Committee and its individual members;
- Encourage the Committee to meet in separate, regularly scheduled in camera sessions with the independent auditors, without the presence of management; and
- Following each meeting of the Committee, report to the Board of Trustees on the activities, decisions and recommendations of the Committee.

APPENDIX C
GLOSSARY

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

"2014 Acquisition Agreement" means the agreement between the REIT and Melcor dated November 12, 2014 as described under "Description of the Business - Arrangements with Melcor – Acquisition and Indemnity Agreements".

"2014 Melcor Acquisition Properties" means has the meaning ascribed thereto under "Description of the Business - Arrangements with Melcor –Acquisition and Indemnity Agreements".

"2014 Acquisition Indemnity Agreement" means the agreement between the REIT and Melcor dated December 18, 2014 as described under "Description of the Business - Arrangements with Melcor –Acquisition and Indemnity Agreements". "5.50% Convertible Debentures" means the 5.50% extendible unsecured convertible debentures of the REIT due December 31, 2019.

"ABCA" means the Business Corporations Act (Alberta), as amended.

"AFFO" means adjusted funds from operations as described under "Non-Standard Measures" in the REIT's MD&A for the year ended December 31, 2014, which is incorporated by reference.

"Aggregate Base Rent for Lease Renewals and Expansions" means the aggregate dollar amount of all base rent, payable during the initial term, pursuant to all lease renewal, extension or premises expansion agreement entered into after the closing of the IPO by tenants who were tenants of the Initial Properties at the closing of the IPO.

"Aggregate Base Rent for New Leases" means the aggregate dollar amount of all base rent payable, during the initial term, pursuant to all new lease agreements entered into after the closing of the IPO by tenants who were not tenants of any of the Initial Properties at the closing of the IPO.

"Asset Management Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor – Property Management Agreement".

"Class A LP Unit" means the Class A limited partnership units of the Partnership.

"Class B LP Unit" means the Class B limited partnership units of the Partnership.

"Class C LP Unit" means the Class C limited partnership units of the Partnership.

"Change of Control" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over an aggregate of 66 2⁄3% or more of the outstanding trust units of the REIT (on a fully-diluted basis).

"Declaration of Trust" means the declaration of trust of the REIT dated as of January 25, 2013 as amended and restated on May 1, 2013 as it may be further amended from time to time.

"Development Property" means: (i) the Properties Currently Under Development; (ii) real property owned by Melcor on the date of closing of the IPO (but which is not yet under development) for which Melcor makes a determination (such determination to be made by Melcor in its sole and unfettered discretion) to develop such property into an income producing commercial property that satisfies the REIT's investment guidelines; or (iii) an interest in real property acquired by Melcor subsequent to the date of closing of the IPO for which Melcor makes a determination (such determination to be made by Melcor in its sole and unfettered discretion) to develop such property into an income producing commercial property that satisfies the REIT's investment guidelines but a Retained Commercial Property shall not be considered a Development Property unless and until Melcor substantially redevelops such property into an income producing commercial property.

"Development and Opportunities Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor – Development and Opportunities Agreement".

"Development Property Option" has the meaning ascribed thereto under "Arrangements with Melcor – Development and Opportunities Agreement".

"Exchange Agreement" means the exchange agreement among the REIT, the Partnership and Melcor dated May, 2013 as described under "Description of the Business - Arrangements with Melcor – Exchange Agreement".

"GAAP" means Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time, which for fiscal years beginning on or after January 1, 2011, is IFRS.

"GLA" means gross leasable area.

"Gross Book Value" means the acquisition costs of the REIT's assets plus accumulated amortization on property, plant and equipment.

"Gross Property Revenue" means, in respect of the Partnership, all revenue received or receivable from the real properties owned directly or indirectly by the Partnership (other than real property in respect of which the Partnership is required to directly, or indirectly, pay property management fees to a third party (including Melcor), other than pursuant to the Property Management Agreement), including (i) related proceeds of business or rental interruption insurance, after deduction for insurance deductibles and excluding (ii) lease termination fees, actual bad debts, gains on sales, and the differential between in-place rents and below or above market rents, determined in accordance with the applicable accounting principles of the Partnership at the time of the calculation.

"IFRS" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook-Accounting, as amended from time to time.

"Indebtedness" means (without duplication) on a consolidated basis:

i. any obligation of the REIT for borrowed money other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility;

ii. any obligation of the REIT (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions;

iii. any obligation of the REIT issued or assumed as the deferred purchase price of property;

iv. any capital lease obligation of the REIT;

v. the Class C LP Units representing the Retained Debt; and

vi. any obligation of the type referred to in subsections (i) through (iv) of another person, the payment of which the REIT has guaranteed, or for which the REIT is responsible for or liable, other than such an obligation in connection with a property that has been disposed of by the REIT for which the purchaser has assumed such obligation and provided the REIT with an indemnity or similar arrangement therefor

"Independent Trustee" means a Trustee who, in relation to the REIT, is "independent" within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as replaced or amended from time to time (including any successor rule or policy thereto).

"Initial Properties" means the interests in a portfolio of 27 income-producing properties, comprised of 26 retail, office and industrial properties and one land lease community, which were indirectly acquired by the REIT concurrently with the completion of the IPO.

"IPO" means the initial public offering of the REIT that was completed on May 1, 2013.

"IPO Acquisition Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor – Acquisition and Indemnity Agreements".

"IPO Assumed Mortgage" means those mortgages on certain of the Initial Properties assumed by the REIT.

"IPO Indemnity Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor –Acquisition and Agreements".

"IPO Prospectus" means prospectus of the REIT dated April 19, 2013 qualifying the distribution of 8,300,000 Units in connection with the IPO.

"Investment Opportunity" has the meaning ascribed thereto under "Description of the Business - Arrangements with Melcor – Development and Opportunities Agreement".

"Joint Venture Option" has the meaning ascribed thereto under "Description of the Business - Arrangements with Melcor – Development and Opportunities Agreement".

"Limited Partners" means the limited partners of the Partnership, being the REIT and Melcor, and "Limited Partner" means any one of them.

"Limited Partnership Agreement" means the limited partnership agreement of the Partnership dated May 1, 2013.

"Melcor" means Melcor Developments Ltd., an ABCA corporation, and where the context requires, together with its affiliates.

"Mezzanine Financing Option" has the meaning ascribed thereto under "Description of the Business - Arrangements with Melcor – Development and Opportunities Agreement".

"Monthly Limit" means the monthly limit on the total amount payable in cash by the REIT in respect of Units tendered for redemption in a calendar month as described under "Trust Units and Declaration of Trust -Redemption Right".

"NOI" means net operating income as described under "Non-Standard Measures" in the REIT's MD&A for the year ended December 31, 2015, which is incorporated by reference.

"Non-Residents" means non-residents of Canada, as described under "Trust Units and Declaration of Trust – Limitation on Non-Resident Ownership".

"Partnership" means Melcor REIT Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"Plans" means, collectively, registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

"Properties Currently Under Development" means those properties of Melcor which are in various stages of development which once completed and substantially let, satisfy the REIT's investment guidelines.

"Property Management Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor – Property Management Agreement".

"Proposed Disposition" means the proposed disposition of an investment property by Melcor which triggers the Right of First Offer as described under "Description of the Business - Arrangements with Melcor - Development and Opportunities Agreements".

"Redemption Price" has the meaning ascribed to it under "Trust Units and Declaration of Trust - Redemption Right".

"Refused Property" means either: (i) a commercial investment property that is the subject matter of a Proposed Disposition for which the REIT did not exercise, or was deemed not to have exercised, the Right of First Offer; (ii) an Investment Opportunity acquired by Melcor as a result of the REIT not electing to pursue such property, or after electing to pursue such property, ceasing to actively pursue such property; (iii) a Development Property which was the subject of the Joint Venture Option, for which the REIT and Melcor did not enter into a definitive joint venture agreement, and for which Melcor and an unrelated party entered into a definitive joint venture agreement; (iv) a Development Property for which the REIT did not exercise, or was deemed not to have exercised, the Development Property Option; or (v) a Development Property for which the REIT did not exercise, or was deemed not to have exercised, the Mezzanine Financing Option.

"REIT GP" means Melcor REIT GP Inc., an ABCA corporation, acting as the general partner of the Partnership.

"Restrictive Covenant Agreement" means the agreement between the REIT and Melcor dated May 1, 2013 as described under "Description of the Business - Arrangements with Melcor – Restrictive Covenant Agreement".

"Retained Commercial Properties" means the portfolio of investment properties of Melcor at the time of the IPO not forming part of the Initial Properties.

"Retained Debt" means those mortgages on certain of the Initial Properties that have been retained by Melcor.

"Right of First Offer" means the right of the REIT to acquire any interest of Melcor in commercial investment properties that it owns after the closing of the IPO (whether forming part of the Retained Commercial Properties, or acquired or developed by Melcor after the closing of the IPO, including a Refused Property, but excluding a commercial investment property that is then subject to the Development Property Option or the Mezzanine Financing Option) prior to disposition of any such interest to third parties, which such right will be on terms not less favourable to the REIT than those offered by or to such third party, as described under "Description of the Business - Arrangements with Melcor – Development and Opportunities Agreement".

"SIFT Rules" means the rules applicable to SIFT (specified investment flow-through) trusts and SIFT partnerships in the Tax Act.

"Special Voting Units" means special voting units in the capital of the REIT, and "Special Voting Unit" means any one of them.

"Stabilization" means the point at which a Development Property is: (i) substantially complete; and (ii) not less than 90% of the GLA of such Development Property is leased, occupied and paying rent.

"Subsidiary Notes" means promissory notes of the Partnership, a trust all of the units of which, or a corporation all of the shares of which, are owned directly or indirectly by the REIT or another entity that would be

consolidated with the REIT under GAAP, having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance.

"Tax Act" means the Income Tax Act (Canada).

"Trustees" means the trustees from time to time of the REIT, and "Trustee" means any one of them.

"TSX" means the Toronto Stock Exchange.

"Unitholders" means holders of Voting Units, and "Unitholder" means any one of them.

"Units" means trust units in the capital of the REIT, other than Special Voting Units, and "Unit" means any one of them.

"Voting Units" means, collectively, the Units and the Special Voting Units, and "Voting Unit" means any one of them.