



**NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF  
MELCOR REAL ESTATE INVESTMENT TRUST**

**to be held January 10, 2018**

**and**

**INFORMATION CIRCULAR**

**with respect to the proposed**

**ACQUISITION**

**of five commercial real estate properties from**

**MELCOR DEVELOPMENTS LTD.**

These materials are important and require your immediate attention. They require holders of units of Melcor Real Estate Investment Trust (the “Unitholders”) to make important decisions. The Board of Trustees of Melcor Real Estate Investment Trust recommends that Unitholders vote FOR the Melcor Acquisition as described in this Information Circular, at the special meeting of Unitholders.



December 11, 2017

Dear Unitholders,

We are pleased to invite you to join our Board of Trustees (the “**Board**”) and executive officers to attend the special meeting (the “**Meeting**”) of the unitholders (“**Unitholders**”) of Melcor Real Estate Investment Trust (the “**REIT**”). The meeting will be held on:

January 10, 2018  
9:00 a.m. (Alberta Time)  
Bryan & Company LLP, 2600 Manulife Place  
10180-101<sup>st</sup> Street, Edmonton, Alberta

The REIT entered into an agreement on December 4, 2017 with Melcor Developments Ltd. (“**Melcor**”) and an affiliate for the acquisition (the “**Melcor Acquisition**”) of five commercial properties (the “**Melcor Acquisition Properties**”), for an aggregate purchase price of \$80.875 million, subject to certain customary adjustments.

In order to partially finance the Melcor Acquisition, the REIT has agreed to sell (the “**Offering**”), subject to regulatory approval and on a bought-deal basis, \$20 million aggregate principal amount of 5.25% extendible convertible unsecured subordinated debentures (the “**Debentures**”) and \$15.045 million of subscription receipts (the “**Subscription Receipts**”) at a price of \$8.50 per Subscription Receipt (which represents a 3.5% discount to market) to a syndicate of underwriters co-led by CIBC World Markets Inc. and RBC Dominion Securities Inc. On the closing of the Melcor Acquisition, the maturity date of the Debentures will automatically be extended to December 31, 2022 and each Subscription Receipt will convert, without the payment of additional consideration, into one trust unit of the REIT.

The REIT intends to satisfy: (i) approximately \$2.5 million of the purchase price by the issuance of 283,447 Class B LP Units of Melcor REIT Limited Partnership (the “**Partnership**”) to Melcor, each with an issue price of \$8.82; (ii) approximately \$13.43 million of the purchase price by the issuance of approximately 1,331,202 Class C LP Units of the Partnership (the “**Class C LP Units**”) to Melcor (iii) approximately \$31.31 million of the purchase price by the assumption of certain mortgages registered against the Melcor Acquisition Properties; and (iv) approximately \$34.03 million of the purchase price in cash by using the net proceeds of the Offering and a draw on the REIT’s revolving credit facility in the approximate amount of \$1.332 million.

The Board appointed a special committee of independent elected trustees consisting of Larry Pollock (Chair), Brian Hunt, Patrick Kirby and Donald Lowry (the “**Special Committee**”) for the purposes of, among other things, considering the Melcor Acquisition, supervising the process to be carried out by the REIT and its professional advisors in connection with the Melcor Acquisition (including overseeing and supervising the negotiation and settlement of the terms, conditions and structure of the Melcor Acquisition), determining whether the Melcor Acquisition is in the best interests of the REIT and its Unitholders and, as the Special Committee may determine to be necessary or advisable, report and make recommendations to the Board with respect to the Melcor Acquisition. The Special Committee was entitled to engage, at the expense of the REIT, such professional advisors as it considered appropriate, including legal, accounting and financial advisers and valuators, and was entitled, without further authorization from the Board, to consider such further and other matters as in its judgment were relevant to the discharge of its responsibilities, including under MI 61-101, to make such inquiries and take such actions as it in its discretion considered necessary or advisable for the proper discharge of such responsibilities and to determine in its sole discretion whether and when such responsibilities had been performed and were at an end.

The Special Committee was also responsible for supervising the preparation of independent appraisals of the Melcor Acquisition Properties and retained Altus Group Limited to prepare the same. The Special Committee also retained Trimaven Capital Advisors (“**Trimaven**”) to act as an independent financial advisor to the Special Committee with respect to the preparation and delivery to the Special Committee of its opinion in respect of the

Melcor Acquisition and a formal valuation of the Class C LP Units as required by MI 61-101. Subject to the assumptions, limitations and qualifications and other matters contained in the Fairness Opinion, Trimaven has provided the Special Committee with its opinion that the consideration payable by the REIT pursuant to the Melcor Acquisition is fair, from a financial point of view, to Unitholders, other than Melcor and certain of its associates and affiliates.

Melcor, through an affiliate, currently holds an approximate 57.6% effective interest in the REIT through ownership of 14,615,878 Class B LP Units of the Partnership and 14,615,878 Special Voting Units of the REIT. Consequently, under applicable securities laws and the rules of the Toronto Stock Exchange, the Melcor Acquisition requires the approval of not less than a majority of votes cast by all of the Unitholders present in person or represented by proxy at the meeting who are not Melcor or certain of its associates or affiliates. The Melcor Acquisition is subject to certain other conditions described in the accompanying information circular, including TSX approval, securities regulator relief and Unitholder approval.

The accompanying information circular provides a detailed description of the Melcor Acquisition, as well as information regarding the REIT and the Melcor Acquisition Properties. Please give this material your careful consideration.

On behalf of the REIT's Board and executive officers, we would like to thank you for your consideration of this important transaction. We look forward to seeing you at the Meeting, if you are unable to attend the Meeting in person we encourage you to vote by any of the means available to you, as described in the management information circular and the form of proxy.

Sincerely,

(Signed) *"Ralph Young"*  
Chairman

(Signed) *"Donald Lowry"*  
Lead Trustee

**MELCOR REAL ESTATE INVESTMENT TRUST  
NOTICE OF SPECIAL MEETING OF UNITHOLDERS  
TO BE HELD JANUARY 10, 2018**

**NOTICE IS HEREBY GIVEN** that a special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of trust units (the “**Units**”) and special voting units (“**Special Voting Units**”) of Melcor Real Estate Investment Trust (the “**REIT**”) will be held on January 10, 2018, at the offices of Bryan & Company LLP, 2600 Manulife Place, 10180-101st Street, Edmonton, Alberta, at 9:00 a.m. (Alberta Time) for the following purposes:

- 1) To consider, and if deemed advisable, approve a resolution (the “**Melcor Acquisition Resolution**”) in the form attached hereto as Appendix “A” to the management information circular (the “**Information Circular**”) which accompanies this notice approving the acquisition of five commercial properties from Melcor Developments Ltd. (“**Melcor**”) and an affiliate for an aggregate purchase price of \$80.875 million, to be satisfied in part by the issuance to Melcor of 283,447 Class B LP Units and 1,331,202 Class C LP Units of Melcor REIT Limited Partnership in partial satisfaction of such purchase price, with such additions, deletions or modifications as the Board of Trustees, in its discretion, deems appropriate; and
- 2) To transact such other business as may properly come before the meeting or any adjournment thereof.

**The Melcor Acquisition and the issuance of Class B LP Units and Class C LP Units to Melcor in connection therewith constitute a “related party transaction” pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions and, accordingly, a special committee of the Board (the “Special Committee”) was formed to consider the Melcor Acquisition (including the issuance of Class B LP Units and Class C LP Units to Melcor). On December 4, 2017, the Special Committee unanimously recommended to the Board that they recommend that Unitholders vote FOR the Melcor Acquisition at the Meeting. The Trustees, with interested Trustees abstaining, unanimously recommend that Unitholders vote FOR the Melcor Acquisition at the Meeting.**

Only Unitholders of record at the close of business on December 6, 2017 (the “**Record Date**”) will be entitled to receive notice of, and vote at, the Meeting or any adjournment(s) thereof.

If you are unable to be present at the Meeting, **PLEASE DATE, SIGN AND RETURN THE ACCOMPANYING PROXY** in the enclosed envelope to the REIT’s registrar and transfer agent, AST Trust Company (Canada), Box 721, Agincourt, ON M1S 0A1, by not later than 9:00 a.m. (Alberta Time) on January 8, 2018 or, if the Meeting is adjourned or postponed, the second last business day preceding the day of adjournment or postponement thereof. The time limit for deposit of proxies may be waived or extended by the chairman of the Meeting at his discretion without notice.

Dated at the City of Edmonton, in the Province of Alberta, this 11<sup>th</sup> day of December, 2017.

**BY ORDER OF THE BOARD OF  
TRUSTEES OF MELCOR REAL  
ESTATE INVESTMENT TRUST**

(Signed) “Andrew J. Melton”

Andrew J. Melton  
Chief Executive Officer

**MANAGEMENT INFORMATION CIRCULAR**  
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## **MEANING OF CERTAIN REFERENCES**

Certain terms used in this Circular are defined under “Glossary of Terms”. References to dollars or “\$” are to Canadian currency. Unless the context otherwise requires, all references in this Circular to the “REIT”:

- refer to the REIT and its subsidiary entities, including the Partnership, on a consolidated basis; and
- in the case of references to matters undertaken by a predecessor in interest to the REIT or its subsidiary entities, include each such predecessor in interest.

References to “management” in this Circular mean the persons acting in the capacities of the REIT’s Chief Executive Officer and Chief Financial Officer, as well as the persons employed by Melcor, in an executive officer capacity, to provide services pursuant to the Asset Management Agreement and Property Management Agreement. Any statements in this Circular made by or on behalf of management are made in such persons’ capacities as executive officers of the REIT, and not in their personal capacities.

## **FORWARD-LOOKING STATEMENTS**

This Circular contains “forward-looking information” as defined under applicable Canadian securities law (“forward-looking information” or “forward-looking statements”) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. Statements other than statements of historical fact contained in this Circular may be forward-looking information. The words “plans”, “expects”, “does not expect”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes”, “outlooks” or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “should”, “might”, “occur”, “be achieved” or “continue” and similar expressions generally identify forward-looking statements. Some of the specific forward-looking statements in this Circular include, but are not limited to, statements with respect to: the closing of the Offering and the Melcor Acquisition and the expected closing dates thereof; features and terms of the Melcor Acquisition Properties including in connection with tenancy, Retained Debt (as defined below) and anticipated capital expenditure; the REIT’s intended use of proceeds of the Offering; the REIT’s pursuit of acquisition and investment opportunities; the issuance to Melcor of Class B LP Units and Class C LP Units in connection with the Melcor Acquisition; expectations regarding accretion to the REIT’s AFFO (as defined below) per Unit and the effect of the Melcor Acquisition on the REIT’s business, operations, capital expenditures, indebtedness and payout ratio; estimated tax deferral rates; and expectations, projections or other characterizations of future events or circumstances and the future economic performance of the REIT. The REIT has based these forward-looking statements on its current expectations about future events.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although management of the REIT believes that the expectations reflected in such forward-looking information are reasonable, the REIT can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this Circular as well as the following: (i) the REIT will be able to obtain financing on acceptable terms from financial institutions; (ii) the REIT’s future level of indebtedness and its future growth potential will remain consistent with its current expectations; (iii) there will be no changes to tax laws, or the enforcement thereof, adversely affecting the REIT’s financing capability, operations, activities, structure or distributions; (iv) the REIT will be able to retain and attract the services, whether directly or indirectly, of qualified and knowledgeable personnel as it expands its portfolio and business; (v) the impact of the current economic climate and the current global financial conditions on the operations of the REIT, including the REIT’s financing capability and asset values, will be consistent with current assumptions and expectations; (vi) there will be no material changes to government and environmental regulations, or the enforcement thereof, adversely affecting the REIT’s operations; (vii) conditions in the Western Canadian retail, office and industrial real estate markets (including, competition for acquisitions, demographic trends and industry trends) will be consistent

with the current climate, including the leasing markets in the cities in which the REIT's properties are located; (viii) capital markets will provide the REIT with access to equity and/or debt financing on acceptable terms; and (ix) the completion of the acquisition of the Melcor Acquisition, together with the assumption of the Assumed Melcor Mortgages on the terms described in this Circular.

The forward-looking information contained in this Circular is expressly qualified in its entirety by these cautionary statements. All forward-looking information in this Circular speaks as of the date of this Circular. The REIT does not undertake any obligation to update any such forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors" in this Circular, relating to the Melcor Acquisition, and in the information incorporated by reference herein, including in the AIF and Annual MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by, such statements.

## **NON-IFRS MEASURES**

Funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI") are key measures of performance used by real estate businesses. However, such measures are not recognized under International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants of Canada in Part I of the CPA Handbook, as amended from time to time ("IFRS") and do not have standardized meanings prescribed by IFRS. Management believes that these terms are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes they are relevant measures of the ability of the REIT to earn and distribute cash returns to investors in Units and to evaluate the REIT's performance. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income.

"**FFO**" is computed by the REIT in accordance with the current definitions of the Real Property Association of Canada and is defined by the REIT as net income in accordance with IFRS, excluding most non-cash expenses, namely: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (vi) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"**AFFO**" is defined by the REIT as FFO subject to certain adjustments, including: (i) adjusting for any differences resulting from recognizing property revenues on a straight-line basis; and (ii) deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing costs, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion.

"**NOI**" is defined by the REIT as rental revenue, adjusted for amortization of tenant improvements and straight-line rent adjustments, less direct property operating expenses.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of our performance. The REIT's method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Melcor Real Estate Investment Trust at 900,

10310 Jasper Avenue, Edmonton, Alberta, T5J 1Y8, Telephone 1-855-673-6931 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of the REIT, filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated into and form an integral part of this Circular:

- (a) the REIT's annual information form for the fiscal year ended December 31, 2016 (the “**AIF**”);
- (b) the audited consolidated financial statements of the REIT as at December 31, 2016 and December 31, 2015 and for the years then ended, together with the notes thereto and the auditor's report thereon (the “**Annual Financial Statements**”);
- (c) management's discussion and analysis of the financial condition and results of operation of the REIT for the fiscal year ended December 31, 2016 (the “**Annual MD&A**”);
- (d) the notice of annual meeting and management information circular of the REIT dated March 16, 2017;
- (e) a material change report with respect to changes of certain executive officers and trustees of the REIT dated March 17, 2017;
- (f) the unaudited consolidated financial statements of the REIT for the nine-month period ended September 30, 2017 (the “**Q3 Financial Statements**”);
- (g) management's discussion and analysis of the financial condition and results of operation of the REIT for the nine-month period ended September 30, 2017;
- (h) the term sheets dated December 4, 2017, in respect of both the Subscription Receipts and the Debentures, filed on SEDAR in connection with the Offering; and
- (i) a material change report with respect to the Offering and the Melcor Acquisition dated December 4, 2017.

Any documents of the type referred to above and any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by the REIT with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Circular and prior to the Meeting shall be deemed to be incorporated by reference in this Circular.

Any statement contained in this Circular or a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

## GLOSSARY OF TERMS

The following terms used in this Circular have the meanings set forth below:

**“ABC”** means the *Business Corporations Act* (Alberta), as amended.

**“AFFO”** means adjusted funds from operations as described under “Non-IFRS Measures”.

**“AIF”** means the REIT’s annual information form for the fiscal year ended December 31, 2016.

**“Annual Financial Statements”** means the audited consolidated financial statements of the REIT as at December 31, 2016 and December 31, 2015 for the years then ended, together with the notes thereto and the auditor’s reports thereon.

**“Annual MD&A”** means the REIT’s management’s discussion and analysis of the financial condition and results of operation for the fiscal year ended December 31, 2016.

**“Appraisal”** means the report provided by Altus Group estimating the market value of the Melcor Acquisition Properties as at September 30, 2017.

**“Altus Group”** means Altus Group Limited.

**“Asset Management Agreement”** means the agreement between the REIT and Melcor dated May 1, 2013 pursuant to which Melcor provides asset management services to the REIT, as described in the AIF.

**“Assumed Melcor Mortgages”** means those mortgages on certain of the Melcor Acquisition Properties to be assumed by the REIT as described under “Financing for the Acquisition - Assumed Melcor Mortgages”.

**“BCA Reports”** has the meaning ascribed to it under “The Melcor Acquisition Properties - Assessment of the Melcor Acquisition Properties - Building Condition Assessments”.

**“capitalization rate”** is defined as NOI divided by purchase price, in each case, of the applicable asset or assets.

**“CDS”** means CDS Clearing and Depository Services Inc.

**“CDS-Registered Debenture”** has the meaning ascribed to it under “Financing for the Acquisition - The Debentures - Delivery and Form”.

**“CDS-Registered Subscription Receipt”** has the meaning ascribed to it under “Financing for the Acquisition - The Subscription Receipts - Delivery and Form”.

**“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 Units (on a fully-diluted basis).

**“Class B LP Unit”** means the Class B limited partnership units of the Partnership.

**“Class B LP Unit Issue Price”** means \$8.82 per Class B LP Unit.

**“Class C LP Unit”** means the Class C limited partnership units of the Partnership.

**“Class C LP Unit Issue Price”** means \$10.00 per Class C LP Unit.

**“Class C LP Unit Valuation”** means the formal valuation of Class C LP Units issuable to Melcor in partial satisfaction of the purchase price of the Melcor Acquisition Properties, prepared by the Independent Financial Advisor for the purposes of satisfying the requirements of MI 61-101, as described in the full text of the formal valuation set forth in Appendix “C”.

**“Conversion Price”** means \$11.50 per Unit.

**“CRU”** means commercial retail unit.

**“Current Market Price”** means the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date of the applicable event.

**“Deadline”** means 5:00 p.m. (Edmonton time) on March 31, 2018.

**“Debentures”** means 5.25% extendible convertible unsecured subordinated debentures of the REIT as described under “Financing for the Acquisition - The Offering”.

**“Debenture Holder”** means a holder of Debentures.

**“Debenture Over-Allotment Option”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Over-Allotment Options”.

**“Debenture Trustee”** means AST Trust Company (Canada).

**“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.

**“Deemed Interest”** has the meaning ascribed to it under “Financing for the Acquisition - The Offering - The Subscription Receipts”.

**“Development and Opportunities Agreement”** means the development and opportunities agreement among the REIT and Melcor dated May 1, 2013.

**“Distribution Date”** means, in respect of a calendar month, on or about the 15th day of the following calendar month or such other dates as the Trustees so determine in their discretion.

**“Escrowed Funds”** means the proceeds from the sale of the Subscription Receipts, net of half the fee payable to the Underwriters in respect of the Subscription Receipts as described under “Financing for the Acquisition - The Offering”.

**“Event of Default”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Event of Default”.

**“Exchange Agreement”** means the exchange agreement among the REIT, the Partnership and Melcor dated May 1, 2013.

**“Fairness Opinion”** means the opinion of Trimaven, subject to the assumptions, limitations and qualifications and other matters contained in the full text of the fairness opinion set forth in Appendix “B” that the consideration payable by the REIT pursuant to the Melcor Acquisition is fair, from a financial point of view, to Unitholders, other than Melcor and certain of its associates and affiliates.

**“FFO”** means funds from operations as described under “Non-IFRS Measures”.

**“Final Maturity Date”** has the meaning ascribed to it under “Financing for the Acquisition - The Offering”.

**“GAAP”** means Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of the Chartered Professional Accountants of Canada, as amended from time to time, which 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.

**“IFRS”** means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants of Canada in Part I of the CPA Canada Handbook, 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.

**“Indenture”** means the trust indenture between the REIT and the Debenture Trustee dated December 3, 2014, as supplemented by the Supplemental Indenture.

**“Initial Maturity Date”** means the date upon which a Termination Event occurs, being the initial maturity date of the Debentures.

**“Interest Payment Date”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Overview”.

**“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.

**“Initial Underwriters’ Fee Payment”** has the meaning ascribed to it under “Financing for the Acquisition - The Offering - Underwriters’ Fee”.

**“Initial Retained Debt”** means those mortgages on certain of the Initial Properties that have been retained by Melcor, as described in the Annual MD&A.

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

**“Lead Underwriters”** means CIBC World Markets Inc. and RBC Dominion Securities Inc.

**“Limited Partnership Agreement”** means the amended and restated limited partnership agreement of the Partnership dated May 1, 2013.

**“Maturity Date”** means the Initial Maturity Date or, if the Melcor Acquisition Closing occurs before the occurrence of a Termination Event, the Final Maturity Date.

**“Meeting”** means the special meeting of Unitholders of record as of December 6, 2017 for the purpose of approving the Melcor Acquisition, expected to be held on January 10, 2018.

**“meeting materials”** means collectively, the Notice of Special Meeting, the Circular and the form of proxy.

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

**“Melcor Acquisition”** means the acquisition by the REIT of the Melcor Acquisition Properties pursuant to the Melcor Acquisition Agreement.

**“Melcor Acquisition Agreement”** has the meaning ascribed to it under “Business of the Meeting - Overview”.

**“Melcor Acquisition Closing”** means the closing of the Melcor Acquisition.

**“Melcor Acquisition Closing Time”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Description of Subscription Receipts”.

**“Melcor Acquisition Properties”** means those commercial properties described under “The Melcor Acquisition Properties”.

**“Melcor Acquisition Resolution”** means the special resolution which will be considered by the Unitholders to approve the Melcor Acquisition and the issuance of Class B LP Units and Class C LP Units to Melcor in connection therewith, the full text of which is set out in Appendix “A” to this Information Circular.

**“Melcor Acquisition Retained Debt”** means the mortgage on one of the Melcor Acquisition Properties which will be retained by Melcor in connection with the Melcor Acquisition as further described under “Financing For The Acquisition - Melcor Acquisition Retained Debt”.

**“MI 61-101”** means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

**“NI 54-101”** means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

**“NOI”** means net operating income as described under “Non-IFRS Measures”.

**“Non-Residents”** means :(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.

**“Offered Securities”** means the Debentures and Subscription Receipts offered pursuant to the Offering.

**“Offering”** means the offering, on a bought-deal basis, of \$15.045 million of Subscription Receipts and \$20 million aggregate principal amount of 5.25% Debentures as described under “Financing for the Acquisition - The Offering”.

**“Over-Allotment Options”** means the Subscription Receipt Over-Allotment Option and the Debenture Over-Allotment Option.

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

**“Payout Ratio”** is defined as distributions of the REIT (including distributions on the Class B LP Units) divided by AFFO.

**“Phase I ESA Reports”** has the meaning ascribed to it under “The Melcor Acquisition Properties - Assessment of the Melcor Acquisition Properties - Environmental Site Assessments”.

**“Property Management Agreement”** means the agreement between the REIT and Melcor dated May 1, 2013 pursuant to which Melcor provides property management services to the REIT, as described in the AIF.

**“Put Date”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Put Right upon a Change of Control”.

**“Put Price”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Put Right upon a Change of Control”.

**“Put Right”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Put Right upon a Change of Control”.

**“Q3 Financial Statements”** has the meaning described under “Documents Incorporated by Reference”.

**“Record Date”** means December 6, 2017, being the date determined by the REIT for determining the Unitholders entitled to receive notice of, and to attend and to vote at, the Meeting.

**“RECs”** means recognized environmental conditions.

**“REIT”** means Melcor Real Estate Investment Trust, and references in this Circular to the “REIT” should be interpreted as described under “Meaning of Certain References”.

**“Retained Debt”** means the Initial Retained Debt and the Melcor Acquisition Retained Debt.

**“Revolving Credit Facility”** means the secured revolving credit facility made available by Alberta Treasury Branches and Canadian Western Bank pursuant to a revolving term facility credit agreement between the Partnership, Alberta Treasury Branches and Canadian Western Bank dated May 1, 2015.

**“Senior Indebtedness”** of the REIT is defined in the Indenture as the principal of and the interest and premium (or any other amounts payable thereunder), if any, on: (i) all indebtedness, liabilities and obligations of the REIT, or of others for payment of which the REIT is responsible or liable, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means; and (ii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations, unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to debentures issued under the Indenture which by their terms are subordinated, which for greater certainty includes the Debentures.

**“Special Committee”** means the special committee of independent elected Trustees consisting of Larry Pollock (Chair), Brian Hunt, Patrick Kirby and Donald Lowry formed for the purposes of, among other things, considering the Melcor Acquisition.

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

**“Subject Securities”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Subscription Receipts”.

**“Subscription Price”** means the aggregate subscription price paid for Subscription Receipts by a holder of Subscription Receipts.

**“Subscription Receipt Agent”** means AST Trust Company (Canada).

**“Subscription Receipt Holder”** means a holder of Subscription Receipts.

**“Subscription Receipts”** means the 1,770,000 securities to be issued by the REIT pursuant to the Offering, each of which entitling the holder thereof to receive one Unit upon closing of the Melcor Acquisition.

**“Subscription Receipt Price”** means the price of \$8.50 per Subscription Receipt.

**“Subscription Receipt Over-Allotment Option”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - Over-Allotment Options”.

**“Supplemental Indenture”** has the meaning ascribed to it under “Financing for the Acquisition - Offering - The Debentures”.

**“Tax Act”** means the Income Tax Act (Canada).

**“Termination Date”** means the date a Termination Event occurs.

**“Termination Event”** means the earliest to occur of any of: (i) the completion of the Melcor Acquisition not occurring on or before the Deadline; (ii) the REIT delivering to the Lead Underwriters, on behalf of the Underwriters, a notice, executed by the REIT, declaring that the Melcor Acquisition Agreement has been terminated

or that the REIT will not be proceeding with the Melcor Acquisition; or (iii) the REIT formally announcing to the public by way of a press release that it does not intend to proceed with the Melcor Acquisition.

**"Trimaven"** means Trimaven Capital Advisors, the independent financial advisor appointed by the Special Committee.

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

**"TSX"** means the Toronto Stock Exchange.

**"UCC"** means undepreciated capital cost.

**"Underwriters"** means, collectively CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., TD Securities Inc., Desjardins Securities Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., and Raymond James Ltd.

**"Underwriters' Fee"** has the meaning ascribed to it under "Financing for the Acquisition - Underwriters' Fee".

**"Unit Interest Payment Election"** has the meaning ascribed to it under "Financing for the Acquisition - The Offering - The Debentures".

**"Unit Repayment Option"** has the meaning ascribed to it under "Financing for the Acquisition - The Offering - The Debentures".

**"Unitholders"** means holders of Voting Units and, for certainty, includes **"Holders"**, 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 (including the Units underlying the Subscription Receipts or issuable on the conversion, redemption or maturity of the Debentures) and the Special Voting Units, and **"Voting Unit"** means any one of them.

**"2014 Debentures"** means the 5.50% extendible convertible unsecured subordinated debentures of the REIT issued on December 3, 2014.

## GENERAL INFORMATION REGARDING THE MEETING

### **Introduction**

This information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of the REIT for use at the Meeting to be held on January 10, 2018, at the offices of Bryan & Company LLP, 2600 Manulife Place, 10180-101st Street, Edmonton, Alberta, at 9:00 a.m. (Alberta Time) and any adjournment or postponement thereof for the purposes set forth in the accompanying Notice of Special Meeting.

The REIT has fixed the Record Date as the close of business on December 6, 2017 for determining Unitholders who will be entitled to receive notice of, and vote at, the Meeting or any adjournment(s) thereof. Information contained herein is given as of December 11, 2017 unless otherwise indicated.

This solicitation is made on behalf of management of the REIT. The costs incurred in the preparation and mailing of the form of proxy, Notice of Special Meeting and Circular will be borne by the REIT. In addition to the use of mail, proxies may be solicited personally, by telephone, or by other means of communication by the Trustees and management of the REIT, who will be not be remunerated therefor. The REIT is not relying on the notice-and-access provisions of securities laws for delivery to either registered or non-registered Unitholders. The REIT does not intend to pay for intermediaries to forward proxy-related materials and a voting instruction form to objecting beneficial owners of Units. Accordingly, objecting beneficial owners of Units will not receive these materials unless their intermediary assumes the cost of delivery.

### **Registered Unitholders**

#### *Holders of Units*

A holder of Units is a registered Unitholder if shown on the Record Date on the list of holders of Units kept by AST Trust Company (Canada), as registrar and transfer agent of the REIT, in which case a Unit certificate will have been issued to the Unitholder which indicates the Unitholder’s name and the number of Units owned by the Unitholder. Registered holders of Units will receive with this Circular a form of proxy from AST Trust Company (Canada) representing the Units held by such holder.

#### *Holders of Class B LP Units*

Holders of Class B LP Units shown on the Record Date on the list of holders of Class B LP Units kept by AST Trust Company (Canada), as registrar and transfer agent of the REIT, will receive with this Circular a form of proxy from AST Trust Company (Canada) representing the Special Voting Units held by such holder of Class B LP Units. Holders of Class B LP Units have automatically been issued Special Voting Units which entitle such holder to one Special Voting Unit per Class B LP Unit held. The Special Voting Units are entitled to one vote per Special Voting Unit at any meeting of the Unitholders. Special Voting Units are evidenced only by the certificates representing the Class B LP Units to which they relate. Holders of Special Voting Units will receive with this Circular a form of proxy from AST Trust Company (Canada) representing the Special Voting Units held by such holder.

#### *Appointment of Proxy*

A form of proxy is enclosed and, whether or not you expect to attend the Meeting, please exercise your right to vote. Unitholders who have voted by proxy may still attend the Meeting. Please complete and return the form of proxy in the envelope provided. The form of proxy must be executed by the registered Unitholder or the attorney of such Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with the REIT’s transfer agent, AST Trust Company (Canada), in the envelope provided or otherwise by mail to AST Trust Company (Canada), Box 721, Agincourt, ON M1S 0A1, by not later than 9:00 a.m. (Alberta Time) on January 8, 2018 or, if the Meeting is adjourned or postponed, the second last business day preceding the day of any adjournment or postponement thereof. The limit for deposit of proxies may be waived or extended by the chairman of the Meeting at his discretion without notice.

The persons named in the enclosed form of proxy (the “**Management Proxyholders**”) are Trustees or executive officers of the REIT. A Unitholder may appoint a proxyholder (who is not required to be a Unitholder), other than the Management Proxyholders, to attend and act on such Unitholder’s behalf at the

**Meeting, either by inserting such other desired proxyholder's name in the blank space provided on the form of proxy or by substituting another proper form of proxy.**

*Revocation of Proxy*

A registered Unitholder who has given a proxy pursuant to this solicitation may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by the Unitholder or by the attorney of such Unitholder authorized in writing or, if the registered Unitholder is a corporation, by a duly authorized officer or attorney thereof, and deposited either at the head office of the REIT not later than 9:00 a.m. (Alberta Time) on January 8, 2018 or, if the Meeting is adjourned or postponed, the second last business day preceding any adjournment or postponement thereof at which the form of proxy is to be used or with the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law.

**Non-Registered Unitholders**

A holder of Units is a non-registered (or beneficial) Unitholder (a “**Non-Registered Unitholder**”) if the Unitholder’s Units are registered either:

- (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Unitholder deals with in respect of the Units, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, tax-free savings accounts (as such terms are used in the Tax Act and the regulations thereunder, as amended from time to time) and similar plans; or
- (b) in the name of a clearing agency (such as CDS & Co.) of which the Intermediary is a participant.

*Non-Objecting Beneficial Owners*

These meeting materials are being sent to both registered and Non-Registered Unitholders. If you are a Non-Registered Unitholder, and the REIT or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding securities on your behalf. By choosing to send these materials to you directly, the REIT (and not the Intermediary holding on your behalf) has assumed responsibility for: (i) delivering these materials to you, and (ii) executing your voting instructions. Please return your voting instructions as specified in the request for voting instructions or form of proxy delivered to you.

*Appointment of Proxy*

In accordance with the requirements of NI 54-101, the REIT has distributed copies of the meeting materials to the clearing agencies and Intermediaries for onward distribution to Non-Registered Unitholders. Intermediaries must forward the meeting materials to each Non-Registered Unitholder (unless the Non-Registered Unitholder has waived the right to receive such materials), and often use a service company (such as Broadridge Financial Solutions Inc., Canada), to permit the Non-Registered Unitholder to direct the voting of the Units held by the Intermediary on behalf of the Non-Registered Unitholder. Generally, Non-Registered Unitholders who have not waived the right to receive meeting materials will either:

- (a) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Units beneficially owned by the Non-Registered Unitholder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Unitholder. In this case, the Non-Registered Unitholder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with AST Trust Company (Canada), as described above under “General Information Regarding the Meeting – Registered Unitholders”; or
- (b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Unitholder in accordance with the directions on the voting instruction form. Non-Registered Unitholders should submit voting instruction forms to Intermediaries in sufficient time to ensure that their votes are received from the Intermediaries by the REIT.

The purpose of these procedures is to permit Non-Registered Unitholders to direct the voting of the Units they beneficially own. Should a Non-Registered Unitholder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Unitholder), the Non-Registered Unitholder should strike out the names of the persons named in the form of proxy and insert their own (or such other person's) name in the blank space provided in the form of proxy or, in the case of a voting instruction form, follow the corresponding instructions on the form, to appoint themselves as proxy holders, and deposit the form of proxy or submit the voting instruction form in the appropriate manner noted above. **A Non-Registered Unitholder may appoint a proxyholder (who is not required to be a Unitholder), to attend and act on such Non-Registered Unitholder's behalf at the Meeting. Non-Registered Unitholders should carefully follow the instructions on the form of proxy or voting instruction form that they receive from their Intermediary in order to vote the Units that are held through that Intermediary.**

#### *Revocation of Proxy*

A Non-Registered Unitholder giving a proxy may revoke the proxy by contacting his or her Intermediary in respect of such proxy and complying with any applicable requirements imposed by such Intermediary. An Intermediary may not be able to revoke a proxy if it receives insufficient notice of revocation.

#### **Voting of Units**

The persons named in the enclosed form of proxy are Trustees and/or executive officers of the REIT and have indicated their willingness to represent as proxy the Unitholder who appoints them. The Voting Units represented by proxies will be voted or withheld from voting in accordance with the instructions of the Unitholder on any ballot that may be called for and, if the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, Voting Units represented by properly executed proxies will be voted accordingly.

**If no choice is specified by a Unitholder with respect to any matter to be acted upon at the Meeting, the Voting Units represented by such Unitholder's proxy or voting instruction form will be voted by the persons named in the enclosed form of proxy FOR the Melcor Acquisition Resolution as described in this Circular.**

The REIT's registrar and transfer agent, AST Trust Company (Canada), will serve as independent scrutineer at the Meeting, and will tabulate all votes at the Meeting.

#### **Exercise of Discretion by Proxies**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice of Special Meeting and with respect to such other matters as may properly come before the Meeting or any adjournment or postponement thereof. At the date of this Circular, the Trustees and Management of the REIT are not aware of any amendments or other matters to come before the Meeting other than the matters referred to in the Notice of Special. With respect to amendments to matters identified in the Notice of Special Meeting or other matters that may properly come before the Meeting or any adjournment or postponement thereof, Voting Units represented by properly executed proxies will be voted by the persons so designated in their discretion.

#### **Voting at Meeting and Quorum**

Unless otherwise required by law or the Declaration of Trust, any matter coming before the Meeting or any adjournment or postponement thereof shall be decided by the majority of the votes duly cast in respect of the matter by Unitholders entitled to vote thereon. However, the Melcor Acquisition Resolution must be approved by the affirmative vote of a majority of votes cast by Unitholders in person or represented by proxy at the Meeting who are not Melcor or certain of its associates or affiliates. See "Melcor Acquisition Resolution".

The Board has fixed December 6, 2017 as the Record Date for the purpose of determining which Unitholders are entitled to receive the Notice of Special and vote at the Meeting or any adjournment or postponement thereof, either in person or by proxy. No person acquiring Voting Units after that date shall, in respect of such Voting Units, be entitled to receive the Notice and vote at the Meeting or any adjournment or postponement thereof.

As of the Record Date, the REIT had 11,151,297 outstanding Units, each carrying the right to one vote per Unit at the Meeting, and 14,615,878 outstanding Special Voting Units, each carrying the right to one vote per Special Voting Unit at the Meeting. The Units are listed on the TSX under the symbol “MR.UN”.

A quorum for the transaction of business at the Meeting is at least two (2) persons present in person or represented by proxy, each being a Unitholder entitled to vote or their appointed proxy, and representing in the aggregate no less than ten (10%) percent of the REIT’s outstanding Voting Units.

### **Principal Holders of Voting Units**

To the knowledge of the Trustees and management of the REIT, as of the Record Date, no person or company beneficially owned, or controlled or directed, directly or indirectly, Voting Units carrying 10% or more of the votes attached to the outstanding Voting Units, other than Melcor, which, through an affiliate, owned 14,615,878 Special Voting Units, representing approximately 56.7% of the outstanding Voting Units.

To the knowledge of the Trustees and management of the REIT, as of the Record Date, the number of Units beneficially owned, or controlled or directed, directly or indirectly, by the Trustees and executive officers of the REIT is as follows:

<b>Trustee or Executive Officer</b>	<b>Units beneficially owned, or controlled or directed</b>
Brian Hunt, Trustee	40,000
Patrick Kirby, Trustee	28,000
Donald Lowry, Trustee	56,600
Darin Rayburn, Trustee	131,227
Larry Pollock, Trustee	75,800
Ralph B. Young, Trustee	23,800
Andrew J. Melton, Trustee & Chief Executive Officer	119,400
Naomi Stefura, Chief Financial Officer	13,560

### **Information Contained in this Information Circular**

No person has been authorized to give information or to make any representations in connection with the Melcor Acquisition other than those contained in this Information Circular and, if given or made, any such information or representations should not be relied upon in making a decision as to how to vote on the Melcor Acquisition Resolution or be considered to have been authorized by the REIT.

This Circular does not constitute an offer to buy, or a solicitation of any offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

**This Circular and the transactions contemplated by the Melcor Acquisition Agreement have not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of such transactions or upon the accuracy or adequacy of the information contained in this Information Circular. Any representation to the contrary is a criminal offence.**

## **BUSINESS OF THE MEETING**

### **Overview**

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.

The REIT owns a portfolio of interests in 37 income producing properties located in Western Canada, comprised primarily of retail, office and industrial properties, and with approximately 2.71 million owned square feet of GLA. 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 AFFO per Unit primarily through acquisitions and improvement of its properties and through targeted and strategically deployed capital expenditures.

Pursuant to the Asset Management Agreement and the Property Management Agreement, Melcor externally manages, administers and operates the REIT and its properties.

On December 4, 2017, the REIT entered into an agreement (the “**Melcor Acquisition Agreement**”) to acquire five commercial properties (the “**Melcor Acquisition Properties**”) from Melcor for an aggregate purchase price of approximately \$80.875 million, subject to certain customary adjustments. Pursuant to the Development and Opportunities Agreement entered into in connection with the IPO, Melcor granted the REIT certain preferential rights to acquire additional properties from Melcor. The Melcor Acquisition Properties were offered by Melcor to the REIT pursuant to the Development and Opportunities Agreement. The purchase price was negotiated between the Special Committee and Melcor, and the Melcor Acquisition was unanimously recommended by the Special Committee to the Board, which with interested Trustees abstaining, in turn unanimously resolved to approve the Melcor Acquisition and to recommend that Unitholders vote in favour of the Melcor Acquisition at the Unitholder Meeting.

The REIT intends to satisfy the purchase price for the Melcor Acquisition Properties and related transaction costs using: (i) approximately \$2.5 million of the purchase price by the issuance of 283,447 Class B LP Units to Melcor, each with an issue price equal to the Subscription Receipt Price; (ii) approximately \$13.31 million of the purchase price by the issuance of approximately 1.33 million Class C LP Units to Melcor; (iii) \$31.04 million of the purchase price by the assumption of the Assumed Melcor Mortgages; and (iv) approximately \$34.0 million of the purchase price in cash by using the net proceeds of the Offering and a draw on the Revolving Credit Facility in the approximate amount of \$1.332 million. See “Financing for the Acquisition”.

The closing of the transactions contemplated by the Melcor Acquisition Agreement are subject to the satisfaction of certain conditions including lender consents, completion of the Offering, Unitholder approval, securities regulators’ relief and TSX approval. Completion of the Melcor Acquisition is expected to occur on or about January 12, 2017. See “Transaction Approvals”.

Melcor currently holds an approximate 56.7% effective interest in the REIT through ownership of all of the Class B LP Units of the Partnership. Pursuant to the Exchange Agreement, each Class B LP Unit is exchangeable at the option of the holder for one Unit and has attached a Special Voting Unit, providing for voting rights in the REIT. As a result of the foregoing relationships, each of the Melcor Acquisition and the issuance of Class B LP Units and Class C LP Units in connection therewith constitute a “related party transaction” under MI 61-10. Pursuant to MI 61-101, the REIT was required to obtain, at its own expense, the Appraisal as a formal valuation of the Melcor Acquisition Properties and the Class C LP Unit Valuation by a qualified valuator who is independent of the REIT. See “Background and Recommendations - Independent Appraisals”. The REIT is also required, pursuant to MI 61-101, to obtain approval of the Melcor Acquisition Resolution by a majority of votes cast by all of the Unitholders present in person or represented by proxy at the Meeting who are not Melcor or certain of its associates or affiliates of Melcor. See “Melcor Acquisition Resolution”.

The Special Committee, which is comprised of independent elected Trustees, was established for the purposes of considering the Melcor Acquisition, supervising the process to be carried out by the REIT and its professional advisors in connection with the Melcor Acquisition (including overseeing and supervising the negotiation and settlement of the terms, conditions and structure of the Melcor Acquisition), determining whether the Melcor Acquisition is in the best interests of the REIT and its Unitholders and, as the Special Committee may determine to be necessary or advisable, report and make recommendations to the Board with respect to the Melcor Acquisition.

**On December 4, 2017 the Special Committee unanimously recommended to the Board that they recommend that Unitholders vote FOR the Melcor Acquisition Resolution. Based on the recommendation of the Special Committee and other factors, the Board, with interested Trustees abstaining, unanimously recommends that Unitholders vote FOR the Melcor Acquisition at the Meeting.**

#### **Melcor Acquisition Agreement**

The Melcor Acquisition Agreement contains representations, warranties and conditions typical of those contained in acquisition agreements negotiated between sophisticated purchasers and vendors acting at arm’s length,

certain of which will be qualified as to knowledge and materiality and subject to reasonable exceptions, relating to Melcor and the Melcor Acquisition Properties 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, compliance with laws, title to the Melcor Acquisition 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). Such representations and warranties will survive for a period of 18 months from completion of the Melcor Acquisition; provided, however, that representations regarding organization and status, and power and authorization shall survive indefinitely, and representations regarding tax matters and environmental matters shall survive for the applicable limitation periods.

The closing of the transactions contemplated by the Melcor Acquisition Agreement are subject to the satisfaction of certain conditions including lender consents, completion of the Offering, Unitholder approval and TSX approval. See “Transaction Approvals”.

The indemnity provided to the REIT and the Partnership pursuant to the Melcor Acquisition Agreement is subject to a limit of approximately \$34.03 million, being the cash portion of the purchase price for the Melcor Acquisition Properties. The Partnership will indemnify Melcor with respect to obligations to pay the Assumed Melcor Mortgages after the Melcor Acquisition Closing.

Melcor will also indemnify 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 the Melcor Acquisition Properties. See “Assessment and Valuation of the Melcor Acquisition Properties - Environmental Site Assessments”.

There can be no assurance of recovery by the REIT or the Partnership from Melcor for any breach of the representations and warranties provided by it under the Melcor Acquisition Agreement, as there can be no assurance that its assets will be sufficient to satisfy such obligations.

The Melcor Acquisition Agreement is a material contract of the REIT and will be available electronically on the System for Electronic Document Recovery and Retrieval at [www.sedar.com](http://www.sedar.com) under the REIT’s issuer profile. A Unitholder should refer to the terms of the Melcor Acquisition Agreement for a complete description of the conditions, representations, warranties and indemnities being provided in favour of the REIT and the Partnership, and related limitations on enforcement of such indemnities.

## **Transaction Approvals**

### *Lender Approvals*

The REIT has commenced the process of obtaining formal approval from the lenders in respect of the Assumed Melcor Mortgages and the Melcor Acquisition Retained Debt. The REIT expects to receive such approvals and assume the Assumed Melcor Mortgages on terms that are substantially the same, in all material respects, as the existing terms of such mortgages. See “Financing for the Acquisition - Assumed Melcor Mortgages”.

### *Unitholder Approval*

The Melcor Acquisition constitutes a “related party transaction” under MI 61-101. Pursuant to MI 61-101, the REIT is required to obtain approval of the Melcor Acquisition and the issuance of Class B LP Units and Class C LP Units in connection therewith by a majority vote of Units held by unitholders unrelated to Melcor. See “Melcor Acquisition Resolution”.

### *Securities Regulator Relief*

The REIT has applied to the Alberta Securities Commission and the Ontario Securities Commission for exemptive relief from the requirement under MI 61-101 to obtain a formal valuation of the Class B LP Units issuable to Melcor in partial satisfaction of the purchase price of the Melcor Acquisition Properties. See “Background and Recommendations - Valuation Requirements”. It is a condition of the Melcor Acquisition Closing that the Alberta Securities Commission and the Ontario Securities Commission shall have granted such exemptive relief.

## *TSX Approval*

It is a condition of closing of the Melcor Acquisition that the TSX shall have conditionally approved the issuance of: (i) the Class B LP Units to Melcor as partial satisfaction of the purchase price for the Melcor Acquisition Properties, and (ii) the Units issuable on exchange of such Class B LP Units.

Melcor currently holds an approximate 56.7% effective interest in the REIT through ownership of 14,615,878 Class B LP Units of the Partnership. Melcor also holds 9,454,411 Class C LP Units. Melcor has, with respect to the Offering, waived the pre-emptive right, granted pursuant to the Exchange Agreement, to maintain its *pro rata* ownership in the REIT. On the closing of the Melcor Acquisition and the conversion of the Subscription Receipts to Units, it is expected that Melcor will hold an approximate 53.6% effective interest in the REIT, on an undiluted basis (i.e. assuming no conversion of outstanding Debentures and 2014 Debentures), through ownership of 14,899,325 Class B LP Units of the Partnership. The Melcor Acquisition and the issuance of the additional 283,447 Class B LP Units to Melcor, which represents 1.01% of the outstanding Units and Class B LP Units, will not materially affect the control of the REIT. Melcor will also own 10,785,616 Class C LP Units in connection with Retained Debt in the aggregate amount of approximately \$ 87,267,831.

## **BACKGROUND AND RECOMMENDATIONS**

### **Background to the Melcor Acquisition**

As the Melcor Acquisition and the issuance Class B LP Units and Class C LP Units to Melcor in connection therewith constitute a “related party transaction” under MI 61-101, on October 12, 2017 the board of trustees of the REIT (the “**Board**”) appointed a special committee of independent elected Trustees consisting of Larry Pollock (Chair), Brian Hunt, Patrick Kirby and Donald Lowry (the “**Special Committee**”). Pursuant to the terms of reference of the Special Committee, the mandate of the Special Committee included, among other things, considering the Melcor Acquisition (including examining, reviewing and evaluating the merits of the proposed Melcor Acquisition and all relevant or potentially relevant circumstances of the REIT, including any other potential alternative transactions in the marketplace), supervising the process to be carried out by the REIT and its professional advisors in connection with the Melcor Acquisition (including overseeing and supervising the negotiation and settlement of the terms, conditions and structure of the Melcor Acquisition), determining whether the Melcor Acquisition is in the best interests of the REIT and its Unitholders and, in particular Unitholders other than Melcor and certain of its associates and affiliates, and, as the Special Committee may determine to be necessary or advisable, report and make recommendations to the Board with respect to the Melcor Acquisition.

Pursuant to the terms of reference, the Special Committee was entitled, without further authorization from the Board, to consider such further and other matters as in its judgment were relevant to the discharge of its responsibilities (including but not limited to compliance with MI 61-101), to make such inquiries and take such actions as it considered necessary or advisable for the proper discharge of its responsibilities and to determine in its sole discretion whether and when its responsibilities had been performed and were at an end. In accordance with the terms of reference, the Special Committee had control of the timing and manner of its processes and procedures respecting the holding of its meetings, the persons present at such meetings other than members of the Special Committee, the timing and manner of consultation with management and professional advisors of and to the REIT and such other matters as it considered necessary or advisable to the discharge of its responsibilities.

In carrying out its mandate, the Special Committee had authority to engage, at the expense of the REIT, such professional advisers as the Special Committee considered appropriate, including legal, accounting and financial advisers and valuators, and to keep confidential its proceedings from other members of the Board and management of the REIT to the extent that the Special Committee considered confidentiality to be necessary or desirable in the interests of the REIT and its Unitholders.

The Special Committee was responsible for supervising the preparation of the Appraisal and retained Altus Group to prepare the same. The Special Committee also retained Trimaven to act as an independent financial advisor to the Special Committee to prepare and deliver to the Special Committee the Fairness Opinion and the Class C LP Unit Valuation.

Larry Pollock, independent trustee and chair of the Special Committee, supervised and was involved in preliminary negotiations relating to the Melcor Acquisition prior to formal formation of the Special Committee. The Special Committee met to consider the Melcor Acquisition on three occasions between October 12, 2017 and December 1, 2017. In addition, one or more members of the Special Committee visited each of the Melcor Acquisition Properties.

### **Recommendation of the Special Committee**

Trimaven has provided the Special Committee with its Fairness Opinion, a copy of which is attached as Appendix "B", and the Class C LP Unit Valuation, a copy of which is attached as Appendix "C". Trimaven concluded, in the Fairness Opinion, that the consideration payable by the REIT pursuant to the Melcor Acquisition is fair, from a financial point of view, to Unitholders, other than Melcor and certain of its associates and affiliates. Trimaven concluded in the Class C LP Unit Valuation that the value of the Class C LP Units to be issued to Melcor in connection with the Melcor Acquisition is between approximately \$13.00 million and \$13.20 million. The Fairness Opinion and Class C LP Unit Valuation are subject to a number of assumptions and limitations set forth therein. In addition, Altus Group prepared the Appraisal which estimates the market value of the Melcor Acquisition Properties (net of interests of joint venture partners) as at September 30, 2017 to be \$82.4 million. The Special Committee also met with senior management of the REIT as well as its legal and tax advisors in order to consider various aspects of the Melcor Acquisition.

After giving consideration to, among other things, the terms of the Melcor Acquisition Agreement, the Appraisal, the Fairness Opinion, the Phase I ESA Reports, the BCA Reports and other financial, market and detailed property-related information deemed appropriate and sufficient for such purposes, the Special Committee advised the Board on December 4, 2017 that in its unanimous view the Melcor Acquisition is fair, from a financial point of view, to Unitholders (other than Melcor and certain of its associates and affiliates), and the Melcor Acquisition, including the issuance of Class B LP Units and Class C LP Units to Melcor in connection therewith, is in the best interests of the REIT, and unanimously recommended that the Board authorize the REIT to enter into the Melcor Acquisition Agreement and that the Board recommend to Unitholders that they vote in favour of the Melcor Acquisition. The Board, with interested Trustees abstaining, has unanimously resolved to recommend that Unitholders vote in favour of the Melcor Acquisition at the Unitholder Meeting. In arriving at its conclusions and recommendations, the Special Committee reviewed and considered all aspects of the Melcor Acquisition including the financial, legal and tax implications of the Melcor Acquisition and the anticipated benefits to the REIT and its Unitholders. The conclusions and recommendations of the Special Committee are based upon the following factors, among others:

- the Melcor Acquisition is consistent with the growth strategy of the REIT as disclosed in its public disclosure documents;
- the Melcor Acquisition expands the REIT's asset base;
- the expected impact of the Melcor Acquisition on the REIT's FFO and AFFO per Unit on an annualized basis;
- when compared to other available alternatives, including other possible acquisition opportunities and maintaining the status quo, the Melcor Acquisition was assessed to be the best option for enhancing value to the REIT and to Unitholders, especially considering a majority of the Melcor Acquisition Properties are additional phases in developments or projects in which the REIT already owns phases;
- the geographic locations and the quality of the Melcor Acquisition Properties are complimentary to the REIT's existing properties;
- the purchase price of the Melcor Acquisition Properties is below the estimated market value of the Melcor Acquisition Properties indicated by the Appraisal, which as at September 30, 2017 was estimated by Altus Group to be \$82.4 million (net of interests of joint venture partners);
- Trimaven concluded in its Fairness Opinion that, based upon and subject to the assumptions, qualifications, limitations and other considerations set forth therein and such other matters considered relevant by Trimaven, as of December 4, 2017, the consideration payable by the REIT pursuant to the

Melcor Acquisition is fair, from a financial point of view, to Unitholders, other than Melcor and its associates and affiliates;

- Trimaven concluded in the Class C LP Unit Valuation that the value of the Class C LP Units to be issued to Melcor in connection with the Melcor Acquisition is between \$13.00 million and \$13.20 million, which value is approximate to the amount of the Melcor Acquisition Retained Debt; and
- the requirement under MI 61-101 that the Melcor Acquisition, including the issuance of Class B LP Units and Class C LP Units to Melcor in connection therewith, must be approved by the affirmative vote of a majority of votes cast by Unitholders present in person or represented by proxy at the Meeting who are not Melcor or certain of its associates or affiliates.

### **Recommendation of the Board**

The Board, with interested Trustees abstaining, based on the recommendation of the Special Committee and the factors referred to above unanimously: (i) resolved that the Melcor Acquisition is in the best interests of the REIT and its Unitholders; (ii) approved the Melcor Acquisition Agreement, the Offering and all other documents as may be necessary to complete the Melcor Acquisition and the Offering; and (iii) resolved to recommend that Unitholders vote FOR the Melcor Acquisition at the Meeting.

**The Trustees, with interested Trustees abstaining, unanimously recommend that Unitholders vote FOR the Melcor Acquisition Resolution at the Meeting.**

Unitholders should consider the Melcor Acquisition carefully and come to their own conclusion as to whether or not to vote in favour. The foregoing discussion of the information and factors reviewed by the Board and Special Committee is not, and is not intended to be, exhaustive or in order of significance. In view of the wide variety of factors considered, neither the Board nor the Special Committee found it practicable to, and therefore did not, quantify or otherwise assign relative weight to specific factors in making its determination. The conclusions and recommendations of the Board and Special Committee were made after consideration of all relevant factors, including the ones noted above, in light of the collective knowledge of the members thereof of the operations, financial condition and prospects of the REIT and was also based upon the advice of its advisors.

### **Fairness Opinion**

#### *Overview*

By letter agreement dated November 8, 2017 (the “**Trimaven Engagement Letter**”), the Special Committee retained Trimaven to act as financial advisor to the Special Committee and to provide the Fairness Opinion and the Class C LP Unit Valuation. In retaining Trimaven, the Special Committee, based in part on representations made to it by Trimaven, concluded that Trimaven was independent and qualified to provide the Fairness Opinion and the Class C LP Unit Valuation.

Pursuant to the terms of the engagement letter, the REIT agreed to pay a fixed fee to Trimaven as compensation for its services to be fully paid upon substantial completion of its work and notice to the Special Committee that it is in position to deliver the Fairness Opinion and Class C LP Unit Valuation, irrespective of its conclusion. Pursuant to the terms of the engagement letter, the REIT agreed to reimburse Trimaven for all reasonable out-of-pocket expenses incurred by it and to indemnify Trimaven in respect of certain liabilities that might arise out of the engagement.

The Fairness Opinion is the opinion of Trimaven and the form and content therein has been reviewed and approved for release by a group of managing directors of Trimaven, each of whom is experienced in mergers and acquisitions, divestiture, valuation, fairness opinion and other capital markets matters.

#### *Credentials of Trimaven*

Trimaven is an independently owned investment bank that provides clients with specialized advice in mergers and acquisitions, special situations, shareholder activism, corporate finance, fairness opinions, valuations, private equity and asset/portfolio advisory. Trimaven’s principals have over fifty years of combined experience providing financial advisory services and have extensive experience in preparing fairness opinions and valuations in transactions similar to the Melcor Acquisition.

### *Independence of Trimaven*

Neither Trimaven nor any of its affiliated entities (as such term is defined for the purposes of the MI 61-101) is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the REIT, Melcor or any of their respective associates or affiliates (collectively the “**Interested Parties**”). Trimaven is not acting as an advisor to the REIT, Melcor or any other Interested Party in connection with any matter other than acting as financial advisor to the Special Committee hereunder.

Trimaven has not participated in any underwriting involving the REIT, Melcor or any other Interested Party during the 24 month period preceding the date Trimaven was first contacted in respect of the Fairness Opinion and Class C LP Unit Valuation. Further, other than the preparation and delivery of the Fairness Opinion and Class C LP Unit Valuation, Trimaven has not been engaged to provide any financial advisory services involving the REIT in such 24 month period.

Trimaven does not have a material financial interest in the completion of the Melcor Acquisition and the fees paid to Trimaven in connection with its engagement do not give Trimaven any financial incentive in respect of the conclusions reached in the Fairness Opinion and Class C LP Unit Valuation or the outcome of the Melcor Acquisition.

Trimaven does not, nor do any of its affiliates, act as traders or dealers of public market securities, either as principal or agent. Notwithstanding the foregoing, Trimaven, and any of its affiliates, may in the future have positions in the securities of the REIT or any other Interested Parties, and, from time to time, may execute transactions on behalf of such entities or other clients for which it may receive compensation. Trimaven and its affiliates may, in the future, conduct research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the REIT, or any other Interested Parties. As of the date hereof, Trimaven does not conduct research on securities and does not provide research reports on investment matters, including in respect of any of the Interested Parties.

There are no understandings, agreements or commitments between Trimaven and the REIT, Melcor or any other Interested Party with respect to any future financial advisory or investment banking business. Trimaven and its affiliates may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the REIT, Melcor or any other Interested Party.

Trimaven is of the view that it is “independent” (as that term is described in MI 61-101) of all Interested Parties.

### *Conclusion*

As more fully described in Appendix “B”, in rendering the Fairness Opinion, Trimaven relied, without independent verification, on financial and other information that was obtained by Trimaven from public sources, senior management of the REIT, and their respective representatives and advisors. Trimaven relied on a representation letter from senior management of the REIT that this information was complete, accurate and fairly presented. Based upon and subject to the assumptions, limitations and other considerations set forth in the Fairness Opinion and such other matters considered relevant by Trimaven, Trimaven is of the opinion that, as at December 4, 2017, the consideration payable by the REIT pursuant to the Melcor Acquisition is fair, from a financial point of view, to the Unitholders other than Melcor and certain of its associates and affiliates.

**The summary of the Fairness Opinion described in this Circular is qualified in its entirety by reference to the full text of the Fairness Opinion. Unitholders are urged to read the Fairness Opinion carefully in its entirety. The full text of the Fairness Opinion describes the scope of review, assumptions made, procedures followed, matters considered and limitations on the review undertaken by Trimaven. The Fairness Opinion is attached as Appendix “B” and forms part of this Circular. The Fairness Opinion is directed only to the fairness, from a financial point of view, in respect of the consideration payable pursuant to the Melcor Acquisition to the Unitholders, other than Melcor and certain of its associates and affiliates. The Fairness Opinion does not address the relative merits of the Melcor Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Melcor Acquisition. The Fairness Opinion does not constitute a recommendation by Trimaven to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Melcor Acquisition.**

## **Valuation Requirements**

### *Overview*

The Melcor Acquisition constitutes a “related party transaction” under MI 61-101. Pursuant to MI 61-101, the REIT was required to obtain, at its own expense, the Appraisal as a formal valuation of the Melcor Acquisition Properties by a qualified valuator who is independent of the REIT.

In addition, the provisions of MI 61-101 would have required the REIT to obtain a formal valuation of the Class B LP Units and Class C LP Units to be issued to the Vendors as partial consideration for the Melcor Acquisition. MI 61-101 provides a number of exemptions from the formal valuation requirements including in circumstances where non-cash consideration payable in connection with the related party transaction consists of securities of a reporting issuer.

### *Class B LP Units - Exemptive Relief*

Although the Class B LP Units to be issued to Melcor as partial satisfaction of the purchase price for the Melcor Acquisition Properties are not securities of a reporting issuer, they are, as a result of the rights, privileges and restrictions attaching to such Class B LP Units and the various material agreements relating to and governing the Class B LP Units, equivalent to the Units (which are securities of a reporting issuer) in all material respects. As a result of such equivalency, the REIT has applied to the Alberta Securities Commission and the Ontario Securities Commission for exemptive relief from the requirement to obtain a formal valuation of the Class B LP Units to be issued to Melcor in connection with the Melcor Acquisition.

In compliance with the conditions of such expected exemptive relief, the REIT represents that it has no knowledge of any material information concerning the REIT and the Partnership, or concerning the securities of the REIT and the Partnership, that has not been generally disclosed. Furthermore, Melcor has confirmed to the REIT that it has no knowledge of any material information concerning the REIT and the Partnership or securities of the REIT and the Partnership that has not been generally disclosed.

By engagement agreement dated October 11, 2017, the Special Committee retained Altus Group to provide an independent estimate of the market value of each of the Melcor Acquisition Properties as at September 30, 2017. In retaining Altus Group, the Special Committee, based in part on representations made to it by Altus Group, concluded that Altus Group was independent and qualified to provide the Appraisal. Pursuant to the terms of the engagement agreement, the REIT agreed to pay a fixed fee to Altus Group as compensation for its services. Pursuant to the terms of the engagement agreement, the REIT agreed to reimburse Appraiser for certain out-of-pocket expenses incurred by it.

### *Class C LP Unit Valuation*

The Special Committee retained Trimaven to complete the Class C LP Unit Valuation pursuant to the Trimaven Engagement Letter. See "Background and Recommendations - Fairness Opinion" for further information on the credentials and independence of Trimaven.

The Class C LP Unit Valuation is the opinion of Trimaven and the form and content therein has been reviewed and approved for release by a group of managing directors of Trimaven, each of whom is experienced in mergers and acquisitions, divestitures, valuations, fairness opinions and other capital markets matters.

As more fully described in Appendix “C”, in rendering the Class C LP Unit Valuation, Trimaven relied, without independent verification, on financial and other information that was obtained by Trimaven from public sources, senior management of the REIT, and their respective representatives and advisors. Trimaven relied on a representation letter from senior management of the REIT that this information was complete, accurate and fairly presented. Based upon and subject to the assumptions, limitations and other considerations set forth in the Class C LP Unit Valuation and such other matters considered relevant by Trimaven, Trimaven is of the opinion that, as at December 4, 2017, the value of the Class C LP Units to be issued to Melcor in connection with the Melcor Acquisition is between \$13.00 million and \$13.20 million.

**The summary of the Class C LP Unit Valuation described in this Circular is qualified in its entirety by reference to the full text of the Class C LP Unit Valuation. Unitholders are urged to read the Class C LP Unit Valuation carefully in its entirety. The full text of the Class C LP Unit Valuation describes the scope of**

review, assumptions made, procedures followed, matters considered and limitations on the review undertaken by Trimaven. The Class C LP Unit Valuation is attached as Appendix “C” and forms part of this Circular. The Class C LP Unit Valuation is directed only to the value of the Class C LP Units to be issued to Melcor in connection with the Melcor Acquisition. The Class C LP Unit Valuation does not address the relative merits of the Melcor Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Melcor Acquisition. The Class C LP Unit Valuation does not constitute a recommendation by Trimaven to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Melcor Acquisition.

#### *Credentials of Altus Group*

Altus Group’s Research, Valuation & Advisory group is an independent real estate advisory practice in Canada, with over 40 years of experience in providing public and private sector clients with advisory services in the fields of valuation and appraisal, legal support, decision making support, financial due diligence, targeted research, market information and perspective, tenant satisfaction studies, industry benchmark reporting, and presentation materials.

#### *Independence of Altus Group*

Neither Altus Group nor any of its affiliated entities (as such term is defined for the purposes of the MI 61-101) is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the REIT, Melcor or any of their respective associates or affiliates (collectively the “**Interested Parties**”). Altus Group is not acting as an advisor to the REIT, Melcor or any other Interested Party in connection with the Melcor Acquisition other than acting as an advisor to the Special Committee as set out herein.

During the 24 months before Altus Group was first contacted by the Special Committee with respect to the preparation of the Appraisal, neither Altus Group nor any of its affiliated entities had a material financial interest in a transaction involving an Interested Party, other than with respect to the provision of professional services from time to time to Melcor with respect to its quarterly financial reporting, on a fee-for-services basis, on customary terms and for customary fees.

Altus Group does not have a material financial interest in the completion of the Melcor Acquisition and the fees paid to Altus Group in connection with its engagement do not give Altus Group any financial incentive in respect of the conclusions reached in the Appraisal or the outcome of the Melcor Acquisition.

There are no understandings, agreements or commitments between Altus Group and the REIT, Melcor or any other Interested Party with respect to any future advisory business. Altus Group may, in the future, in the ordinary course of its business, perform valuation and appraisal services for the REIT, Melcor or any other Interested Party.

Altus Group confirmed that it is of the view that it is “independent” (as that term is defined in MI 61-101) of all Interested Parties for the purposes of preparing and delivering the Appraisal in compliance with 61-101.

#### **Independent Appraisals**

The Melcor Acquisition constitutes a “related party transaction” under MI 61-101. In accordance with MI 61-101, the REIT was required to obtain, at its own expense, the Appraisal. The Special Committee retained Altus Group to provide an independent estimate of the market value of each of the Melcor Acquisition Properties as at September 30, 2017. The Appraisal was prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and the code of Professional Ethics and Standards of Professional Practice, each adopted by the Appraisal Institute of Canada.

The Appraisal Institute of Canada has defined market value as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. According to the Appraisal Institute of Canada, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment

is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The estimated market value of the Melcor Acquisition Properties primarily was determined by Altus Group using an income valuation approach (which utilized both the overall capitalization rate and the discounted cash flow approach). The direct comparison approach was used to support the conclusion reached by the income valuation approach for the Melcor Acquisition Properties. These valuation methods are methods frequently used by investors when acquiring properties of this nature. Altus Group gave consideration to a forecast of income for each property based on contract and market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses. Altus Group visited each of the Melcor Acquisition Properties to assess location and general physical characteristics and estimated the highest and best use for each property. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In appraising the Melcor Acquisition Properties, Altus Group assumed, among other things, that title to the Melcor Acquisition Properties was good and marketable and did not take into account issues such as, but not limited to, mechanical, structural, environmental, zoning, planning or related issues. Altus Group notes that it has not reviewed the BCA Reports for the Melcor Acquisition Properties, and that any outstanding expenditures of a capital nature may affect value conclusions.

In determining the approximate market value of the Melcor Acquisition Properties, Altus Group relied on operating and financial data provided by Melcor, including rent rolls. For each property, Altus Group discussed with management of Melcor the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed management revenue and expense estimates for their reasonableness. Based on its limited review, and other relevant facts, Altus Group considered such data to be reasonable.

As set out in the Appraisal, the aggregate market value of the Melcor Acquisition Properties as at September 30, 2017, accounting for Melcor's 50% interest in Chestermere Station Phase Seven, was approximately \$82.40 million, demonstrating a weighted average capitalization rate of 6.03%, as calculated by the REIT, based on the Altus Group's estimates of stabilized net operating income in the Appraisal.

Based on the Appraisal, the following table shows the market value of each Melcor Acquisition Property as at September 30, 2017:

<b><u>Melcor Acquisition Property</u></b>	<b><u>Appraised Value (in thousands)</u></b>
Chestermere Station Phase 7 .....	\$5,100 <sup>1</sup>
Telford NDT Building .....	\$16,000
Kingsview Market Phase 2	\$13,000
Kingsview Market Phase 4	\$10,200
The District	\$15,600
West Henday Promenade Phase 2 .....	\$22,500
<b>Total .....</b>	<b>\$82,400</b>

**Notes:**

1. Represents 50% of the aggregate appraised value of Chestermere Station Phase 7 because Melcor owns (and if the Melcor Acquisition is completed, the REIT will own) a 50% interest in Chestermere Station Phase 7.

This summary of the Appraisal does not purport to be complete and is subject to, and qualified in its entirety by, reference to the Appraisal, a copy of which is available on the System for Electronic Document Recovery and Retrieval at [www.sedar.com](http://www.sedar.com) under the REIT's issuer profile. In addition, a copy of the Appraisal may be viewed at the REIT's offices at 10310 Jasper Avenue Edmonton, AB T5J 1Y2 and copies will be sent to any Unitholder upon request and subject to a nominal charge to cover printing and mailing costs. See "Risk Factors - Use of Appraisals".

**Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value at a particular date. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while Altus Group's internal forecasts of NOI for the Melcor Acquisition Properties were considered to be reasonable at the time of the Appraisal, some of the assumptions may not materialize or may differ materially from actual experience in the future.**

**A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the appraisal value of its properties.**

## THE MELCOR ACQUISITION PROPERTIES

### **Melcor Acquisition Properties**

The Melcor Acquisition Properties consist of five commercial properties, with approximately 172,629 owned square feet of GLA. The following is a description of the Melcor Acquisition Properties:

#### ***Kingsview Market Centre Phases Two & Four, Yankee Valley Road & Kingsview Blvd. Airdrie, Alberta***

Kingsview Market Centre Phases Two and Four, located in Airdrie, Alberta, a suburb of Calgary, is a 52,469 square foot multi-tenant retail complex developed by Melcor on a 5.44-acre site, with construction completed in 2016. The REIT currently owns Kingsview Market Centre Phases One (36,003 square feet of GLA) and Three (11,555 square feet of GLA), having acquired such properties from Melcor in 2013 and 2014. As at December 1, 2017, the property was 100% leased, and occupied by seventeen tenants.

<b><u>Key Tenants</u></b>	<b>Area Leased</b>	<b>Percentage of Total GLA</b>	<b><u>Lease Expiry Date</u></b>
	<b>(sq. ft.)</b>		
Auto Value .....	9,572	18.2%	November 2037
Toad & Turtle .....	7,486	14.3%	November 2027
Oranj Fitness .....	6,069	11.6%	September 2026

Pursuant to the Melcor Acquisition Agreement, to the extent that there is a future rent abatement below the rent now payable by one specific tenant at this property, Melcor will pay to the REIT the difference between the rent now payable by such tenant and the future abated rent. This agreement will remain in place until the earlier of: (i) a specified period of time following the Melcor Acquisition Closing, (ii) the future rent abatement expires and the tenant again begins to pay the rent at or above the rent now payable, and (iii) the tenant ceases to occupy the leased premises.

#### ***Telford Industrial Phase Four, 39th Street, Leduc, Alberta***

Telford Industrial Phase Four, a property developed by Melcor with construction completed in 2016, is a single tenant industrial building situated on a 4.30-acre site, containing 44,328 square feet of GLA. The REIT currently owns two properties in Telford Industrial Park (98,790 square feet of GLA in the aggregate), having acquired such properties from Melcor in 2014 and 2015.

Pursuant to the Melcor Acquisition Agreement, Melcor will, with respect to Telford Industrial Phase Four, complete, at its own cost and expense, outstanding landlord's repair work, expected to total approximately \$265,000 in the aggregate.

<b><u>Key Tenants</u></b>	<b>Area Leased</b>	<b>Percentage of Total GLA</b>	<b><u>Lease Expiry Date</u></b>
	<b>(sq. ft.)</b>		
NDT Global Inc.....	44,328	100%	February 2026

#### ***Chestermere Station Phase Seven, Highway 1A & Windermere Blvd., Chestermere, Alberta***

Chestermere Station Phase Seven, is a 21,062 square foot multi-tenant retail complex developed by Melcor on a 2.11-acre site, with construction completed in 2017. The REIT currently owns a 50% interest in Chestermere Station Phases One through Four (52,482 square feet of owned GLA) and Phase six (21,538 square feet of owned

GLA), having acquired such properties from Melcor in 2013 and 2016. As at December 1, 2017, the property was 100% leased, and was occupied by four tenants.

Pursuant to the Melcor Acquisition Agreement, Melcor will, with respect to Chestermere Station Phase Seven, complete, at its own cost and expense, outstanding tenant improvements, and pay certain outstanding leasing commissions, expected to total approximately \$232,000 in the aggregate.

<b>Key Tenants</b>	<b>Area Leased (sq. ft.)</b>	<b>Percentage of Total GLA</b>	<b>Lease Expiry Date</b>
Dollarama .....	9,400	44.6%	May 2027
Canadian Brewhouse .....	6,713	31.9%	September 2032
Rising Star Liquor .....	3,625	17.2%	August 2027

Melcor owns, and upon the Melcor Acquisition Closing the REIT will own, a 50% interest in Chestermere Station Phase Seven governed by a joint venture agreement. The joint venture agreement pertaining to Chestermere Station Phase Seven provides, among other things, the following: (i) a restriction on a joint venture partner's ability to transfer or encumber its interest without consent of the other joint venture partners; (ii) a right of first refusal if a joint venture partner decides to sell its interest in the joint venture, but only if the offer is an arm's length offer providing for, among other requirements, payment of not less than 50% of the purchase price (or portion thereof not being satisfied by debt assumption) in cash; (iii) a right to transfer to an affiliate (as defined in the ABCA); and (iv) shotgun provisions that allow Melcor, or Melcor's joint venture partners (acting jointly), in situations where the joint venture partners are unable to agree on certain major decisions regarding the joint venture, to require the other joint venture partner(s) to elect to either acquire the triggering partner's interest in the joint venture or sell its interest to the triggering partner. Melcor manages Chestermere Station Phase Seven on behalf of the joint venture. Melcor's joint venture partner in Chestermere Station has consented to the transfer of Melcor's interest to the REIT.

#### ***The District at North Deerfoot Phase One, Deerfoot Trail & Country Hills Blvd., Calgary, Alberta***

The District at North Deerfoot Phase One is a 23,159 square foot mixed use campus property developed by Melcor on a 2.79-acre site, with construction completed in 2016. As at December 1, 2017, the property was 100% leased and occupied by ten tenants.

<b>Key Tenants</b>	<b>Area Leased (sq. ft.)</b>	<b>Percentage of Total GLA</b>	<b>Lease Expiry Date</b>
Kinjo Sushi& Grill .....	7,328	31.6%	December 2030
Dairy Queen .....	2,555	11.0%	February 2031
Diamond Star Liquor .....	2,545	11.0%	September 2025

#### ***West Henday Promenade Phase Two, Weber Greens Drive, Edmonton, Alberta***

West Henday Promenade Phase Two is a 42,142 square foot multi-tenant retail complex developed by Melcor on a 5.66-acre site, with construction completed in 2017. The REIT currently owns West Henday Promenade Phase One (34,987 square feet of GLA), having acquired such property from Melcor in 2014. As at December 1, 2017, the property was 100% leased and occupied by thirteen tenants, with ten of such tenants paying rent. By May 2018, the remaining three tenants (representing 6,615 square feet of GLA) are expected to be paying rent, with the applicable fixturing and rent free periods having expired.

Pursuant to the Melcor Acquisition Agreement, Melcor will, with respect to West Henday Promenade Phase Two, complete, at its own cost and expense, outstanding tenant improvements, and pay certain outstanding leasing commissions, expected to total approximately \$152,000 in the aggregate.

<b>Key Tenants</b>	<b>Area Leased (sq. ft.)</b>	<b>Percentage of Total GLA</b>	<b>Lease Expiry Date</b>
Brightpath Early Learning .....	12,894 <sup>(1)</sup>	30.6%	December 2045
CIBC .....	4,911	11.7%	October 2023
RBC .....	4,640	11.0%	October 2023

#### **Notes:**

1. Not including square footage with respect to parking spots and access areas included as part of the leased premises (as defined in the applicable lease).

## **Assessment and Valuation of the Melcor Acquisition Properties**

### *Building Condition Assessments*

Building condition assessment reports (“BCA Reports”) were prepared for each of the Melcor Acquisition Properties by independent engineering firms for the purpose of assessing and documenting the existing condition of each building and their major operating components and systems, as well as identifying and quantifying any major defects in materials or systems which might significantly affect the value of any of the Melcor Acquisition Properties or the continued operation thereof. The BCA Reports were completed in September, October and November, 2017. Based on the BCA Reports, the Melcor Acquisition Properties were determined to be in satisfactory condition.

Other than certain landlord’s repair work at Telford Industrial Phase Four which Melcor, pursuant to the Melcor Acquisition Agreement, will complete at its own cost and expense, no material capital expenditures were identified in the BCA reports

### *Environmental Site Assessments*

Each of the Melcor Acquisition Properties were the subject of a Phase 1 environmental site assessment report or an update to such a report (collectively, “Phase I ESA Reports”) prepared by independent environmental consultants in October, 2017. In general, the purpose of these Phase I ESA Reports was to identify any RECs at the Melcor Acquisition Properties, which means the presence or likely presence of any hazardous substances or petroleum products on any of the Melcor Acquisition Properties under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances into the ground, groundwater or surface water of any Melcor Acquisition Property. The Phase I ESA Reports were prepared in accordance with general industry practice for such reports. Intrusive sampling and analysis were not part of these Phase I environmental site assessments or updates.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs that immediately warranted further environmental assessment or investigation at any of the Melcor Acquisition Properties. Melcor will indemnify the REIT and the Partnership with respect to any damages incurred or losses suffered by the REIT or the Partnership relating to environmental matters for a period of seven years with respect to the Melcor Acquisition Properties.

## **FINANCING FOR THE ACQUISITION**

### **The Offering**

In order to partially finance the Melcor Acquisition, the REIT has agreed to sell, subject to regulatory approval and on a bought-deal basis, \$20 million aggregate principal amount of Debentures and \$15.045 million of Subscription Receipts to a syndicate of underwriters co-led by CIBC World Markets Inc. and RBC Dominion Securities Inc. The Offering is expected to close on December 21, 2017.

### *The Subscription Receipts*

The Subscription Receipts will be issued pursuant to a subscription receipt agreement (the “**Subscription Receipt Agreement**”), dated the date of Closing, among the REIT, the Lead Underwriters on their own behalf and on behalf of the other Underwriters, and the Subscription Receipt Agent. Following the completion of the Offering, the Subscription Receipt Agreement will be filed with the various securities commissions or similar authorities in Canada. Consequently, the Subscription Receipt Agreement will be available on [www.sedar.com](http://www.sedar.com).

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

#### *Overview*

The Escrowed Funds will be delivered to and held by the Subscription Receipt Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other Approved Investments) pending the earlier to occur of the Melcor Acquisition Closing Time and 5:00 pm (Edmonton Time) on the Termination Date.

Upon the Melcor Acquisition Closing and satisfaction of the other conditions to the exchange of the Subscription Receipts: (i) one Unit will be automatically issued in exchange for each Subscription Receipt, without payment of additional consideration; (ii) an amount per Subscription Receipt equal to the amount per Unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including the date of the Closing to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement (the “**Subscription Receipt Adjustment Payment**”), if any, less applicable withholdings taxes, if any, will become payable in respect of each Subscription Receipt; and (iii) the Escrowed Funds (less the remaining half of the Underwriters’ Fee in respect of the Subscription Receipts) will be released to the REIT which will then be utilized to pay a portion of the purchase price for the Melcor Acquisition Properties. The Escrowed Funds may be subject to a special release to the REIT or, at its direction, under other escrow conditions, in order to facilitate the actual completion of the Melcor Acquisition. The Subscription Receipt Agreement contains customary anti-dilution provisions with respect to the Subscription Receipts. To the extent that the Melcor Acquisition Closing occurs prior to the closing of any exercise of the Subscription Receipt Over-Allotment Option, Units will be issued in lieu of Subscription Receipts and the proceeds, net of the full Underwriters’ Fee in respect of the Subscription Receipts, will be paid directly to the REIT.

Forthwith upon determining that the time of the Melcor Acquisition Closing (the “**Melcor Acquisition Closing Time**”) will occur on or before the Termination Date, the REIT will execute and deliver to the Subscription Receipt Agent, its transfer agent and the Lead Underwriters a notice thereof, and will issue and deliver the Units (i.e., one Unit for each Subscription Receipt then outstanding) to the Subscription Receipt Agent. If the Melcor Acquisition Closing occurs on or before the Termination Date, Subscription Receipt Holders shall automatically receive one Unit in exchange for each Subscription Receipt held and become entitled to receive from the Subscription Receipt Agent, without duplication, on or about the third business day following the Melcor Acquisition Closing Time, an amount representing the Subscription Receipt Adjustment Payment, if any, less applicable withholdings taxes, if any, for each Subscription Receipt so held. To the extent that the Subscription Receipt Adjustment Payment includes amounts in respect of cash distributions on the Units for which record dates have occurred (during the period from and including the date of the closing of the Offering to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement) and have not yet been paid, such amounts shall not be payable to Subscription Receipt Holders, unless the REIT otherwise elects, until the date that such related cash distributions are paid to Unitholders. If the Melcor Acquisition Closing occurs on or before the Termination Date, the REIT shall be entitled to receive the Escrowed Funds (including all interest or other income actually earned on the investment of the Escrowed Funds from the Closing to, but excluding, the earlier to occur of the date of the Melcor Acquisition Closing and the Termination Date (collectively, “**Earned Interest**”), but less the remaining half of the Underwriters’ Fee in respect of the Subscription Receipts) from the Subscription Receipt Agent. Promptly following the Melcor Acquisition Closing Time, the REIT will issue a press release specifying that the Melcor Acquisition Closing has occurred and that the Units have been issued.

If the Melcor Acquisition Closing does not occur on or before the Termination Date, the REIT will forthwith notify the Subscription Receipt Agent and the Lead Underwriters, and promptly issue a press release specifying that the Melcor Acquisition Closing will not occur on or before the Termination Date. Upon such occurrence, the subscription evidenced by each Subscription Receipt will be automatically terminated and cancelled and each Subscription Receipt will entitle the holder thereof to receive an amount equal to the Subscription Receipt Price and his or her *pro rata* share of the Earned Interest and interest (“**Deemed Interest**”) that would have otherwise been earned on the one-half of the Underwriters’ Fee payable on the Subscription Receipts paid to the Underwriters (the “**Initial Underwriters’ Fee Payment**”) as if such fee had been held in escrow as part of the Escrowed Funds and not paid to the Underwriters, less applicable withholding taxes, if any. For greater certainty, despite the fact that the Initial Underwriters’ Fee Payment will be paid by the REIT to the Underwriters from the proceeds raised from the Offering of Subscription Receipts hereunder at the closing of the Offering, the REIT will nonetheless, in the event that the Melcor Acquisition Closing does not occur on or before the Termination Date, be responsible to compensate each holder of a Subscription Receipt for an amount equal to the full Subscription Receipt Price and his or her *pro rata* share of the Earned Interest and Deemed Interest, less applicable withholding taxes, if any. The obligation to make the payment of the amounts specified above shall be satisfied by mailing payment by cheque payable to the Subscription Receipt Holders at such holders’ registered address or by making a wire transfer for the account of such holders through CDS. Upon the mailing or delivery of a cheque or the making of any wire transfer as provided above (and provided such cheque has been honoured for payment, if presented for

payment within six months of the date thereof, as the case may be) all rights evidenced by the Subscription Receipts relating thereto shall be satisfied and such Subscription Receipts shall be void and of no value or effect.

**Subscription Receipt Holders are not Unitholders and Subscription Receipts do not carry any voting rights whatsoever in the REIT. Subscription Receipt Holders are entitled only to receive Units on surrender of their Subscription Receipts to the Subscription Receipt Agent or to a return of the Subscription Receipt Price for each Subscription Receipt held together with any payments in respect of interest or distributions, in each case as applicable, as described above.**

#### *Contractual Right of Rescission*

Under the Subscription Receipt Agreement, original purchasers of Subscription Receipts pursuant to the Offering will have a non-assignable contractual right of rescission, exercisable against the REIT following the issuance of the Units to such purchaser upon the exchange of the Subscription Receipts, to receive the Subscription Receipt Price paid for each such Subscription Receipt if the short form prospectus qualifying their distribution (including documents incorporated therein by reference) or any amendment thereto contains a misrepresentation (within the meaning of the *Securities Act* (Alberta)), provided such remedy for rescission is exercised within 180 days of the closing of the Offering following which this contractual right of rescission will be null and void. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part 17.01 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers of Subscription Receipts under section 203 of the *Securities Act* (Alberta) or otherwise at law. For greater certainty, this contractual right of rescission under the Subscription Receipt Agreement is only in connection with a misrepresentation (within the meaning of the *Securities Act* (Alberta)) and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces and territories of Canada.

#### *Limitation 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; (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, whether by conversion of Subscription Receipts, outstanding debentures, including the Debentures and the 2014 Debentures, repayment of debentures (including the Debentures and the 2014 Debentures), other convertible securities of the REIT, by issuance of Units, or otherwise. The Trustees may require a registered holder of Subscription Receipts to provide the Trustees with a declaration as to the jurisdictions in which beneficial owners of the Subscription Receipts registered in the name of such holder 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 (on a diluted basis assuming conversion for Units of all outstanding Subscription Receipts, all outstanding convertible debentures, including the Debentures and the 2014 Debentures and all other outstanding securities of the REIT which may be, directly or indirectly, convertible into Units (collectively with the Units, the “**Subject Securities**”)), 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 Subject Securities from or issue or register a transfer of Subject Securities (including the issuance of Units on conversion of Subject Securities) to a person unless the person or partnership, as the case may be, 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 Subject Securities for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (on a diluted basis assuming conversion of all non-Unit Subject Securities for Units) would be held by Non-Residents, the Trustees may send a notice to such Non-Resident holders of Subject Securities (including Subscription Receipts) 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 such holders to sell their Subject Securities or a portion thereof within a specified period of not more than 30 days. If holders of Subject Securities receiving such notice have not sold the specified number of Subject Securities or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such securityholders sell such Subject Securities and, in the interim, shall suspend any voting, conversion and economic rights attached to such Subject Securities (other than the right to receive the net proceeds from the sale). Upon such sale, the affected

holders of Subject Securities shall cease to be holders of the relevant Subject Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Subject Securities. The Trustees will have no liability for the amount received provided that they act in good faith. The REIT may direct the Subscription Receipt Agent to assist the Trustees with respect to any of the foregoing. 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 to the REIT 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.

#### *Delivery and Form*

The Subscription Receipts may be represented in either certificated or uncertificated form registered in the name of CDS or its nominee and held by, or on behalf of, CDS, as depository of the Subscription Receipt for the participants of CDS (a “**CDS-Registered Subscription Receipt**”). Certificates evidencing the Subscription Receipts will not be issued to purchasers of Subscription Receipts.

Each purchaser acquiring a beneficial interest in a Subscription Receipt represented by a CDS-Registered Subscription Receipt will receive a customer confirmation of purchase from the Underwriter from whom the beneficial interest is purchased in accordance with the practices and procedures of that Underwriter. Registration of ownership and transfers of Subscription Receipts represented by a CDS-Registered Subscription Receipt may be effected through the book-based system administered by CDS or its nominees (with respect to interests of participants of CDS) and on the records of participants of CDS (with respect to interests of persons other than participants of CDS). The ability of an owner of a beneficial interest in a Subscription Receipt represented by a CDS-Registered Subscription Receipt to pledge such Subscription Receipt or otherwise take action with respect to such owner’s interest in such Subscription Receipt (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the REIT, the Underwriters nor the Subscription Receipt Agent shall have any responsibility or liability for: (a) any aspect of the records relating to the beneficial ownership of the Subscription Receipts held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Subscription Receipts; or (c) any advice or representation made by or with respect to CDS and contained in the short form prospectus qualifying the distribution of the Subscription Receipts and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a participant of CDS. The rules governing CDS provide that it acts as the agent and depository for the participants of CDS. As a result, participants of CDS must look solely to CDS and a purchaser acquiring a beneficial interest in the Subscription Receipts represented by a CDS-Registered Subscription Receipt must look solely to participants of CDS for any payments relating to the Subscription Receipts paid by or on behalf of the REIT to CDS.

#### *The Debentures*

The Debentures will be issued pursuant a trust indenture (the “**Supplemental Indenture**”) which is supplemental to the Indenture. Following the completion of the Offering, the Supplemental Indenture will be filed with the various securities commissions or similar authorities in Canada. Consequently, the Supplemental Indenture will be available on [www.sedar.com](http://www.sedar.com).

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

#### *Overview*

The Debentures will initially be limited in the aggregate principal amount of \$20 million, not including the Debenture Over-Allotment Option. The REIT may, however, from time to time, without the consent of the holders of the Debentures, issue additional or other debentures in addition to the Debentures offered hereby. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At closing of the Offering, the Debentures will be available for delivery in book-entry only form through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under “- Book Entry, Delivery and Form”. No fractional Debentures will be issued.

The Maturity Date for the Debentures will initially be the Initial Maturity Date. If the completion of the Melcor Acquisition occurs prior a Termination Event, the Maturity date of the Debentures will be automatically extended from the Initial Maturity Date to the Final Maturity Date, and the first interest payment on June 30, 2018 will include accrued and unpaid interest for the period from, and including, the date of closing of the Offering to, but excluding, June 30, 2018.

The Debentures will bear interest from, and including, the date of closing of the Offering at 5.25% per annum. If the Maturity Date is extended to the Final Maturity Date, interest will be payable semi-annually in arrears on June 30 and December 31 (each an “**Interest Payment Date**”) in each year, commencing on June 30, 2018 until the Final Maturity Date. The first payment will include accrued and unpaid interest for the period from the date of closing of the Offering to, but excluding, June 30, 2018. In the event that the completion of the Melcor Acquisition does not occur prior to the occurrence of a Termination Event, the Debentures will mature on the Initial Maturity Date and the REIT will repay the aggregate principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon.

The Debentures will be direct obligations of the REIT and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other liabilities of the REIT as described under “Subordination”. Neither the Indenture nor the Supplemental Indenture will 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 Debentures will be transferable, and may be presented for conversion, at the principal offices of the Debenture Trustee in Calgary, Alberta and Toronto, Ontario.

The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. At closing of the Offering, Debentures will issued to CDS in registered or unregistered form. Certificates evidencing the Debentures will not be issued to purchasers of Debentures.

#### *Conversion Privilege*

Each Debenture will be convertible into Units at the option of the Debenture Holder at any time after the Initial Maturity Date but prior to 5:00 p.m. (Alberta time) on the earlier of the Final Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the Debentures, at the Conversion Price of \$11.50 per Unit, being a conversion rate of approximately 86.9565 Units per \$1,000 principal amount of the Debentures, subject to adjustment in certain events described below. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, Debenture Holders converting their Debentures will be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest on such Debentures for the period from, and including, the last Interest Payment Date (or the date of closing of the Offering if no interest has yet been paid with respect to their Debentures) to and including the last record date set by the REIT, occurring prior to the date of conversion, for determining the holders of Units entitled to receive a distribution on the 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 Units prior to the applicable date of conversion, and such suspension is in effect on such date of conversion, such Debenture Holder, in addition to the applicable number of 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 (or the date of closing of the Offering if no interest has yet been paid on the Debentures) to and including the date of conversion. Notwithstanding the foregoing, no 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 Units; (ii) the issuance of Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise (other than an issue of Units to holders of Units who have elected to receive distributions in the form of Units in lieu of receiving cash distributions paid in the ordinary course on the Units); (iii) the issuance of options, rights or warrants to holders of all or substantially all of the outstanding Units entitling such holders to acquire (a) Units at a price per Unit of less than 95% of the then Current Market Price of a Unit or (b) securities convertible or exchangeable into Units at a conversion or exchange price per Unit, as the case may be, of less than 95% of the then Current Market Price of a Unit; and (iv) the distribution to holders of all or substantially all of the outstanding 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 Debentures are then listed, the Debenture Holders are entitled to participate in such event as though they had converted their Debentures prior to the effective date or record date, as the case may be, of such event. The REIT will not be required to make adjustments of the Conversion Price unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments that are, accordingly, not required to be made shall be carried forward and taken into account in any subsequent adjustment.

In the case of any reclassification of the Units or a capital reorganization of the REIT (other than a subdivision, redvision, reduction, combination or consolidation of the outstanding 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 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 Debenture 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 Debenture Holder had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date or the record date, as the case may be, of such event.

No fractional Units will be issued on any conversion of the Debentures. In lieu thereof, the REIT shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

#### *Redemption and Purchase*

The Debentures will not be redeemable by the REIT prior to December 31, 2020, 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, 2020, and prior to December 31, 2021, the 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, 2021, and prior to the Final Maturity Date, the 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 will have the right to purchase 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 will not have the right to purchase the Debentures by private contract. In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis 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 Debentures are then listed, if required.

#### *Payment upon Redemption or Maturity*

On redemption or on the Initial Maturity Date or Final Maturity Date, as applicable, the REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The REIT may, at its option (the "**Unit Repayment 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 Debentures which are to be redeemed or which have matured by issuing and delivering that number of fully paid, non-assessable and freely-tradeable Units to the Debenture Holders obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Units will be issued to 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.

#### *Restriction on Unit Payment Right*

The REIT shall not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Units, dividend or other distribution on the Units or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the Unit Repayment Option; or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Unit Repayment Option.

#### *Interest Payment Election*

Provided that the Maturity Date for the Debentures has been extended to the Final Maturity Date and 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 Debentures on the date interest is payable under the Supplemental Indenture, by issuing and delivering fully paid, non-assessable and freely-tradeable 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 Units, are sufficient to satisfy all of the REIT’s obligations to pay interest on the Debentures in accordance with the Supplemental Indenture. The Indenture provides that, upon such election, the Debenture Trustee shall request bids to purchase Units in accordance with the Indenture and shall: (i) accept delivery of Units from the REIT; (ii) accept bids with respect to, and facilitate settlement of sales of, such 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 Debenture 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 Debenture 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 Units in connection therewith will: (i) result in the Debenture Holders 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 Debenture Holders to receive any Units in satisfaction of the interest payable on the applicable Interest Payment Date.

#### *Cancellation*

All 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 Debentures will be 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 (with the Debentures and the 2014 Debentures ranking *pari passu*) 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 Debentures will not limit the ability of the REIT to incur additional indebtedness, including indebtedness that ranks senior to the 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 Debentures (excluding the issuance of 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 Debenture Holders 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 Debentures: (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the 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 Debentures will also be 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 Debenture 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 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 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 will have 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 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 Debenture Holders a notice of the Change of Control, which will include a description of the Change of Control, details of the Debenture Holders' Put Right and a description of the rights of the REIT to redeem untendered Debentures; and (ii) a Debenture 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 Debenture Holders 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 Debenture Holders resolutions passed at meetings of the Debenture Holders by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the then outstanding 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 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 has the right to make certain amendments to the Indenture in its discretion, without the consent of the Debenture Holders.

#### *Events of Default*

The Indenture provides that an event of default ("Event of Default") in respect of the 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 Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the maturity date of the 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 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 66 2/3% of the principal amount of the Debentures then outstanding may, on behalf of all Debenture 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 Debentures where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the 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 Debentures representing at least 90% of the outstanding principal amount of the Debentures, other than 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 Debentures of the Debenture Holders who accepted the offer, the offeror will be entitled to acquire, for the same consideration per Debenture payable under the offer, the Debentures held by Debenture Holders who did not accept the offer.

#### *Contractual Rights of Rescission*

Under the Supplemental Indenture, original purchasers of Debentures will have a non-assignable contractual right of rescission, exercisable against the REIT following the issuance of Units to such purchaser pursuant to the exercise of the Debenture conversion privilege, to receive the offering price of each such Debenture if the short form prospectus qualifying their distribution (including the documents incorporated herein by reference) or any amendment thereto contains a misrepresentation (within the meaning of the *Securities Act* (Alberta)), provided such remedy for rescission is exercised within 180 days of the closing of the Offering, following which this contractual right of rescission will be null and void. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part 17.01 of the *Securities Act* (Alberta), and is in addition to any other right or remedy available to original purchasers of Debentures under section 203 of the *Securities Act* (Alberta) or otherwise at law. For greater certainty, this contractual right of rescission is only in connection with a misrepresentation (within the meaning of the *Securities Act* (Alberta)) and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces and territories of Canada.

#### *Limitation 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 Non-Residents be the beneficial owners of more than 49% of the Units, whether by conversion of Subscription Receipts, outstanding debentures, including the Debentures and the 2014 Debentures, repayment of debentures (including the Debentures and the 2014 Debentures), other convertible securities of the REIT, by issuance of Units, or otherwise. The Trustees may require a registered holder of Debentures to provide the Trustees with a declaration as to the jurisdictions in which beneficial owners of the Debentures registered in the name of such Debenture Holder 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 (on a diluted basis assuming conversion for Units of all non-Unit Subject Securities), 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 Subject Securities from or issue or register a transfer of Subject Securities (including the issuance of Units on conversion of Subject Securities) to a person unless the person or partnership, as the case may be, 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 Subject Securities for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (on a diluted basis assuming conversion of all non-Unit Subject Securities for Units) would be held by Non-

Residents, the Trustees may send a notice to such Non-Resident holders of Subject Securities (including Debentures) 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 such holders to sell their Subject Securities or a portion thereof within a specified period of not more than 30 days. If holders of Subject Securities receiving such notice have not sold the specified number of Subject Securities or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such securityholders sell such Subject Securities and, in the interim, shall suspend any voting, conversion and economic rights attached to such Subject Securities (other than the right to receive the net proceeds from the sale). Upon such sale, the affected holders of Subject Securities shall cease to be holders of the relevant Subject Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Subject Securities. The Trustees will have no liability for the amount received provided that they act in good faith. The REIT may direct the Debenture Trustee to assist the Trustees with respect to any of the foregoing. 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 to the REIT 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.

#### *Delivery and Form*

The Debentures may be represented in either certificated or uncertificated form registered in the name of CDS or its nominee and held by, or on behalf of, CDS, as depository of the Debenture for the participants of CDS (a “**CDS-Registered Debenture**”). Certificates evidencing the Debentures will not be issued to purchasers of Debentures.

Each purchaser acquiring a beneficial interest in a Debenture represented by a CDS-Registered Debenture will receive a customer confirmation of purchase from the Underwriter from whom the beneficial interest is purchased in accordance with the practices and procedures of that Underwriter. Registration of ownership and transfers of Debentures represented by a CDS-Registered Debenture may be effected through the book-based system administered by CDS or its nominees (with respect to interests of participants of CDS) and on the records of participants of CDS (with respect to interests of persons other than participants of CDS). The ability of an owner of a beneficial interest in a Debenture represented by a CDS-Registered Debenture to pledge such Debenture or otherwise take action with respect to such owner’s interest in such Debenture (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the REIT, the Underwriters nor the Debenture Trustee shall have any responsibility or liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in the short form prospectus qualifying the distribution of the Debentures and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a participant of CDS. The rules governing CDS provide that it acts as the agent and depository for the participants of CDS. As a result, participants of CDS must look solely to CDS and a purchaser acquiring a beneficial interest in the Debentures represented by a CDS-Registered Debenture must look solely to participants of CDS for any payments relating to the Debentures paid by or on behalf of the REIT to CDS.

#### *Defeasance*

The Indenture contains provisions requiring the Debenture Trustee to release the REIT from its obligations under the Indenture (including the Debentures) and any supplemental indenture relating to a particular series of debentures, provided that, among other things, the REIT satisfies the Debenture Trustee that it has deposited, or caused to be deposited, funds or property sufficient for, among other things, the payment of: (i) the expenses of the Debenture Trustee under the Indenture; and (ii) all principal, premium (if any), interest and other amounts due or to become due in respect of such series of debentures.

#### *Reports to Holders*

To the extent not publically available on SEDAR at [www.sedar.com](http://www.sedar.com), the REIT will provide the Debenture Trustee with copies of continuous disclosure documents furnished to its Unitholders (including annual consolidated financial statements of the REIT and any reports of the REIT’s auditors thereon) promptly upon the distribution thereof to its Unitholders.

### *Governing Law*

Each of the Indenture, the Supplemental Indenture and the Debentures are or will be governed by, and construed in accordance with, the laws of the Province of Alberta applicable to contracts executed and to be performed entirely in such Province.

### **Over-Allotment Options**

The REIT has granted the Underwriters an option to purchase up to an additional \$3,000,000 aggregate principal amount of Debentures on the terms as set forth in this Circular (the "**Debenture Over-Allotment Option**") and an option to purchase up to an additional 265,500 Subscription Receipts (or, if the Subscription Receipt Over-Allotment Options is exercised after the Melcor Acquisition Closing, an equivalent number of Units) on the terms as set forth in this Circular (the "**Subscription Receipt Over-Allotment Option**"), solely to cover over-allocations, if any, and for market stabilization purposes. The Over-Allotment Options are exercisable in whole or in part and at any time not later than the earlier of: (i) the 30th day following closing of the Offering; and (ii) the Termination Date.

### **Underwriters' Fee**

In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to a fee of \$0.34 per Subscription Receipt and of \$37.50 per \$1,000 aggregate principal amount of Debentures (the "**Underwriters' Fee**"). The Underwriters' Fee in respect of the Subscription Receipts is payable 50% upon closing of the Offering and 50% on the release of the Escrowed Funds to the REIT. If a Termination Event occurs prior to the Melcor Acquisition Closing, the Underwriters' Fee in respect of the Subscription Receipts will be reduced to the amount payable on the closing of the Offering. The Underwriters' Fee in respect of the Debentures offered under the Offering is payable on closing of the Offering.

The REIT has also agreed to pay the Underwriters a fee equal to \$0.34 (plus applicable taxes, if any) for each Subscription Receipt (or Unit, if the Subscription Receipt Over-Allotment Option is exercised in whole or in part following the completion of the Melcor Acquisition), and a fee equal to \$37.50 (plus applicable taxes, if any) per \$1,000 aggregate principal amount of Debentures for each Debenture, purchased pursuant to the exercise of the Over-Allotment Options. The Underwriters' Fee with respect to Subscription Receipts purchased pursuant to the exercise of the Subscription Receipt Over-Allotment Option is payable as to 50% upon closing of the Subscription Receipt Over-Allotment Option and 50% upon the Melcor Acquisition Closing, from the Escrowed Funds under the Subscription Receipt Agreement, in accordance with the terms and conditions thereof. The Underwriters' Fee with respect to Units issued in lieu of Subscription Receipts pursuant to the exercise of the Subscription Receipt Over-Allotment Option is payable upon closing of the Subscription Receipt Over-Allotment Option. If the Melcor Acquisition is not completed and Escrowed Funds are refunded to the purchasers of Subscription Receipts, the Underwriters' Fee in respect of Subscription Receipts purchased pursuant to the exercise of the Subscription Receipt Over-Allotment Option shall consist solely of such 50% amount payable at the closing of the Subscription Receipt Over-Allotment Option. The Underwriters' Fee with respect to Debentures issued pursuant to the exercise of the Debenture Over-Allotment Option is payable upon closing of the Debenture Over-Allotment Option.

### **Issuance of Class B LP Units**

A portion of the purchase price for the Melcor Acquisition Properties will be satisfied by the issuance of 283,447 Class B LP Units to Melcor, each with an issue price of \$8.82.

Melcor currently holds an approximate 56.7% effective interest in the REIT through ownership of 14,615,878 Class B LP Units of the Partnership. Melcor also holds 9,454,411 Class C LP Units. Melcor has, with respect to the Offering, waived the pre-emptive right, granted pursuant to the Exchange Agreement, to maintain its *pro rata* ownership in the REIT. On the closing of the Melcor Acquisition and the conversion of the Subscription Receipts to Units, it is expected that Melcor will hold an approximate 53.6% effective interest in the REIT, on an undiluted basis (i.e. assuming no conversion of outstanding Debentures and 2014 Debentures), through ownership of 14,899,325 Class B LP Units of the Partnership. Melcor will also own 10,785,616 Class C LP Units in connection with Retained Debt in the aggregate amount of approximately \$ 87,267,831.

### **Assumed Melcor Mortgages**

Approximately \$31.04 million of the purchase price for the Melcor Acquisition Properties will be satisfied by the assumption of the Assumed Melcor Mortgages. The following table summarizes, for each of the Melcor Acquisition Properties, the expected outstanding principal amount of the debt secured by the Assumed Melcor Mortgages on Melcor Acquisition Closing, the interest rate applicable to such debt and the maturity date of such debt.

<b><u>Melcor Acquisition Property</u></b>	<b><u>Expected Loan Balance (in thousands), as of January 12, 2018</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>
Telford Industrial Phase Four.....	\$8,774	3.40%	June, 2026
Chestermere Station Phase Seven <sup>(1)</sup> .....	\$3,100 <sup>(2)</sup>	3.62%	January, 2028
The District at North Deerfoot Phase One .....	\$8,863	3.47%	August, 2026
West Henday Promenade Phase Two .....	\$10,300	2.58%	November, 2020

Notes:

1. Melcor currently has a commitment letter for the mortgage. Management anticipates that it will be funded prior to the Melcor Acquisition Closing.
2. Represents 50% of the anticipated loan balance. Melcor owns, and upon the Melcor Acquisition Closing the REIT will own, a 50% interest in Chestermere Station Phase Seven.

### **Melcor Acquisition Retained Debt**

Melcor will retain a mortgage over the Kingsview properties as described in the table below (the "Melcor Acquisition Retained Debt"). Approximately \$13.31 million of the purchase price for the Melcor Acquisition Properties will be satisfied by the issuance of Class C LP Units in respect of the Melcor Acquisition Retained Debt. The Melcor Acquisition Retained Debt will be equal to the loan balance owing to Desjardins Financial Security Life Assurance Company relating to the Kingsview Market Centre Phases Two and Four described below.

<b><u>Melcor Acquisition Property</u></b>	<b><u>Expected Loan Balance (in thousands), as of January 12, 2018</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>
Kingsview Market Centre Phases Two and Four .....	\$13,312	3.34%	December, 2026

The Melcor Acquisition Retained Debt, and the Class C LP Units issued in respect thereof (including distributions on such Class C LP Units), will be treated in a manner similar to the Initial Retained Debt and Class C LP Units issued in connection with the acquisition of the Initial Properties. The Melcor Acquisition Retained Debt will not be assumed by the REIT and will remain indebtedness of Melcor. Melcor will remain responsible for interest and principal payments on the Melcor Acquisition Retained Debt. The Partnership will make distributions on the Class C LP Units held by Melcor in amounts expected to be sufficient to make such payments. The Partnership will agree to provide Melcor's creditors with a guarantee in respect of the Retained Debt to ensure the lenders are not prejudiced in their ability to collect from Melcor in the event that payments on the Class C LP Units (in respect of the Retained Debt) are not made as expected. Melcor will indemnify the Partnership and the REIT for any losses suffered by the Partnership or the REIT in the event payments on the Retained Debt are not made as required, provided such losses are not attributable to any action or failure to act on the part of the Partnership.

The disposition of the Melcor Acquisition Properties by Melcor and the structure of the Class C LP Units provide Melcor with the opportunity to achieve a deferral of certain Canadian income tax consequences.

Pursuant to the terms of the Partnership Agreement, as the mortgage underlying the Melcor Acquisition Retained Debt reaches maturity, the Partnership will be required to make sufficient distributions on the Class C LP

Units to pay in full the associated portion of the Melcor Acquisition Retained Debt, and Melcor will be required to use such distributions to discharge that portion of the Melcor Acquisition Retained Debt.

Should the REIT wish to dispose of any property that is subject to the Melcor Acquisition Retained Debt, Melcor may not be able to achieve a deferral of certain Canadian income tax consequences. As such, until such time that the applicable Melcor Acquisition Retained Debt matures, if the REIT disposes of a property, in addition to making sufficient distributions on the Class C LP Units so that Melcor can discharge the Melcor Acquisition Retained Debt applicable to such property (including repayment fees or penalties), the Partnership will be required to make sufficient additional distributions in an amount equal to the difference between Melcor's estimated tax liability at the date of the sale and the net present value of the tax liability calculated assuming such property had been held to maturity of the existing mortgage.

Should the REIT wish to reduce the level of the Melcor Acquisition Retained Debt associated with a property, Melcor may not be able to achieve a deferral of certain Canadian income tax consequences. As such, until such time that the applicable Melcor Acquisition Retained Debt matures, if the REIT decreases the level of financing associated with such property, in addition to making sufficient distributions on the Class C LP Units so that Melcor can satisfy the reduction in Melcor Acquisition Retained Debt and all repayment fees or penalties triggered by such reduction in financing, the Partnership will be required to make sufficient additional distributions in an amount equal to the difference between Melcor's estimated tax liability at the date of refinancing and the net present value of the tax liability calculated assuming that the full Melcor Acquisition Retained Debt had been held to maturity.

Should the REIT wish to increase the level of the Melcor Acquisition Retained Debt associated with a property, Melcor shall facilitate such increase, provided that the new maturity date does not extend past the original maturity date of the Melcor Acquisition Retained Debt associated with such property. In such instances, Melcor would be required to subscribe for and purchase, and the Partnership would be required to issue, further Class C LP Units in an amount equivalent to the amount of the upward refinancing.

On the Melcor Acquisition Closing, the capital account of the Class C LP Units will be increased by an amount equal to the principal balance of the Melcor Acquisition Retained Debt. The portion of the distributions paid on Class C LP Units that relates to the interest payable on the Melcor Acquisition Retained Debt will not affect the capital account of the Class C LP Units, as income will be allocated to the Class C LP Units in an amount equal to the amount of such interest payable. The portion of the distributions paid on Class C LP Units that relates to the principal payable on the Melcor Acquisition Retained Debt will reduce the capital account of the Class C LP Units, and such balance will continue to match the principal outstanding on the Melcor Acquisition Retained Debt. If the Melcor Acquisition Retained Debt is ultimately paid off in full, the capital account balance of the Class C LP Units will be reduced to nil and the applicable outstanding Class C LP Units will be cancelled.

The Limited Partnership Agreement provides that to the extent that the mortgage securing any Retained Debt, including the Melcor Acquisition Retained Debt, does not mature on or before that date which is five years from the IPO (the "**End Deferral Date**") the Partnership, unless otherwise consented to by the independent Trustees, will be required to make sufficient distributions on the Class C LP Units to pay in full the remaining Retained Debt (including repayment fees or penalties), and Melcor will be required to use such distributions to discharge that portion of the Retained Debt. However, in connection with the Offering, the independent Trustees extended the End Deferral Date until May 1, 2028.

## **CONSOLIDATED CAPITALIZATION OF THE REIT**

### **Consolidated Capitalization**

Since September 30, 2017, the date of the Q3 Financial Statements, there have been no material changes in the capitalization of the REIT which have not been disclosed in this Circular or the documents incorporated by reference herein.

The following table sets forth the capitalization of the REIT as at September 30, 2017, before and after giving effect to the Offering and the Melcor Acquisition, including the conversion of Subscription Receipts to Units and the issuance of Class B LP Units and Class C LP Units in connection with the Melcor Acquisition, but without giving

effect to the exercise of the Over-Allotment Options. The table should be read in conjunction with the REIT's and the Melcor Acquisition Properties' financial statements and the notes thereto included or incorporated by reference herein.

	<u>As at September 30, 2017 (in thousands)<sup>(1)</sup></u>	<u>Pro forma as at September 30, 2017 after giving effect to the Offering (in thousands)<sup>(1)</sup></u>	<u>Pro forma as at September 30, 2017 after giving effect to the Offering and the Melcor Acquisition (in thousands)<sup>(1)</sup></u>
<b>Indebtedness</b>			
Mortgages payable.....	\$222,554	\$222,554	\$253,592
Revolving Credit Facility .....	\$9,382	\$-( <sup>(2)</sup> )	\$10,714 <sup>(3)</sup>
Class B LP Units .....	\$129,350	\$129,350	\$131,850 <sup>(4)</sup>
Class C LP Units .....	\$75,193	\$75,193	\$88,505 <sup>(5)</sup>
2014 Debentures.....	\$33,153 <sup>(6)</sup>	\$33,153 <sup>(6)</sup>	\$33,153 <sup>(6)</sup>
Debentures.....	\$-	\$18,694 <sup>(7)</sup>	\$18,694 <sup>(7)</sup>
<b>Unitholders' Equity</b>			
Units, contributed surplus, and retained earnings <sup>(1)</sup> ....	\$163,610	\$163,610	\$177,611 <sup>(8)</sup>
Subscription Receipts .....	\$-	\$14,001 <sup>(9)</sup>	\$-
Special Voting Units.....	\$-	\$-	\$-
(Authorized - unlimited; Issued - 14,615,878)			
<b>Total Capitalization</b> .....	<b>\$633,242</b>	<b>\$656,555</b>	<b>\$714,119</b>

#### **Notes:**

1. Sufficient Units will be reserved for issuance to satisfy the REIT's obligations to issue Units in connection with the exchange rights granted to the holders of Class B LP Units pursuant to, and as contemplated by, the Exchange Agreement. Upon the exchange of Class B LP Units for Units, a corresponding number of Special Voting Units will be cancelled.
2. Represents the balance owing on the Revolving Credit Facility after repayment of \$9.382 million (being an amount equal to the September 30, 2017 balance outstanding, repaid using net proceeds from the sale of the Debentures after expenses of the Offering and the Melcor Acquisition). The REIT subsequently intends to draw down \$10.714 million from Revolving Credit Facility (representing the amount originally paid down use the net proceeds from the sale of the Debentures, and an additional \$1.332 million), to satisfy the cash portion of the purchase price for the Melcor Acquisition Properties.
3. Includes \$1.332 million drawn to satisfy (i) a portion of the cash portion of the purchase price for the Melcor Acquisition Properties and (ii) expenses of the Offering and the Melcor Acquisition.
4. Reflects issuances of Class B LP Units, valued at approximately \$2.5 million in partial satisfaction of the purchase price for the Melcor Acquisition Properties.
5. Reflects issuances of Class C LP Units, valued at approximately \$13.31 million in partial satisfaction of the purchase price for the Melcor Acquisition Properties.
6. Under IFRS, the 2014 Debentures contain a debt liability element and a cash conversion option liability element, and are presented net of discount and transaction costs. The carrying value of the debt liability element at September 30, 2017 is \$33.153 million and the unamortized discount and transaction costs are \$1.347 million, for a total debt component of \$34.5 million.
7. Under IFRS, the Debentures contain a \$19.21 million debt liability element and a \$0.79 million cash conversion option liability element. The Debentures are presented net of \$1.306 million transaction costs.
8. Includes the Trust Units issued on conversion of the Subscription Receipts upon the Melcor Acquisition Closing. The Trust Units are presented net of \$1,044 million transaction costs.
9. Prior to conversion of the Subscription Receipts to Trust Units upon the Melcor Acquisition Closing, the Subscription Receipts are required to be recorded as a liability under IFRS. The Subscription Receipts are presented net of \$1,044 million transaction costs.

#### **Pro Forma Indebtedness to Gross Book Value Ratio**

The Declaration of Trust provides that the REIT may not incur or assume any Indebtedness if, after incurring or assuming such Indebtedness, the total Indebtedness of the REIT would be greater than 60% of Gross Book Value (65% including any convertible debentures). After giving effect to the Offering and the Melcor Acquisition, but excluding any mark-to-market adjustments, management estimates that *pro forma* Indebtedness, as at September 30, 2017, will be approximately \$353.7 million (\$406.8 million including the Debentures), representing approximately 49.7% of *pro forma* Gross Book Value (57.2% including the Debentures).

## EARNINGS COVERAGE RATIOS

The following earnings coverage ratios are: (i) are calculated on a consolidated basis for the twelve-month period ended December 31, 2016 and for the twelve month period ended September 30, 2017; (ii) derived from the audited consolidated financial statements of the REIT for the year ended December 31, 2016, and the unaudited consolidated financial statements of the REIT for the nine-month period ended September 30, 2017, respectively; and (iii) prepared in accordance with Canadian securities laws disclosure requirements. The earnings coverage ratios do not include any earnings that may be derived from the use of the net proceeds of the Offering or cash on hand or annualized earnings from properties acquired after December 31, 2016 or September 30, 2017, as applicable.

The *pro forma* earnings coverage ratios are calculated on a consolidated basis for the period from January 1, 2016 to December 31, 2016 and October 1, 2016 to September 30, 2017, and have been prepared as at December 31, 2016 and September 30, 2017, as adjusted to give effect to, among other things, the Offered Securities, but without giving effect to the exercise of the Over-Allotment Options, and the completion of the Melcor Acquisition (including the assumption of the Assumed Melcor Mortgages, the issuance of the Class C LP Units to Melcor and a draw on the REIT's Revolving Credit Facility (in the approximate amount of \$1.332 million) necessary to pay the balance of the cash portion of the purchase price for the Melcor Acquisition Properties) as if such issuance and such acquisitions and the related mortgage assumptions had occurred at the beginning of the respective calculation periods.

(in thousands)	Twelve Month Period Ended Dec. 31, 2016 before giving effect to the Offering (Historical)	Twelve Month Period Ended Sept. 30, 2017 before giving effect to the Offering (Historical)	Twelve Month Period Ended Dec. 31, 2016 after giving effect to the Offering (Pro Forma)	Twelve Month Period Ended Sept. 30, 2017 after giving effect to the Offering (Pro Forma)	Twelve Month Period Ended Dec. 31, 2016 after giving effect to the Offering and the Melcor Acquisition (Pro Forma)	Twelve Month Period Ended Sept. 30, 2017 after giving effect to the Offering and the Melcor Acquisition (Pro Forma)
Earnings Coverage Ratio <sup>(1)</sup> .....	0.53	0.64	0.52	0.63	0.48	0.58
Supplemental Earnings Coverage Ratio <sup>(2)</sup> .....	1.57	1.63	1.53	1.59	1.41	1.46

**Notes:**

1. Calculated as net income (loss) and comprehensive income (loss) plus finance costs, divided by finance costs.
2. Calculated as net income (loss) and comprehensive income (loss) plus finance costs, fair value adjustments on investment properties and fair value adjustments on Class B LP Units, divided by financing costs.

The REIT's interest requirements, after giving *pro forma* effect to the Offering, amount to \$24.576 million and \$23.710 million for the twelve-month periods ended December 31, 2016 and September 30, 2017, respectively. The REIT's earnings before taxes and interest for the twelve-month periods ended December 31, 2016 and September 30, 2017 were \$12.838 million and \$14.885 million respectively, which is 0.52 times the REIT's interest requirements for the twelve-month period ended December 31, 2016 and 0.63 times the REIT's interest requirements for the twelve-month period ended September 30, 2017. Finance costs have been adjusted to give effect to the issuance of the securities being distributed under the Offering, as well as changes to mortgages payable and Class C LP Units since December 31, 2016.

In order achieve an earnings coverage ratio for twelve month period ended December 31, 2016 after giving effect to the Offering of one-to-one, the dollar amount of the numerator of such ratio must be \$24.576 million.

In order achieve an earnings coverage ratio for twelve month period ended September 30, 2017 after giving effect to the Offering of one-to-one, the dollar amount of the numerator of such ratio must be \$23.710 million.

The REIT's interest requirements, before giving pro forma effect to the Offering and Melcor Acquisition, amount to \$24.014 million and \$23.086 million for the twelve-month periods ended December 31, 2016 and September 30, 2017, respectively. The REIT's earnings before taxes and interest for the twelve-month periods ended December 31, 2016 and September 30, 2017 were \$12.838 million and \$14.885 million respectively, which is 0.53 times the REIT's interest requirements for the twelve-month period ended December 31, 2016 and 0.64 times the REIT's interest requirements for the twelve-month period ended September 30, 2017.

The REIT's interest requirements, after giving *pro forma* effect to the Offering and Melcor Acquisition, amount to \$26.674 million and \$25.808 million for the twelve-month periods ended December 31, 2016 and September 30, 2017, respectively. The REIT's earnings before taxes and interest for twelve-month periods ended December 31, 2016 and September 30, 2017 were \$12.838 million and \$14.885 million respectively, which is 0.48 times the REIT's interest requirements for the twelve-month period ended December 31, 2016 and 0.58 times the REIT's interest requirements for the twelve-month period ended September 30, 2017. Finance costs have been adjusted to give effect to the issuance of the securities being distributed under the Offering, finance costs related to the Melcor Acquisition, as well as changes to mortgages payable and Class C LP Units since December 31, 2016.

The earnings of the REIT excluding finance costs, change in fair value of investment properties and Class B LP Units for the twelve-month periods ending December 31, 2016 and September 30, 2017 were \$37.654 million and \$37.744 million respectively, representing supplementary earnings coverage ratios of 1.57 and 1.63 respectively, on a historical basis and 1.41 and 1.46 respectively, after giving effect to Offering and the Melcor Acquisition. The supplementary earnings coverage ratio adjust for non-cash fair value adjustments to investment properties and Class B LP Units and reflect the adjusted earnings that are available to cover borrowing costs. Fair value adjustments on investment properties for the twelve-month periods ending December 31, 2016 and September 30, 2017 were losses of \$6.546 million and \$20.229 million respectively. Fair value adjustments on Class B LP Units for the twelve-month periods ending December 31, 2016 and September 30, 2017 were losses of \$18.27 million and \$2.63 million respectively.

The following factors, in particular, have had the effect of depressing the earnings coverage ratios noted above:

- The *pro forma* earnings ratio noted above includes interest expense from the new indebtedness or indebtedness assumed in connection with the acquisition of the Melcor Acquisition, but does not include earnings from the properties acquired pursuant to the Melcor Acquisition.
- The *pro forma* earnings noted above assume that there are no additional earnings, other than interest savings, derived from the use of the net proceeds of the Offered Securities or other changes in indebtedness subsequent to the respective calculation periods.

## MELCOR ACQUISITION RESOLUTION

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the Melcor Acquisition Resolution, the full text of which is text of which is attached hereto as Appendix "A".

Pursuant to MI 61-101, the Melcor Acquisition Resolution must be approved ("Majority of the Minority Approval") by the affirmative vote of a majority of votes cast by Unitholders present in person or represented by proxy at the Meeting, excluding the votes attached to Voting Units beneficially owned or over which control or direction is exercised by Melcor and certain of its associates and affiliates.

The following table indicates persons or entities ("Additional Excluded Parties"), in addition to Melcor who as of the Record Date, to the knowledge of the Trustees and management of the REIT, after reasonable inquiry, are holders of Units and whose votes will be excluded from the determination of whether the Majority of the Minority Approval has been obtained:

<b>Additional Excluded Parties</b>	<b>Units beneficially owned, or controlled or directed</b>
Gordon Clanachan, Director of Melcor	10,300
Ross A. Grieve, Director of Melcor	50,000
Catherine M. Roozen, Director of Melcor	150,000
Allan E. Scott, Director of Melcor	5,000
Ralph B. Young, Director of Melcor	23,800
Timothy C. Melton, Director of Melcor	28,000
Darin Rayburn, Director and Chief Executive Officer of Melcor	131,227
Andrew J. Melton, Executive Vice-Chairman and Director of Melcor	119,400
Naomi Stefura, Chief Financial Officer of Melcor	13,560
Graeme Melton, Vice President of Melcor	5,075
Brett Halford, VP Recreation Properties of Melcor	5,000

Together, Melcor and the Additional Excluded Parties hold an approximate 58.82% effective interest in the REIT through ownership, or direction or control over 541,362 Units, 14,615,878 Class B LP Units and 14,615,878 Special Voting Units. Accordingly, votes attached to an aggregate of 15,157,240 Voting Units will be excluded from the determination of whether the Majority of the Minority Approval has been obtained.

**On December 4, 2017, the Special Committee unanimously recommended to the Board that they recommend that Unitholders vote FOR the Melcor Acquisition Resolution. Based on the recommendation of the Special Committee and other factors, the Board, with interested Trustees abstaining, unanimously recommends that Unitholders vote FOR the Melcor Acquisition at the Meeting.**

## **MARKET FOR SECURITIES**

The outstanding Units are listed on the TSX and commenced trading under the symbol “MR.UN” on May 1, 2013. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate trading volume of the Units on the TSX, as reported by the TSX:

	<u>Monthly Price Range</u>		
	<u>Volume</u>	<u>High</u> (\$)	<u>Low</u> (\$)
<b>2016</b>			
December.....	227,485	8.60	8.30
<b>2017</b>			
January.....	135,453	8.94	8.41
February.....	278,417	8.65	8.17
March.....	138,971	8.60	8.31
April.....	154,800	8.70	8.46
May.....	160,761	8.97	8.49
June.....	142,304	9.23	8.78
July .....	119,783	8.95	8.50
August.....	88,626	8.77	8.45
September .....	145,634	8.90	8.52
October .....	168,571	9.34	8.60
November .....	230,965	9.00	8.43
December (1-8).....	132,254	8.99	8.49

The outstanding 2014 Debentures are listed on the TSX and commenced trading under the symbol “MR.DB” on December 3, 2014. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate trading volume of the 2014 Debentures on the TSX, as reported by the TSX:

**Monthly Price Range**

	<b><u>Volume</u></b>	<b><u>High</u></b> (\$)	<b><u>Low</u></b> (\$)
<b>2016</b>			
December .....	177,000	103.00	101.49
<b>2017</b>			
January .....	272,000	102.00	100.50
February .....	283,000	102.00	100.00
March .....	20,000	102.50	102.15
April .....	69,000	103.51	102.35
May .....	360,000	103.51	101.50
June .....	295,000	102.00	100.00
July .....	122,000	102.00	101.50
August .....	182,000	101.85	100.10
September .....	142,000	101.75	101.00
October .....	62,000	101.55	101.01
November .....	165,000	102.11	101.56
December (1-8) .....	77,000	101.75	101.00

**DISTRIBUTION POLICY**

The following outlines the distribution policy of the REIT as contained in the Declaration of Trust and the Limited Partnership Agreement. Determination as to amounts actually distributed will be made in the sole discretion of the Trustees.

The REIT currently intends to make monthly cash distributions of \$0.05625 per Unit to holders of Units and has done so for each month since the closing of the IPO. Management of the REIT believes that the current Payout Ratio set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable cash distributions. However, the actual Payout Ratio will be determined by the Trustees from time to time in their discretion. 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 holders of Units 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 the percentage of AFFO to be distributed to holders of Units will result in a corresponding increase or reduction in distributions on Class B LP Units.

Holders of Units 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 AFFO 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.

Melcor 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 holders of Units. 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.

For the purpose of claiming capital cost allowances, the UCC of certain properties of the Partnership, including the Melcor Acquisition Properties, is equal to the amounts jointly elected by the Partnership and Melcor on the tax deferred acquisition of such properties. As a result, the capital cost allowance that the Partnership may claim in respect of such properties will be lower than it would have been if such properties had been acquired for a UCC equal to their fair value. Consequently, the tax deferral rate of the Units in 2017 will be lower than what it would have been had such properties been acquired for a UCC equal to their fair market value. The tax deferral rate of the Units in 2017 is expected to be approximately 30%.

The Revolving Credit Facility contains negative covenants which restrict the REIT's ability to make a monthly cash distribution if after the making of such distribution the REIT would be in default under the Revolving Credit Facility (after the lapse of time or giving notice, or both).

## RISK FACTORS

Unitholders should carefully consider the risks related to the Melcor Acquisition described below, the risk factors described in the AIF and Annual MD&A and other information elsewhere in this Circular and the documents incorporated by reference herein, before determining whether to vote in favour of the Melcor Acquisition Resolution. If any of such or other risks occur, the REIT's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Offered Securities or Units could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

### *Closing of the Melcor Acquisition*

The closing of the Offering will occur before the Melcor Acquisition Closing. The Melcor Acquisition Closing is subject to a number of conditions, including Unitholder approval, securities regulators' relief, TSX approval and receipt of appropriate consents to assume mortgage financing and consents relating to the Melcor Acquisition Retained Debt. The REIT expects to complete the Melcor Acquisition. However, there can be no assurance that such conditions will be satisfied or waived or that such proposed acquisition will be completed. It is possible that the Melcor Acquisition will not close because these or other conditions cannot be met, or that either (or both) will not close on the same terms as disclosed, including expected timing, because of a failure to satisfy conditions or other due diligence issues that may arise. A substantial delay in closing, or the failure to close, the Melcor Acquisition, as disclosed herein, may negatively impact: (i) the market price of the Offered Securities; and (ii) the REIT's financial performance including the dilution of AFFO per Unit thereby.

### *Use of Appraisals*

Caution should be exercised in the evaluation and use of appraisals. An appraisal is an estimate of market value at a particular date. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while Altus Group's internal forecasts for the Melcor Acquisition Properties were considered to be reasonable at the time of the Appraisal, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal.

### *Use of Fairness Opinion*

The Fairness Opinion is directed only to the fairness of the consideration payable by the REIT pursuant to the Melcor Acquisition, from a financial point of view, to Unitholders, other than Melcor and certain of its associates and affiliates. The Fairness Opinion does not address the relative merits of the Melcor Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Melcor Acquisition.

### *Use of Class C LP Units Valuation*

The Class C LP Units Valuation is directed only to the value of the Class C LP Units issuable by the REIT pursuant to the Melcor Acquisition. The Class C LP Units Valuation does not address the relative merits of the Melcor Acquisition and the issuance of the Class C LP Units in connection therewith, as compared to other business strategies or transactions that might be available to the REIT or other methods of satisfying the purchase price for the Melcor Acquisition Properties.

### *Undisclosed Defects and Obligations With Respect to Acquisition Properties*

The REIT's external growth prospects depend in part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Furthermore, the REIT is not always able to obtain the records and documents needed in order to fully verify that the buildings to be acquired were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring the Melcor Acquisition Properties, specific risks might not be or might not have been recognized or correctly evaluated. Thus, the REIT could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have a material adverse effect on the REIT's proceeds from sales and rental income in respect of the Melcor Acquisition Properties. In addition, after the acquisition of the Melcor Acquisition Properties, the markets in which such properties are located may experience unexpected changes that materially adversely affect the properties' value. The occupancy of the Melcor Acquisition Properties may decline during the REIT's ownership, and rents that are in effect at the time the Melcor Acquisition Properties are acquired may decline thereafter. For these reasons, among others, the acquisition of the Melcor Acquisition Properties may cause the REIT to experience significant losses.

### *Geographic Concentration of Melcor Acquisition Properties*

All of the Melcor Acquisition Properties are located in the province of Alberta. Given the prominence of the oil and gas industry in this province, the economy can be significantly impacted by the price of oil and gas. Accordingly, any substantial decline or prolonged weakness in the price of oil could also adversely affect the REIT's operating results and ability to renew or refinance mortgages relating to the properties in this province. The REIT continuously evaluates the economic health of the markets in which it owns investment properties through various means to identify and, where possible, mitigate risks to the REIT, including the potential impacts of changes in the price of oil and gas.

## **EXPENSES OF THE ACQUISITION**

The REIT expects to incur expenses of approximately \$1 million in connection with the Offering and the Melcor Acquisition (exclusive from the Underwriters' Fees for the Offering), including financial advisory, accounting and legal fees, the costs of preparation, printing and mailing of this Circular and other related documents and agreements, and stock exchange and regulatory filing fees. The REIT will pay the expenses of the Offering and the Melcor Acquisition. The REIT may allocate its expenses amongst one or more of its affiliates.

## **INTEREST OF EXPERTS**

Information relating to the Appraisal has been based on reports prepared by Altus Group Limited, located at 10180 101<sup>st</sup> Street NW, Suite 780, Edmonton, Alberta T5J 3S4. As at the date of this Circular, the "designated professionals" of Altus Group Limited beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

The Fairness Opinion and Class C LP Unit Valuation have been provided by Trimaven, located at 120 Adelaide Street West, Suite 2210, Toronto, Ontario, M5H 1T1. As of the date of this Circular, the principals and employees of Trimaven, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

The auditors of the REIT, PricewaterhouseCoopers LLP, located 1501 10088 102 Ave NW, Edmonton, Alberta T5J 3N5, have advised that it is independent of the REIT in accordance with the rules of the Chartered Professional Accountants of Alberta. The reports of PricewaterhouseCoopers LLP included or incorporated by reference in this document refer exclusively to the historical financial statements described therein and do not extend to any forward-looking statements included in this document and should not be read to do so.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the REIT are PricewaterhouseCoopers LLP, Chartered Professional Accountants, located 1501 10088 102 Ave NW, Edmonton, Alberta T5J 3N5. The transfer agent and registrar for the Units is AST Trust Company (Canada), located at 600 The Dome Tower, 333-7th Avenue S.W., Calgary, AB T2P 2Z1.

## **ADDITIONAL INFORMATION**

Additional information relating to the REIT, including the Fund's AIF, Annual Financial Statements and Annual MD&A, which provide financial information concerning the REIT for its most recently completed financial year, can be found on SEDAR at [www.sedar.com](http://www.sedar.com) under the REIT's profile. Copies of such documents, as well as any additional copies of the Information Circular, may be obtained on request without charge by contacting the Chief Financial Officer of the REIT at 900, 10310 Jasper Avenue, Edmonton, Alberta, T5J 1Y8, Telephone 1-855-673-6931.

### **TRUSTEES' APPROVAL**

The contents and the sending of the Notice of Special Meeting and this Information Circular have been approved by the board of trustees of Melcor Real Estate Investment Trust.

Dated this 11<sup>th</sup> day of December, 2017.

### **BY ORDER OF THE BOARD OF TRUSTEES OF MELCOR REAL ESTATE INVESTMENT TRUST**

(Signed) "Andrew J. Melton"

Andrew J. Melton  
Chief Executive Officer

## **CONSENT**

TO: The Trustees of Melcor Real Estate Investment Trust

We refer to the formal valuation dated November 21, 2017, with an effective date of September 30, 2017, which we prepared for the Special Committee of the Board of Trustees of Melcor Real Estate Investment Trust in connection with the acquisition by Melcor Real Estate Investment Trust, through its subsidiary, Melcor REIT Limited Partnership, of certain properties from Melcor Developments Ltd. We consent to the filing of the formal valuation with the securities regulatory authority and an inclusion of the formal valuation in the Information Circular of Melcor Real Estate Investment Trust dated December 11, 2017.

Edmonton, Alberta  
December 11, 2017

(Signed) Altus Group Limited

## **CONSENT**

TO: The Trustees of Melcor Real Estate Investment Trust

We refer to the Fairness Opinion dated December 4, 2017, which we prepared for the Special Committee of the Board of Trustees of Melcor Real Estate Investment Trust in connection with the acquisition by Melcor Real Estate Investment Trust, through its subsidiary, Melcor REIT Limited Partnership, of certain properties from Melcor Developments Ltd. We consent to the inclusion of the Fairness Opinion in the Information Circular of Melcor Real Estate Investment Trust dated December 11, 2017.

Toronto, Ontario

(Signed) Trimaven Capital Advisors  
Maven Capital Inc.

December 11, 2017

## **CONSENT**

TO: The Trustees of Melcor Real Estate Investment Trust

We refer to the Class C LP Unit Valuation dated December 4, 2017, which we prepared for the Special Committee of the Board of Trustees of Melcor Real Estate Investment Trust in connection with the acquisition by Melcor Real Estate Investment Trust, through its subsidiary, Melcor REIT Limited Partnership, of certain properties from Melcor Developments Ltd. We consent to the inclusion of the Class C LP Unit Valuation in the Information Circular of Melcor Real Estate Investment Trust dated December 11, 2017.

Toronto, Ontario

(Signed) Trimaven Capital Advisors  
Maven Capital Inc.

December 11, 2017

**APPENDIX "A"**  
**MELCOR ACQUISITION RESOLUTION**

BE IT RESOLVED THAT:

1. The indirect acquisition by Melcor Real Estate Investment Trust (the “**REIT**”) of five commercial properties (the “**Melcor Acquisition Properties**”) from Melcor Developments Ltd. (“**Melcor**”) for an aggregate purchase price of \$80.875 million pursuant to an agreement dated December 4, 2017, including the issuance of 283,447 Class B LP Units of Melcor REIT Limited Partnership (at a price of \$8.82 per Class B LP Unit) and the associated Special Voting Units of the REIT, and 1,331,202 Class C LP Units of Melcor REIT Limited Partnership (at a price of \$10.00 per Class C LP Unit) to Melcor in partial satisfaction of the purchase price for the Melcor Acquisition Properties, all as described in the REIT’s management information circular dated December 11, 2017, be approved.
2. Notwithstanding that this resolution has been duly passed by the unitholders of the REIT, the trustees of the REIT are hereby authorized and empowered, without further notice to, or approval of, the unitholders of the REIT, not to proceed with the Melcor Acquisition; and
3. Any trustee or executive officer of the REIT is hereby authorized and directed for and on behalf of the REIT to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX "B"  
FAIRNESS OPINION**

The Special Committee of the Board of Trustees of Melcor REIT  
10310 Jasper Avenue, Suite 900  
Edmonton, AB  
T5J 1Y8

December 4<sup>th</sup>, 2017

To the Special Committee:

Trimaven Capital Advisors ("Trimaven", "we", "us" or "our") understands that Melcor Real Estate Investment Trust ("Melcor" or the "REIT") will enter into an acquisition agreement dated December 4<sup>th</sup>, 2017 (the "Acquisition Agreement") with Melcor Developments Ltd. ("Melcor Developments" or the "Vendor") pursuant to which, among other things, the REIT would acquire a portfolio of retail and industrial properties located in Alberta, Canada (the "Subject Portfolio") from the Vendor (the "Proposed Transaction") at a purchase price of approximately \$80.9 million subject to certain customary adjustments (the "Purchase Price"). The terms of the Proposed Transaction, the Subject Portfolio and other related matters are more fully described in a management information circular of the REIT to be dated on or about December 12<sup>th</sup>, 2017 (the "Circular") that will be mailed to unitholders of Melcor in connection with the Proposed Transaction. Terms appearing in capitalized letters and not otherwise defined in this fairness opinion letter ("Fairness Opinion Letter") shall, as the context requires, have the meanings set forth in the Circular.

We understand that the form of consideration ("Form of Consideration") to satisfy settlement of the Purchase Price for the Subject Portfolio is as set forth below:

- (i) approximately \$2.5 million of the purchase price by the issuance of 283,447 Class B LP Units to Melcor Developments, each with an issue price equal to \$8.82;
- (ii) approximately \$13.31 million of the purchase price by the issuance of 1,331,202 Class C LP Units to Melcor Developments;
- (iii) \$31.04 million of the purchase price by the assumption of the Assumed Melcor Mortgages; and,
- (iv) approximately \$34.03 million of the purchase price by the net proceeds of the public Offering of Debentures and Subscription Receipts and a draw on the REIT's revolving credit facility in the approximate amount of \$1.332 million;

We further understand that Melcor Developments, through an affiliate, currently holds an approximate 56.7% effective interest in the REIT through its ownership of 14,615,878 Class B LP Units and 14,615,878 Special Voting Units of the REIT. Based on the proposed Form of Consideration, we understand Melcor Developments will hold an approximate 53.0% effective interest in the REIT, on an undiluted basis, upon successful completion of the Proposed Transaction assuming the Over-Allotment Option is exercised in full.

The Proposed Transaction and the issuance of the Class B LP Units and Class C LP Units to Melcor Developments in connection with the Proposed Transaction is considered by the REIT to be a "related party transaction" ("Related Party Transaction") under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). As described in the Circular, the provisions of MI 61-101 would have required the REIT to obtain a formal valuation of the Class B LP Units to be issued to the Vendor as partial consideration for the Proposed Transaction. As further described in the Circular, the REIT has applied to the Alberta Securities Commission and the Ontario Securities Commission for exemptive relief from

the requirement to obtain a formal valuation of the Class B LP Units to be issued to Melcor Developments in connection with the Proposed Transaction. The REIT however is required to obtain a formal valuation of the Class C LP Units (the “**Class C LP Unit Valuation**”) and retained Trimaven to provide the same. The REIT, in accordance with MI 61-101, also retained Altus Group Ltd. (“**Altus Group**”) to provide appraisals (the “**Appraisals**”) in respect of the Subject Portfolio as the formal valuation required under MI 61-101, which includes an estimate of the fair market value of the Subject Portfolio as at September 30, 2017. The Appraisals prepared by the Altus Group, subject to the terms and conditions therein, estimate the value of the Subject Portfolio at \$82.4 million.

A special committee (the “**Special Committee**”) of Independent Trustees of the Board of Trustees of the REIT (the “**Board**”) was formed to consider the Proposed Transaction as well as the issuance of Class B LP Units and Class C LP Units to Melcor Developments. As more fully described below, the Special Committee engaged Trimaven to provide an opinion on the terms of the Proposed Transaction, as to whether or not the consideration payable by the REIT pursuant to the Proposed Transaction is “fair” to unitholders of the REIT (“**Unitholders**”), other than Melcor Developments and certain of its associates and affiliates. While Trimaven has been engaged to provide the Class C LP Unit Valuation, Trimaven was not asked to provide, nor did we provide, a formal valuation in respect of the issuance of Class B LP Units to Melcor Developments, and this Fairness Opinion Letter should not be construed or relied upon as such. Trimaven also understands that the Proposed Transaction is subject to approval, being a majority of votes cast by Unitholders, who are not Melcor Developments or certain of its associates or affiliates, voting in favour of the Proposed Transaction.

### **Engagement of Trimaven**

Trimaven was first contacted by the Special Committee on October 30, 2017. Pursuant to an engagement agreement dated November 8, 2017 (the “**Engagement Agreement**”), Melcor formally retained, at the direction of the Special Committee, the services of Trimaven. Trimaven’s services under its engagement include the preparation and delivery to the Special Committee of an opinion as to whether the consideration to be paid by the REIT under the Proposed Transaction is fair from a financial point of view to Unitholders, other than Melcor Developments and certain of its associates and affiliates (the “**Fairness Opinion**”).

Trimaven understands that the Fairness Opinion and/or a summary thereof may be included in the Circular and described in the prospectus with respect to the public Offering and, subject to the approval and other terms of the Engagement Agreement, Trimaven consents to such disclosure.

Trimaven is entitled to a fixed fee for the preparation and delivery of the Fairness Opinion to the Special Committee. The fees to be received by Trimaven in respect of the Fairness Opinion are not material to Trimaven nor contingent on either the conclusion of the Fairness Opinion or on the completion of the Proposed Transaction or any alternative transaction. Melcor has also agreed to reimburse Trimaven for its reasonable out-of-pocket expenses and to indemnify Trimaven in respect of certain liabilities that might arise out of its engagement.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

## **Credentials of Trimaven**

Trimaven is a leading independently owned investment bank that provides clients with specialized advice in mergers and acquisitions, special situations, shareholder activism, corporate finance, fairness opinions, valuations, private equity and asset/portfolio advisory. The Fairness Opinion is the opinion of Trimaven and the form and content herein has been reviewed and approved for release by a group of managing directors of Trimaven, each of whom is experienced in mergers and acquisitions, divestitures, valuations, fairness opinions and other capital markets matters. Trimaven's principals have over fifty years of combined experience providing financial advisory services and have extensive experience in preparing fairness opinions and valuations in transactions similar to the Melcor Acquisition.

## **Relationship with Interested Parties**

Neither Trimaven nor any "affiliated entity" of Trimaven (i) is an "associated" or "affiliated" entity or "issuer insider" (as such terms are used under MI 61-101) of Melcor or Melcor Developments, nor is it a financial advisor to Melcor Developments in connection with the Proposed Transaction; (ii) has been engaged to provide any financial advisory services to Melcor or Melcor Developments during the 24-month period preceding the execution of the Engagement Agreement; (iii) has a material financial interest in the completion of the Proposed Transaction; (iv) has a material financial interest in future business under an agreement, commitment or understanding involving Melcor or Melcor Developments or an associated or affiliated entity of Melcor or Melcor Developments; (v) during the 24 months before being contacted by Melcor in respect of the Proposed Transaction, has (a) had a material involvement in an evaluation, appraisal or review of the financial condition of Melcor or Melcor Developments (or an associated or affiliated entity of each) or any of Melcor or Melcor Developments' assets or liabilities, (b) acted as a lead or co- lead underwriter of a distribution of securities by either Melcor or Melcor Developments, (c) had a material financial interest in a transaction involving Melcor or Melcor Developments; or (d) is (i) a lead or co-lead lender or manager of a lending syndicate in respect of the Proposed Transaction, or (ii) a lender to either Melcor or Melcor Developments; and (vi) conducts research on securities or provides research reports on investment matters, including in respect of Melcor or Melcor Developments. While there are no understandings, agreements or commitments between Trimaven and any of Melcor or Melcor Developments with respect to future business dealings, Trimaven may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of Melcor or Melcor Developments from time to time.

Trimaven is a financial advisory firm involved in a wide range of investment banking, corporate finance, special situations, private equity, asset advisory, asset management and other investment and financial businesses and services, both for its own account and for the accounts of third parties. Trimaven and its shareholders, directors, officers and employees may acquire, hold or sell, for their own account and the accounts of third parties, equity, debt and other securities and financial instruments of Melcor and Melcor Developments or any other companies that may be involved in the Proposed Transaction, as well as provide investment banking and other financial services to such companies. Trimaven and its shareholders, officers and employees may have interests, or be engaged in a broad range of transactions involving interests, that differ from those of Melcor. Trimaven and certain of its respective employees, including members of the team performing this engagement, may from time-to-time acquire, hold or make direct or indirect investments in or otherwise participate in a wide variety of companies, including parties with a potential direct or indirect interest in any transaction to which this engagement relates.

Trimaven is of the view that it is independent of both Melcor and Melcor Developments for the purpose of the Proposed Transaction as determined in accordance with MI 61-101.

### **Scope of Review**

In connection with rendering our Fairness Opinion, we have considered, reviewed and/or relied upon, among other things, the following:

- (a) a draft of the Circular;
- (b) a draft of the Acquisition Agreement;
- (c) the Altus Group Appraisals;
- (d) Lease summaries and rent rolls;
- (e) a draft of the Indemnity Agreement;
- (f) publicly available documents regarding Melcor, including annual and quarterly reports, financial statements, annual information forms, management information circulars and other filings deemed relevant in respect of each of them;
- (g) certain non-public documents regarding Melcor, including particulars and financial information in respect of the Subject Portfolio, internal management cash flow budgets prepared on a property-by-property basis, environmental and building condition reports for each property in the Subject Portfolio and detailed existing and/or new mortgage schedules for each property in the Subject Portfolio;
- (h) a financial forecast prepared by management of Melcor;
- (i) a tax impact analysis prepared by management of Melcor;
- (j) trading statistics and related financial information in respect of Melcor;
- (k) as available, various reports published by equity research analysts and industry sources regarding Melcor;
- (l) public information regarding the real estate industry generally, and the commercial real estate sector in particular;
- (m) comparable asset acquisition or disposition transactions considered by us to be relevant, if any;
- (n) discussions with (i) senior management of Melcor, and its legal advisor; and (ii) discussions with the Special Committee, and its legal advisor;
- (o) press releases for Melcor during 2016 and 2017; and,
- (p) other information, analysis, investigations and discussions we considered necessary or appropriate in the circumstances.

Trimaven has not, to the best of its knowledge, been denied access by Melcor to any information under the control of Melcor that has been requested by Trimaven, including any prior valuations as contemplated under MI 61-101.

### **Assumptions and Limitations**

The opinion of Trimaven is subject to the assumptions, qualifications and limitations set forth below. Our role is limited to the preparation and delivery of the Fairness Opinion. Other than with regards to the Class C LP Unit Valuation, we have not been asked to prepare, nor have we prepared, a formal valuation or appraisal of any of the assets, liabilities or securities of Melcor or any of their respective affiliates, including the Class B LP Units of Melcor and our Fairness Opinion should not be construed or relied upon as such, nor have we been requested to identify, solicit, consider or develop any potential alternatives to the Proposed Transaction.

With the Special Committee's approval and as provided for in the Engagement Agreement, we have relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, appraisals, agreements, opinions and representations obtained by us from public sources, and/or provided to us by Melcor, its subsidiaries or their respective directors, officers, associates, affiliates, consultants, advisors and representatives. We have not met separately with the independent auditors of Melcor in connection with preparing the Fairness Opinion, and with the permission of the Special Committee, we have assumed the accuracy and fair presentation of, and relied upon, the audited financial statements of Melcor and the reports of the auditors thereon and the interim unaudited financial statements of Melcor. With respect to the historical financial data, operating and financial forecasts and property budgets provided to us concerning Melcor and relied upon in our financial analyses, we have assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgments of management of Melcor, having regard to Melcor's business, plans, financial condition, balance sheet liquidity, and prospects (collectively, the foregoing in this paragraph, the "**Information**"). Our Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. We have not been requested to, nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information or any other information.

Senior officers of Melcor have represented to Trimaven in a certificate delivered on or around the date hereof, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of Melcor or in writing by Melcor or any of its subsidiaries, associates or affiliates or their respective directors, officers, associates, affiliates, consultants, advisors and representatives to Trimaven or obtained by Trimaven from the System for Electronic Document Analysis and Retrieval (SEDAR) relating to Melcor, its subsidiaries, associates or affiliates or the Proposed Transaction for the purpose of preparing the Fairness Opinion is, or in the case of historical Information, was, at the date of preparation, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact (as defined in the *Securities Act (Ontario)*) in respect of Melcor, its subsidiaries, associates or affiliates, or the Proposed Transaction and did not and does not omit to state a material fact in respect of Melcor, its subsidiaries, associates or affiliates, or the Proposed Transaction necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; and that (ii) to the extent that any of the Information identified in subparagraph (i) above is historical, since the dates on which such Information was provided to Trimaven, except as disclosed in writing to Trimaven, there has been no material change (as defined in the *Securities Act (Ontario)*), financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Melcor or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion. With respect to any forecasts, projections, estimates and/or budgets provided to Trimaven and used in its analyses, Trimaven notes that projecting future results of any company is inherently subject to uncertainty. Trimaven has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions in the opinion of Melcor, are (or were at the time and continue to be) reasonable in the circumstances.

Trimaven has assumed that, in all respects material to its analysis, the Acquisition Agreement executed by the parties will be in substantially the form of the draft provided to us, the representations and warranties of the parties to the Acquisition Agreement contained therein are

true, accurate and complete in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Proposed Transaction, Melcor Developments will perform its obligations under the Acquisition Agreement and the Proposed Transaction, and all conditions to the obligations of such parties as specified in the Acquisition Agreement and under Proposed Transaction will be satisfied without any waiver thereof. Trimaven has also assumed that all material approvals and consents required in connection with the consummation of the Acquisition Agreement and the Proposed Transaction will be obtained and that, in connection with obtaining any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have a material adverse effect on Melcor.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Proposed Transaction. We express no opinion as to the value at which Melcor Units may trade following completion of the Proposed Transaction.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Melcor and the Subject Portfolio as they are reflected in the Information and as they were represented to us in our discussions with the management of Melcor. In our analyses and in connection with the preparation of our Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, capital market and economic conditions and other matters, many of which are beyond the control of Trimaven and any party involved in the Proposed Transaction. Trimaven disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of Trimaven after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, Trimaven reserves the right to change, modify or withdraw the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily capable of being partially analyzed or summarized. Trimaven believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, may create an incomplete view of the process underlying the Fairness Opinion. The Fairness Opinion should be read in its entirety.

This Fairness Opinion is addressed to the Special Committee and is for the sole use and benefit of the Special Committee and the Board in evaluating the Proposed Transaction and may not be relied upon by any other person, and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of Trimaven. This Fairness Opinion is not to be construed as a recommendation to any Unitholder to accept or reject the Proposed Transaction. In considering fairness from a financial point of view, Trimaven considered the Proposed Transaction from the perspective of Unitholders generally and did not consider the specific circumstances of any particular Unitholder, including such holders specific income tax considerations.

### **Overview of the the REIT and the Proposed Transaction**

Melcor is an unincorporated, open-ended real estate investment trust that owns, acquires, manages and leases quality retail, office and industrial income-generating commercial real estate properties in primarily western Canadian markets. Its current portfolio is made up of interests in 37 properties representing approximately 2.71 million square feet of gross leasable area located across Alberta, Regina, Saskatchewan; and Kelowna, British Columbia. Under the

Proposed Transaction, the REIT will acquire from Melcor Developments a 5-property portfolio of retail and industrial properties located in Alberta at a purchase price of approximately \$80.9 million subject to certain customary adjustments.

### **Approach to Fairness**

In considering whether the consideration payable by the REIT pursuant to the Proposed Transaction is fair, from a financial point of view, to Unitholders, other than Melcor Developments and certain of its associates and affiliates, Trimaven, in addition to the items outlined under the Scope of Review, primarily considered the following:

- i. a comparison of the consideration (Purchase Price) payable by the REIT to Trimaven's view of the fair market value of the Subject Portfolio;
- ii. a critical review of the Altus Group Appraisals of each property in the Subject Portfolio relative to the Proposed Transaction and Purchase Price, and
- iii. the qualitative and quantitative impact of the Proposed Transaction and the consideration paid thereunder on the REIT.

### **Indicative Value of the Subject Portfolio**

As each property in the Subject Portfolio is 100% occupied with tenants that in most cases are subject to long-term leases, Trimaven utilized a direct capitalization rate ("cap rate") approach to assess the indicative value of each of properties in the Subject Portfolio. For the direct cap rate approach, appropriate cap rates were applied to the estimated net operating income ("NOI") of each property for the 12-months ending December 31, 2018. Cap rates were selected for each property based on, among other factors, (i) a detailed review of each property including asset type, asset quality, tenant profile and average lease term; (ii) any structural enhancements (head-leases, bridge-leases and free rent periods (if any)) or deferred capital risk at each property (iii) a review of the Altus Group Appraisals; (iv) share of area below market rent / available rents in each local market; (v) availability of supply currently in the market; (vi) comparable private market precedent transactions (completed and underway) in the relevant geographic markets, (vii) relevant industry research reports, and (viii) Trimaven's knowledge of current real estate pricing parameters.

**The following is a summary of the direct cap rates selected by Trimaven and applied to the NOI of each of the properties in the Subject Portfolio:**

<b>Asset Type</b>	<b>Direct Cap Rate Range</b>	
	<b>High</b>	<b>Low</b>
Industrial – 1 Property	7.10%	6.60%
Retail – 4 Properties	6.10% to 6.35%	5.60% to 5.85%

The indicative property values resulting from the above analyses were reviewed based on the implied aggregate cap rate, individual implied price per square foot and precedent transaction benchmarks to ensure these measures were also consistent with market pricing parameters. As part of its analysis of the Subject Portfolio, Trimaven deemed that it was not appropriate to apply a portfolio premium at this time, given its only a 5-property portfolio and in light of the recent market environment in Alberta.

### **The Altus Group Appraisals**

The Special Committee retained Altus Group to provide an independent estimate of the market value of each property in the Subject Portfolio as at September 30, 2017. Among other things, Altus Group provides independent real estate advisory services to public and private market clients in Canada and has over 40 years of experience preparing valuations and appraisals. Altus Group estimates that the aggregate market value of the Subject Portfolio is approximately \$82.4 million, representing a weighted average capitalization rate of 6.03% based on the stabilized NOI in the Appraisals. The estimated market value of the properties within the Subject Portfolio was primarily determined using an income valuation approach (which utilized both an overall capitalization rate and a discounted cash flow approach). In terms of the capitalization rate approach, Altus Group applied cap rates ranging from 5.75% to 6.75% to stabilized NOI. **The \$80.9 million Purchase Price represents an approximate 6.17% blended cap rate on the estimated NOI for the Subject Portfolio for the 12-months ending December 31, 2018 and an approximate \$1.5 million discount to the Altus Group Appraisals.**

### **Qualitative and Quantitative Impact on the REIT**

In considering fairness, Trimaven, with regards to the Proposed Transaction, also examined (i) the proposed financing structure, (ii) the level of FFO / AFFO accretion, (iii) the REIT's proforma leverage, (iv) Melcor Developments' proforma ownership of the REIT, (v) the indicative value of the Class B LP Units and the Class C LP Units being issued as part of the consideration, (vi) any Net Asset Value ("NAV") dilution, (vii) proforma asset class diversification, (viii) the increased size and scale of the REIT, (ix) consistency with the REIT's stated strategy, (x) potential increase in trading liquidity, and (xi) potential impact on trading multiples.

### **Conclusion**

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion, as of the date hereof, that the consideration payable by the REIT pursuant to the Proposed Transaction is fair, from a financial point of view, to Unitholders, other than Melcor Developments and certain of its associates and affiliates.

Yours very truly,

The logo consists of the company name "Trimaven Capital Advisors" written in a cursive, handwritten-style font.

**Trimaven Capital Advisors**  
*Maven Capital Inc.*

**APPENDIX "C"**  
**CLASS C LP UNIT VALUATION**

The Special Committee of the Board of Trustees of Melcor REIT  
10310 Jasper Avenue, Suite 900  
Edmonton, AB  
T5J 1Y8

December 4<sup>th</sup>, 2017

To the Special Committee:

Trimaven Capital Advisors ("Trimaven", "we", "us" or "our") understands that Melcor Real Estate Investment Trust ("Melcor" or the "REIT") will enter into an acquisition agreement dated December 4<sup>th</sup>, 2017 (the "Acquisition Agreement") with Melcor Developments Ltd. ("Melcor Developments" or the "Vendor") pursuant to which, among other things, the REIT would acquire a portfolio of retail and industrial properties located in Alberta, Canada (the "Subject Portfolio") from the Vendor (the "Proposed Transaction") at a purchase price of approximately \$80.9 million subject to certain customary adjustments (the "Purchase Price"). The terms of the Proposed Transaction, the Subject Portfolio and other related matters are more fully described in a management information circular of the REIT to be dated on or about December 12<sup>th</sup>, 2017 (the "Circular") that will be mailed to unitholders of Melcor in connection with the Proposed Transaction. Terms appearing in capitalized letters and not otherwise defined in this formal valuation shall, as the context requires, have the meanings set forth in the Circular.

We understand that the form of consideration to satisfy settlement of the Purchase Price for the Subject Portfolio is as set forth below:

- (i) approximately \$2.5 million of the purchase price by the issuance of 283,447 Class B LP Units to Melcor Developments, each with an issue price equal to \$8.82;
- (ii) approximately \$13.31 million of the purchase price by the issuance of 1,331,202 Class C LP Units to Melcor Developments;
- (iii) \$31.04 million of the purchase price by the assumption of the Assumed Melcor Mortgages; and,
- (iv) approximately \$34.03 million of the purchase price by the net proceeds of the public Offering of Debentures and Subscription Receipts and a draw on the REIT's revolving credit facility in the approximate amount of \$1.332 million;

We also understand that the 1,331,202 of Class C LP Units being issued to Melcor Developments is in consideration for Melcor Developments retaining the primary obligations to pay the mortgage (the "Kingsview Mortgage") over Kingsview Market Centre Phases Two and Four (the "Kingsview Property"), one of the properties in the Subject Portfolio (collectively, the "Melcor Acquisition Retained Debt"), and that the Melcor Acquisition Retained Debt will be equal to the loan balance owing to Desjardins Financial Security Life Assurance Company (the "Lender" on the Kingsview Property) at the Melcor Acquisition Closing date.

We further understand that the Proposed Transaction and the issuance of the Class B LP Units and Class C LP Units to Melcor Developments in connection with the Proposed Transaction is considered by the REIT to be a "related party transaction" ("Related Party Transaction") under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). As described in the Circular, the provisions of MI 61-101 would have required the REIT to obtain a formal valuation of the Class B LP Units to be issued to the Vendor as partial consideration for the Proposed Transaction. As further described in the Circular, the REIT has applied to the Alberta Securities Commission and the Ontario Securities Commission for

exemptive relief from the requirement to obtain a formal valuation of the Class B LP Units to be issued to Melcor Developments in connection with the Proposed Transaction. The REIT however is required to obtain a formal valuation of the Class C LP Units being issued to the Vendor as partial consideration for the Proposed Transaction.

A special committee (the “**Special Committee**”) of Independent Trustees of the Board of Trustees of the REIT (the “**Board**”) was formed to consider the Proposed Transaction as well as the issuance of Class B LP Units and Class C LP Units to Melcor Developments. As more fully described below, the Special Committee engaged Trimaven to provide a formal valuation of the approximate 1.33 million Class C LP Units being issued to Melcor Developments (the “**Class C LP Unit Valuation**”) as part of the Proposed Transaction. Trimaven was also engaged to provide an opinion as to whether or not the consideration payable by the REIT pursuant to the Proposed Transaction is “fair” to unitholders of the REIT, other than Melcor Developments and certain of its associates and affiliates (the “**Fairness Opinion**”). While Trimaven has been engaged to provide the Class C LP Unit Valuation, Trimaven was not asked to provide, nor did we provide, a formal valuation in respect of the issuance of Class B LP Units to Melcor Developments or any other assets or liabilities of the REIT, and this Class C LP Unit Valuation should not be construed or relied upon as such. Trimaven also understands that the Proposed Transaction, including the issuance of the Class B LP Units and the Class C LP Units, is subject to approval, being a majority of votes cast by unitholders of the REIT, who are not Melcor Developments or certain of its associates or affiliates, voting in favour of the Proposed Transaction.

The Class C LP Unit Valuation has been prepared in accordance with: (i) the Disclosure Standards for Formal Valuations and Fairness Opinion of Investment Industry Regulatory Organization of Canada (IIROC) but IIROC has not been involved in the preparation or review of the Class C LP Unit Valuation; and (ii) the requirements of MI 61-101.

### **Engagement of Trimaven**

Trimaven was first contacted by the Special Committee on October 30, 2017. Pursuant to an engagement agreement dated November 8, 2017 (the “**Engagement Agreement**”), Melcor formally retained, at the direction of the Special Committee, the services of Trimaven. Trimaven’s services under its engagement include the preparation and delivery to the Special Committee of the Class C LP Unit Valuation.

Trimaven understands that the Class C LP Unit Valuation and/or a summary thereof may be included in the Circular and described in the prospectus with respect to the public Offering and, subject to the approval and other terms of the Engagement Agreement, Trimaven consents to such disclosure.

Trimaven is entitled to a fixed fee for the preparation and delivery of the Class C LP Unit Valuation to the Special Committee. The fees to be received by Trimaven in respect of the Class C LP Unit Valuation are not material to Trimaven nor contingent on either the conclusion of the Class C LP Unit Valuation or on the completion of the Proposed Transaction or any alternative transaction. Melcor has also agreed to reimburse Trimaven for its reasonable out-of-pocket expenses and to indemnify Trimaven in respect of certain liabilities that might arise out of its engagement.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

## **Credentials of Trimaven**

Trimaven is a leading independently owned investment bank that provides clients with specialized advice in mergers and acquisitions, special situations, shareholder activism, corporate finance, fairness opinions, valuations, private equity and asset/portfolio advisory. The Class C LP Unit Valuation is the opinion of Trimaven and the form and content herein has been reviewed and approved for release by a group of managing directors of Trimaven, each of whom is experienced in mergers and acquisitions, divestitures, valuations, fairness opinions and other capital markets matters. Trimaven's principals have over fifty years of combined experience providing financial advisory services and have extensive experience in preparing fairness opinions and valuations in transactions similar to the Melcor Acquisition and the Class C LP Unit Valuation.

## **Relationship with Interested Parties**

Neither Trimaven nor any "affiliated entity" of Trimaven (i) is an "associated" or "affiliated" entity or "issuer insider" (as such terms are used under MI 61-101) of Melcor or Melcor Developments, nor is it a financial advisor to Melcor Developments in connection with the Proposed Transaction including the issuance of the Class C LP Units; (ii) has been engaged to provide any financial advisory services to Melcor or Melcor Developments during the 24-month period preceding the execution of the Engagement Agreement; (iii) has a material financial interest in the completion of the Proposed Transaction or the issuance of the Class C LP Units; (iv) has a material financial interest in future business under an agreement, commitment or understanding involving Melcor or Melcor Developments or an associated or affiliated entity of Melcor or Melcor Developments; (v) during the 24 months before being contacted by Melcor in respect of the Proposed Transaction and the Class C LP Unit Valuation, has (a) had a material involvement in an evaluation, appraisal or review of the financial condition of Melcor or Melcor Developments (or an associated or affiliated entity of each) or any of Melcor or Melcor Developments' assets or liabilities, (b) acted as a lead or co-lead underwriter of a distribution of securities by either Melcor or Melcor Developments, (c) had a material financial interest in a transaction involving Melcor or Melcor Developments; or (d) is (i) a lead or co-lead lender or manager of a lending syndicate in respect of the Proposed Transaction, or (ii) a lender to either Melcor or Melcor Developments; and (vi) conducts research on securities or provides research reports on investment matters, including in respect of Melcor or Melcor Developments. While there are no understandings, agreements or commitments between Trimaven and any of Melcor or Melcor Developments with respect to future business dealings, Trimaven may, in the future, in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of Melcor or Melcor Developments from time to time.

Trimaven is a financial advisory firm involved in a wide range of investment banking, corporate finance, special situations, private equity, asset advisory, asset management and other investment and financial businesses and services, both for its own account and for the accounts of third parties. Trimaven and its shareholders, directors, officers and employees may acquire, hold or sell, for their own account and the accounts of third parties, equity, debt and other securities and financial instruments of Melcor and Melcor Developments or any other companies that may be involved in the Proposed Transaction, as well as provide investment banking and other financial services to such companies. Trimaven and its shareholders, officers and employees may have interests, or be engaged in a broad range of transactions involving interests, that differ from those of Melcor. Trimaven and certain of its respective employees, including members of the team performing this engagement, may from time-to-time acquire, hold or make direct or indirect investments in or otherwise participate in a wide variety of

companies, including parties with a potential direct or indirect interest in any transaction to which this engagement relates.

Trimaven is of the view that it is independent of both Melcor and Melcor Developments for the purpose of the Proposed Transaction and the Class C LP Unit Valuation as determined in accordance with MI 61-101.

### **Scope of Review**

In connection with rendering our Class C LP Unit Valuation, we have considered, reviewed and/or relied upon, among other things, the following:

- (a) the Circular;
- (b) the preliminary short form prospectus dated December 7, 2017 related to the Offering;
- (c) the Limited Partnership Agreement of the Melcor REIT Limited Partnership dated May 1, 2013;
- (d) the Consent of Independent Trustees to extend the End Deferral Date with regards to the Retained Debt;
- (e) the Kingsview Property Mortgage Registration filled with the Alberta Government Services Land Titles Office;
- (f) the Lender Consent to the transfer of the Kingsview Property to Melcor dated November 21, 2017;
- (g) the Retained Debt Statement regarding the Kingsview Mortgage as provided by the Lender on November 30, 2017;
- (h) the original Kingsview Mortgage Amortization Table as provided by the Lender;
- (i) the original Kingsview Mortgage Financing Application (Commitment Letter) dated September 14, 2016;
- (j) the final Acquisition Agreement dated December 4, 2017;
- (k) public information regarding the real estate industry generally, and the commercial real estate lending environment in particular;
- (l) comparable lending transactions considered by us to be relevant, if any;
- (m) discussions with (i) senior management of Melcor, and its legal advisor; and (ii) discussions with the Special Committee, and its legal advisor regarding the Class C LP Units;
- (n) other information, analysis, investigations and discussions we considered necessary or appropriate in the circumstances.

Trimaven has not, to the best of its knowledge, been denied access by Melcor to any information under the control of Melcor that has been requested by Trimaven, including any prior valuations as contemplated under MI 61-101.

### **Prior Valuations**

Melcor has represented to Trimaven that there have been no independent appraisals or valuations or material non-independent appraisals or valuations relating to (i) the Class C LP Units being issued to the Vendor as part of the Proposed Transaction, or (ii) the Kingsview Mortgage, which have been prepared as of a date within the two (2) years preceding the date of the Engagement Agreement.

## **Assumptions and Limitations**

The Class C LP Unit Valuation provided by Trimaven is subject to the assumptions, qualifications and limitations set forth below. Other than with regards to the Fairness Opinion, our role is limited to the preparation and delivery of the Class C LP Unit Valuation. We have not been asked to prepare, nor have we prepared, a formal valuation or appraisal of any of the other assets, liabilities or securities of Melcor or any of their respective affiliates, including the Class B LP Units of Melcor and our Class C LP Unit Valuation should not be construed or relied upon as such, nor have we been requested to identify, solicit, consider or develop any potential alternatives to the issuance of the Class C LP Units or the Proposed Transaction.

With the Special Committee's approval and as provided for in the Engagement Agreement, we have relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, appraisals, agreements, opinions and representations obtained by us from public sources, and/or provided to us by Melcor, its subsidiaries or their respective directors, officers, associates, affiliates, consultants, advisors and representatives, with regards to the Proposed Transaction, the Class C LP Units, the Kingsview Mortgage and the Kingsview Property (collectively, the foregoing in this paragraph, the "**Information**"). We have not met separately with the independent auditors of Melcor in connection with preparing the Class C LP Unit Valuation. Our Class C LP Unit Valuation is conditional upon the completeness, accuracy and fair presentation of the Information. We have not been requested to, nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information or any other information.

Senior officers of Melcor have represented to Trimaven in a certificate delivered on or around the date hereof, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of Melcor or in writing by Melcor or any of its subsidiaries, associates or affiliates or their respective directors, officers, associates, affiliates, consultants, advisors and representatives to Trimaven or obtained by Trimaven from the System for Electronic Document Analysis and Retrieval (SEDAR) relating to Melcor, its subsidiaries, associates or affiliates or the Proposed Transaction, the Class C LP Units, the Kingsview Mortgage and the Kingsview Property for the purpose of preparing the Class C LP Unit Valuation is, or in the case of historical Information, was, at the date of preparation, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact (as defined in the *Securities Act (Ontario)*) in respect of Melcor, its subsidiaries, associates or affiliates, or the Proposed Transaction, the Class C LP Units, the Kingsview Mortgage and the Kingsview Property and did not and does not omit to state a material fact in respect of Melcor, its subsidiaries, associates or affiliates, or the Proposed Transaction, the Class C LP Units, the Kingsview Mortgage and the Kingsview Property necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any such statement was made; and that (ii) to the extent that any of the Information identified in subparagraph (i) above is historical, since the dates on which such Information was provided to Trimaven, except as disclosed in writing to Trimaven, there has been no material change (as defined in the *Securities Act (Ontario)*), financial or otherwise, and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Class C LP Unit Valuation. With respect to any forecasts, projections, and estimates provided to Trimaven and used in its analyses, Trimaven notes that projecting future results or cash flows is inherently subject to uncertainty. Trimaven has assumed, however, that such forecasts, projections and estimates were prepared using the

assumptions identified therein and that such assumptions in the opinion of Melcor, are (or were at the time and continue to be) reasonable in the circumstances.

Trimaven has assumed that, in all respects material to its analysis, the representations and warranties of the parties to the Acquisition Agreement contained therein are true, accurate and complete in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Proposed Transaction and with regards to the Class C LP Units as per the Limited Partnership Agreement, Melcor Developments will perform its obligations under the Acquisition Agreement, the Proposed Transaction and the Class C LP Units as per the Limited Partnership Agreement, and all conditions to the obligations of such parties as specified in the Acquisition Agreement, the Proposed Transaction and the Limited Partnership Agreement will be satisfied without any waiver thereof. Trimaven has also assumed that all material approvals and consents required in connection with the consummation of the Acquisition Agreement, the Proposed Transaction and the issuance of the Class C LP Units will be obtained and that, in connection with obtaining any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have a material adverse effect on Melcor.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Proposed Transaction or the issuance of the Class C LP Units.

This Class C LP Unit Valuation is rendered as at the date hereof and on the basis of economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of Melcor and the Kingsview Property as they are reflected in the Information and as they were represented to us in our discussions with the management of Melcor. In our analyses and in connection with the preparation of our valuation, we made numerous assumptions with respect to industry performance, general business, capital market, financing market and economic conditions and other matters, many of which are beyond the control of Trimaven and any party involved in the Proposed Transaction. Trimaven disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Class C LP Unit Valuation which may come or be brought to the attention of Trimaven after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Class C LP Unit Valuation after the date hereof, Trimaven reserves the right to change, modify or withdraw the Class C LP Unit Valuation. The preparation of a valuation is a complex process and is not necessarily capable of being partially analyzed or summarized. Trimaven believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, may create an incomplete view of the process underlying the Class C LP Unit Valuation. The Class C LP Unit Valuation should be read in its entirety.

This Class C LP Unit Valuation is addressed to the Special Committee and is for the sole use and benefit of the Special Committee and the Board in evaluating the Proposed Transaction and the issuance of the Class C LP Units, and for the purpose of complying with MI 61-101, and may not be relied upon by any other person, and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of Trimaven. This Class C LP Unit Valuation is not to be construed as a recommendation to any Unitholder to accept or reject the Proposed Transaction.

## **Overview of the REIT, the Proposed Transaction and the Class C LP Units**

Melcor is an unincorporated, open-ended real estate investment trust that owns, acquires, manages and leases quality retail, office and industrial income-generating commercial real estate properties in primarily western Canadian markets. Its current portfolio is made up of interests in 37 properties representing approximately 2.71 million square feet of gross leasable area located across Alberta, Regina, Saskatchewan; and Kelowna, British Columbia. Under the Proposed Transaction, the REIT will acquire from Melcor Developments a 5-property portfolio of retail and industrial properties located in Alberta at a purchase price of approximately \$80.9 million subject to certain customary adjustments. As partial satisfaction of the purchase price, the REIT is issuing 1,331,202 Class C LP Units to Melcor Developments in consideration for Melcor Developments retaining the primary obligation to pay the mortgage over the Kingsview Property, one of the properties being acquired by the REIT. The 'Class C LP Units' mean the Class C limited partnership units of the Melcor REIT Limited Partnership.

### **Approach to Value**

For purposes of the Class C LP Unit Valuation, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at an arm's length with the other and each under no compulsion to act, for the 1,331,202 Class C LP Units. In accordance with MI 61-101, Trimaven has not made any downward adjustments to the value of the Class C LP Units to reflect the liquidity or lack thereof of the Class C LP Units.

### **The Class C LP Unit Valuation**

Based on a fulsome read and review of all the documentation outlined above under Scope of Review related to the Class C LP Units, the Kingsview Mortgage and and the Melcor Acquisition Retained Debt, we understand the following:

1. The 1,331,202 of Class C LP Units being issued to Melcor Developments is in consideration for Melcor Developments retaining the primary obligation to pay the Kingsview Mortgage at the Kingsview Property (the 'Melcor Acquisition Retained Debt'). The Melcor Acquisition Retained Debt will be equal to the loan balance owing to the Lender on the Kingsview Property) at the time of the Melcor Acquisition Closing.

As of January 1, 2018 (in \$000's)	Kingsview Market Centre Phases Two and Four			
	Loan Balance <sup>(1)</sup>	Interest Rate	Monthly P&I Payment	Maturity Date
Kingsview Mortgage	\$13,312	3.34%	\$67,248.17	December 1, 2026

(1) Reflects the loan balance after the January 1, 2018 principal and interest payment.

Trimaven also understands that the original terms of the Kingsview Mortgage were negotiated at arms' length in late 2016 with a recognized mortgage lender and are in-line with then market conditions.

2. The Melcor Acquisition Retained Debt, and the Class C LP Units issued in respect thereof (including distributions on the Class C LP Units), will be treated in a manner similar to the Initial Retained Debt and Class C LP Units issued in connection with the acquisition of the Initial Properties as part of Melcor's initial public offering that was completed on May 1,

2013. The Melcor Acquisition Retained Debt will not be assumed by the REIT and will remain indebtedness of Melcor Developments. **Melcor Developments will remain responsible for interest and principal payments owing to the Lender on the Melcor Acquisition Retained Debt. Melcor REIT Limited Partnership will make distributions on the Class C LP Units held by Melcor Developments in amounts expected to be sufficient to make such payments.**

3. Melcor REIT Limited Partnership will also agree to provide the Lender with a guarantee in respect of the Melcor Acquisition Retained Debt to ensure that the Lender is not prejudiced in their ability to collect from Melcor Developments in the event that payments on the Class C LP Units (in respect of the Melcor Acquisition Retained Debt) are not made as expected. Melcor Developments will indemnify the Melcor REIT Limited Partnership and the REIT for any losses suffered by the Melcor REIT Limited Partnership or the REIT in the event payments on the Melcor Acquisition Retained Debt are not made as required.
4. Pursuant to the terms of the Melcor REIT Limited Partnership, **as the Kingsview Mortgage underlying the Melcor Acquisition Retained Debt reaches maturity, the Melcor REIT Limited Partnership will be required to make sufficient distributions on the Class C LP Units issued to Melcor Developments to pay in full the associated portion of the Melcor Acquisition Retained Debt**, and Melcor Developments will be required to use such distributions to discharge that portion of the Melcor Acquisition Retained Debt. In addition, pursuant to the Melcor REIT Limited Partnership Agreement, the independent Trustees extended the End Deferral Date until May 1, 2028, beyond the maturity of the Kingsview Mortgage.
5. Should the REIT wish to dispose of, or reduce the level of, the Melcor Acquisition Retained Debt, Melcor Developments may not be able to achieve a deferral of certain Canadian income tax consequences. As such, until such time that the applicable Melcor Acquisition Retained Debt matures, if the REIT (i) disposes of a property, or (ii) decreases the level of financing associated with such property, in addition to making sufficient distributions on the Class C LP Units so that Melcor Developments can either discharge, or satisfy the reduction in, the Melcor Acquisition Retained Debt applicable to such property (including repayment fees or penalties if any), the Melcor REIT Limited Partnership will be required to make sufficient additional distributions in an amount equal to the difference between Melcor Development's estimated tax liability at the date of the sale or reduction and the net present value of the tax liability calculated assuming such property, or full amount of the Melcor Acquisition Retained Debt, had been held to maturity of the existing mortgage (the "**NPV Tax Liability**").
6. Should the REIT wish to increase the level of the Melcor Acquisition Retained Debt, Melcor Developments shall facilitate such increase, provided that the new maturity date does not extend past the original maturity date of the Melcor Acquisition Retained Debt. In such instances, Melcor Developments would be required to subscribe for and purchase, and the Melcor REIT Limited Partnership would be required to issue, further Class C LP Units in an amount equivalent to the amount of the upward refinancing.
7. On the Melcor Acquisition Closing, the capital account of the Class C LP Units will be increased by an amount equal to the current principal balance of the Melcor Acquisition Retained Debt. The portion of the distributions paid on Class C LP Units that relates to the interest payable on the Melcor Acquisition Retained Debt will not affect the capital account of the Class C LP Units, as income will be allocated to the Class C LP Units in an amount

equal to the amount of such interest payable. The portion of the distributions paid on the Class C LP Units that relate to the principal payable on the Melcor Acquisition Retained Debt will reduce the capital account of the Class C LP Units, and such balance will continue to match the principal outstanding on the Melcor Acquisition Retained Debt. If the Melcor Acquisition Retained Debt is ultimately paid off in full, the capital account balance of the applicable 1,331,202 Class C LP Units will be reduced to nil and the 1,331,202 Class C LP Units will be cancelled.

#### Benefit to Melcor Developments

The acquisition of the Melcor Acquisition Properties and the structure of the Class C LP Units provide Melcor Developments with the opportunity to achieve a deferral of certain Canadian income tax consequences.

#### Valuation Methodology

Based on Trimaven's understanding and review of all relevant documentation, we are of the view that (i) the Class C LP Units being issued to Melcor Developments are meant to approximate the current "outstanding principal balance" of the "Kingsview Mortgage" from an economic perspective, and (ii) the distributions ("cash flow") on the Class C LP Units are effectively equal to the monthly debt service and principal repayment on maturity obligations associated with the Kingsview Mortgage:

- i. Monthly Payments of approximately \$67,248 to be paid on the first of each month up to and including December 1, 2026;
- ii. Final Principal Payment of approximately \$9,525,316 on December 1, 2026

As such, we employ a typical mark-to-market approach for mortgages utilizing a discounted cash flow analysis in determining the current fair market value of the Class C LP Units being issued to Melcor Developments. Based on current Government of Canada Bond yields with a similar remaining term or duration to the Kingsview Mortgage and current lending spreads for the Kingsview Property or assets of similar quality and location, the fair market value is as follows:

As of January 1, 2018 (in \$000's)	Kingsview Market Centre Phases Two and Four		
	Current	High Value	Low Value
Maturity	December 1, 2026	December 1, 2026	December 1, 2026
Mortgage Balance <sup>(1)</sup>	\$13,312	\$13,312	\$13,312
Valuation Date <sup>(2)</sup>	January 1, 2018	January 1, 2018	January 1, 2018
Discount Rate	3.340%	3.500%	3.700%
Monthly Payment	\$67.248	\$67.248	\$67.248
<b>Fair Market Value Rounded</b>	<b>\$13,312</b>	<b>\$13,171</b>	<b>\$12,998</b>
		\$13,200	\$13,000

<sup>(1)</sup> Reflects the loan balance after the January 1, 2018 principal and interest payment.

<sup>(2)</sup> Assumes January 1, 2018 payment has been made

For the purpose of the Class C LP Unit Valuation, Trimaven has assumed that the REIT does not dispose of, or refinance, the Kingsview Property and thus does not trigger any pre-payment penalties or the NPV Tax Liability.

### **Valuation Conclusion**

Trimaven is of the opinion that, as of the date hereof, the fair market value of the Class C LP Units being issued to Melcor Developments as partial consideration for the Proposed Transaction is between **\$13.0 million and \$13.2 million**.

Yours very truly,

*Trimaven Capital Advisors*

**Trimaven Capital Advisors**  
*Maven Capital Inc.*

**APPENDIX "F"**  
**FINANCIAL STATEMENT**

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**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Melcor Real Estate Investment Trust

As at and for the nine-months ended September 30, 2017 and for the year ended December 31, 2016

(Unaudited, in \$000s of Canadian dollars)

**Melcor Real Estate Investment Trust - Unaudited ProForma Condensed Consolidated Statement of Financial Position**

As at September 30, 2017

(Unaudited)

(\$000s)	Melcor REIT	Acquisition Properties	Notes	Pro forma Adjustments	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	1,872	129	2a) 2b) 2c) 2h)	18,694 14,001 (33,633) (86)	<b>977</b>
Accounts receivable	1,781	392		—	<b>2,173</b>
Other assets	1,291	59		—	<b>1,350</b>
	4,944	580		(1,024)	<b>4,500</b>
<b>Non-Current Assets</b>					
Investment properties	619,202	77,457	2c)	205	<b>696,864</b>
Other assets	18,595	3,213		—	<b>21,808</b>
Loan receivable	900	—		—	<b>900</b>
Derivative financial asset	449	—		—	<b>449</b>
	639,146	80,670		205	<b>720,021</b>
<b>TOTAL ASSETS</b>	<b>644,090</b>	<b>81,250</b>		<b>(819)</b>	<b>724,521</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Revolving credit facility	9,382	—		—	<b>9,382</b>
Accounts payable	1,227	—		—	<b>1,227</b>
Distribution payable	1,449	—		—	<b>1,449</b>
Accrued liabilities and other payables	6,593	771		—	<b>7,364</b>
Class C LP Units	10,775	—	2f)	367	<b>11,142</b>
Mortgages payable	16,041	1,191	2f)	(367)	<b>16,942</b>
			2e)	77	
	45,467	1,962		77	<b>47,506</b>
<b>Non-Current Liabilities</b>					
Accrued liabilities and other payables	1,518	—		—	<b>1,518</b>
Class B LP Units	129,350	—	2g)	2,500	<b>131,850</b>
Class C LP Units	64,418	—	2f)	13,066	<b>77,484</b>
Deferred income taxes	—	6,671	2j)	(6,671)	—
Mortgages payable	206,513	40,174	2e)	3,023	<b>236,644</b>
			2f)	(13,066)	
Convertible debenture	33,153	—	2a)	17,950	<b>51,103</b>
Derivative financial liability	61	—	2a)	744	<b>805</b>
<b>TOTAL LIABILITIES</b>	<b>480,480</b>	<b>48,807</b>		<b>17,623</b>	<b>546,910</b>
<b>EQUITY</b>					
Trust units	102,707	—	2b)	14,001	<b>116,708</b>
Contributed surplus	40,448	—		—	<b>40,448</b>
Divisional surplus	—	32,443		(32,443)	—
Retained earnings	20,455	—		—	<b>20,455</b>
<b>EQUITY</b>	<b>163,610</b>	<b>32,443</b>		<b>(18,442)</b>	<b>177,611</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>644,090</b>	<b>81,250</b>		<b>(819)</b>	<b>724,521</b>

See accompanying notes to the unaudited pro forma condensed consolidated financial statements

**Melcor Real Estate Investment Trust - Unaudited ProForma Condensed Consolidated Statement of (Loss) Income and Comprehensive (Loss) Income**

For the year ended December 31, 2016

(Unaudited)

(\$000s)	Melcor REIT	Acquisition Properties	Notes	Pro forma Adjustments	Total
Rental revenue	66,042	5,671		—	<b>71,713</b>
Direct operating expenses	(25,770)	(1,383)		—	<b>(27,153)</b>
Net rental income	40,272	4,288		—	<b>44,560</b>
General and administrative expenses	(2,653)	—		—	<b>(2,653)</b>
Fair value adjustment on investment properties	(6,546)	3,065		—	<b>(3,481)</b>
Fair value adjustment on Class B LP Units	(18,270)	—		—	<b>(18,270)</b>
Income before finance costs and income taxes	12,803	7,353		—	<b>20,156</b>
Interest income	35	3		—	<b>38</b>
Finance costs	(24,014)	(919)	2i)	(1,050)	<b>(26,524)</b>
			2i)	(350)	
			2i)	(191)	
Net finance costs	(23,979)	(916)		(1,591)	<b>(26,486)</b>
Net (loss) income before income taxes	(11,176)	6,437		(1,591)	<b>(6,330)</b>
Deferred income tax (expense) recovery	—	(1,348)	2j)	1,348	<b>—</b>
Income tax (expense) recovery	—	(1,348)		1,348	<b>—</b>
Net (loss) income and comprehensive (loss) income	(11,176)	5,089		(243)	<b>(6,330)</b>
Basic and diluted loss per trust unit	(1.00)				<b>(0.49)</b>

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements*

**Melcor Real Estate Investment Trust - Unaudited ProForma Condensed Consolidated Statement of (Loss) Income and Comprehensive (Loss) Income**

For the nine-months ended September 30, 2017

(Unaudited)

(\$000s)	Melcor REIT	Acquisition Properties	Notes	Pro forma Adjustments	Total
Rental revenue	50,350	4,710		—	<b>55,060</b>
Direct operating expenses	(19,767)	(1,195)		—	<b>(20,962)</b>
Net rental income	30,583	3,515		—	<b>34,098</b>
General and administrative expenses	(1,938)	—		—	<b>(1,938)</b>
Fair value adjustment on investment properties	(16,629)	3,044		—	<b>(13,585)</b>
Fair value adjustment on Class B LP Units	(5,700)	—		—	<b>(5,700)</b>
Income before finance costs and income taxes	6,316	6,559		—	<b>12,875</b>
Interest income	40	14		—	<b>54</b>
Finance costs	(17,347)	(1,047)	2i)	(788)	<b>(19,606)</b>
			2i)	(281)	
			2i)	(143)	
Net finance costs	(17,307)	(1,033)		(1,212)	<b>(19,552)</b>
Net income (loss) before income taxes	(10,991)	5,526		(1,212)	<b>(6,677)</b>
Deferred income tax (expense) recovery	—	(1,081)	2j)	1,081	—
Income tax (expense) recovery	—	(1,081)		1,081	—
Net (loss) income and comprehensive (loss) income	(10,991)	4,445		(131)	<b>(6,677)</b>
Basic and diluted loss per trust unit	(0.99)				<b>(0.52)</b>

*See accompanying notes to the unaudited pro forma condensed consolidated financial statements*

## 1. BASIS OF PRESENTATION

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Melcor Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust ("DOT") dated January 25, 2013 and subsequently amended and restated May 1, 2013. These unaudited pro forma condensed consolidated financial statements have been prepared for inclusion in a short-form prospectus (the "Prospectus") relating to the proposed distribution of 1,770,000 Subscription Receipts ("Subscription Receipts") of the REIT at a price of \$8.50 per Subscription Receipt and \$20,000 aggregate principal amount of 5.25% extendible convertible unsecured subordinated debenture (the "Debentures") of the REIT for cash consideration pursuant to a public offering (the "Offering"). Proceeds from issuance of Subscription Receipts and Debentures will be used to complete the acquisition (the "Acquisition") of 5 investment properties (the "Melcor Acquisition Properties") from Melcor Developments Ltd. ("Melcor"), as described in the Prospectus. The Debentures will have an initial maturity date based on the occurrence of a terminating event, as described in the prospectus. Upon closing of the Acquisition, Subscription Receipt holders will be automatically entitled to receive one trust unit of the REIT (without the payment of any additional consideration); and the maturity date of the Debentures will be extended to December 31, 2022.

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

The principal business of the REIT is to acquire, own and manage office, retail and industrial properties in select target markets in Western Canada. The REIT is externally managed, administered and operated by Melcor pursuant to the Property Management Agreement and Asset Management Agreement.

The REIT is governed under the laws of the Province of Alberta. The registered office of the REIT is located at Suite 900, 10310 Jasper Avenue Edmonton, Alberta, Canada. The REIT's trust units are traded on the Toronto Stock Exchange under the symbol "MR.UN".

These unaudited pro forma condensed consolidated financial statements have been prepared using the unaudited condensed interim consolidated financial statements of the REIT as at and for the nine-months ended September 30, 2017, the unaudited September 30, 2017 condensed carve-out financial statements of the Melcor Acquisition Properties, the audited consolidated financial statements of the REIT as at and for the year ended December 31, 2016, and the audited December 31, 2016 carve-out financial statements of the Melcor Acquisition Properties. The REIT's financial statements can be found on SEDAR at [sedar.com](http://sedar.com) and the other financial statements can be found elsewhere in the Prospectus.

The unaudited pro forma condensed consolidated statement of financial position gives effect to the transactions described in note 2 as if they had occurred on September 30, 2017. The unaudited pro forma condensed consolidated statement of (loss) income and comprehensive (loss) income for the year ended December 31, 2016 and nine-months ended September 30, 2017 gives effect to the transactions described in note 2 as if they had occurred on January 1, 2016.

These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the results that would have occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of the future operating results or the financial position of the REIT.

The accounting policies used in the preparation of these unaudited pro forma condensed consolidated financial statements are consistent with the policies disclosed in the REIT and carve-out financial statements referred to above.

## 2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

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### a) Convertible debenture offering

For the purposes of these pro formas the REIT is assumed to have completed the distribution (the "Offering") of 5.25% extendible convertible unsecured subordinated debentures (the "Debentures") to the public for gross proceeds of \$20,000 (excluding any over-allotment option). The Debentures bear interest at an annual rate of 5.25% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2018. Provided that the Acquisition is completed the Debentures will mature on December 31, 2022. The Debentures can be converted into trust units at the holders' option at any point prior to the maturity date at a conversion rate of 86.9565 trust units per \$1,000 principal amount of Debentures (the "Conversion Price"). On and from December 31, 2020, and prior to December 31, 2021, the Debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted-average trading price of the trust units for a specified period (the "Current Market Price") preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from December 31, 2021, and prior to the maturity date, the Debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest. Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity, in whole or in part, by delivering that number of freely tradeable trust units obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity.

As a hybrid financial instrument, the values of the host instrument component and conversion feature component will be determined at issuance of the Debenture. For purposes of these pro formas, the fair value of the host instrument component was calculated using a market interest rate for an equivalent non-convertible, non-extendible bond. The conversion feature component is recognized at its fair value and presented as a liability.

Costs relating to the issuance, including underwriters' fees, are assumed to be \$1,306 for net proceeds of \$18,694, and have been allocated to the individual components consistent with the allocation of proceeds.

The convertible debenture originally recognized is calculated as follows:

Fair value of host instrument component	19,205
Transaction costs	(1,255)
	<hr/>
	17,950
Fair value of conversion feature component	795
Transaction costs	(51)
	<hr/>
	744
Total	18,694

### b) Equity offering

For the purposes of these pro formas the REIT is assumed to have completed the issuance of 1,770,000 subscription receipts, at a price of \$8.50 per Subscription Receipt for total consideration of \$15,045 (excluding any over-allotment option). Upon closing of the Acquisition from Melcor, holders of Subscription Receipts will be automatically entitled to receive one trust unit of the REIT for no additional consideration.

Costs relating to the issuance, including underwriters' fees, are assumed to be \$1,044 for net proceeds of \$14,001.

### c) Purchase of the Melcor Acquisition Properties

The purchase of the Melcor Acquisition Properties will be accounted for as an asset acquisition; whereby the REIT will record the assets acquired and liabilities assumed at their purchase price.

Net assets acquired		
Investment properties and other assets	80,875	
Assumed mortgages (note 2d)	(28,209)	
Assumed mortgages (note 2e)	(3,100)	
	49,566	
Consideration to Melcor		
Class C LP Units (note 2f)	13,433	
Class B LP Units (note 2g)	2,500	
Cash paid by the REIT	33,633	
	49,566	

The difference between the \$80,670 September 30, 2017 carrying value of the acquired assets and the \$80,875 purchase price is \$205. This has been reflected in this pro forma adjustment.

*d) Assumed mortgages - in-place financing*

On closing, the REIT will assume the mortgages on certain of the Melcor Acquisition Properties with an outstanding principal balance of \$28,209 as at September 30, 2017. Balance is presented gross of deferred financing costs of \$277. Carrying value of the assumed mortgages approximates fair value.

*e) Assumed mortgages - new financing*

On closing, the REIT will also assume a mortgage on one of the Melcor Acquisition Properties which was financed by Melcor subsequent to September 30, 2017. Proceeds from financing was used to repay Melcor's investment in the asset. A reconciliation of the pro forma adjustments is as follows:

	Mortgages payable		
	Current	Long-term	Total
New financing	77	3,023	<b>3,100</b>
	77	3,023	<b>3,100</b>

No pro forma adjustment has been made to finance costs in the pro forma condensed consolidated statements of (loss) income and comprehensive (loss) income as these borrowing costs during the periods presented are attributable to the construction of qualifying assets and are therefore added to the cost of the investment property. Changes to the borrowing costs capitalized would result in a fair value gain/loss on investment properties.

*f) Class C LP Units*

On closing of the Melcor Acquisition Properties, Melcor will retain debt on one of the Acquisition Properties ("Retained Debt"), with an outstanding principal balance of \$13,433. In consideration of the Retained Debt, Melcor will receive 1,343,264 Class C LP Units of Melcor REIT Limited Partnership (the "Partnership"), a subsidiary of the REIT, on which priority distributions are made to permit Melcor to satisfy required principal and interest payments. Carrying value of the Retained Debt approximates fair value of the Class C LP Units.

	Current	Long-term	Total
Mortgages payable	(367)	(13,066)	<b>(13,433)</b>
Class C LP Units	367	13,066	<b>13,433</b>
	—	—	—

No pro forma adjustment has been made to finance costs in the pro forma condensed consolidated statements of (loss) income and comprehensive (loss) income as these borrowing costs are included as mortgage interest expense in an amount equivalent to the Class C LP Unit interest expense.

*g) Class B LP Units*

Melcor will receive 283,447 Class B LP Units at a price of \$8.82 per Unit for total consideration of \$2,500.

As the Class B LP Units are financial liabilities designated as fair value through profit and loss, they will be adjusted to their fair value on an ongoing basis with any fair value adjustments being included in the income statement. These pro forma condensed consolidated financial statements assume no change in fair value of the Class B LP Units during the December 31, 2016 or September 30, 2017 pro forma condensed consolidated statement of (loss) income and comprehensive (loss) income periods. However, the actual REIT consolidated financial statements of future periods will include fair value changes and such

changes could be material.

*h) Working capital*

On closing, the REIT will acquire the net working capital of the Acquisition Properties for a purchase price equal to the net working capital acquired plus reimbursed deferred financing costs.

*i) Finance costs*

Finance costs have been adjusted to reflect the interest expense on the Debentures issued as part of the Offering. The Debentures bear interest at an annual rate of 5.25% payable semi-annually in arrears on June 30 and December 31 in each year. In addition, finance costs have been adjusted to reflect the unwinding of the discount and amortization of transaction costs.

Finance costs have also been adjusted to reflect distributions on the Class B LP Units issued as part of the Melcor Acquisition (note 2g). The distributions on the Class B LP Units are consistent with those declared and paid on the REIT's existing Class B LP Units at a rate of \$0.05625 per unit per month.

Adjustments to finance costs are summarized as follows:

	Finance costs
<i>For the year ended December 31, 2016</i>	
Debenture interest	1,050
Accretion of Debenture and amortization of transaction costs	350
Class B LP Interest	191
	<b>1,591</b>
<i>For the nine-months ended September 30, 2017</i>	
Debenture interest	788
Accretion of Debenture and amortization of transaction costs	281
Class B LP Interest	143
	<b>1,212</b>

*j) Income taxes*

The REIT qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada) ("Tax Act") and as a real estate investment trust eligible for the 'REIT Exception', as defined in the rules applicable to Specified Investment Flow-Through ("SIFT") trusts and partnership in the Tax Act. The REIT expects to allocate all taxable income and to continue to qualify for the REIT Exception. Accordingly, no income tax expense and deferred income tax liabilities or assets have been recorded in the pro forma condensed consolidated financial statements.

## **CARVE-OUT FINANCIAL STATEMENTS**

Melcor Acquisition Properties Financial Statements

For the years ended December 31, 2016 and 2015



December 7, 2017

## **Independent Auditor's Report**

### **To the Board of Directors of Melcor Developments Ltd.**

We have audited the accompanying carve-out financial statements of the Melcor Acquisition Properties, which comprise the carve-out statement of financial position as at December 31, 2016 and the carve-out statements of income and comprehensive income, changes in divisional equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the carve-out financial statements**

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers LLP*  
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### **Opinion**

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of the Melcor Acquisition Properties as at December 31, 2016 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to the fact that, as described in note 2 to the carve-out financial statements, the properties included in the carve-out financial statements have not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if the properties had operated as a separate entity during the year presented or of future results of the properties.

### **Other matter**

The comparative financial statements of the Melcor Acquisition Properties, which comprise the carve-out statements of financial position as at December 31, 2015 and January 1, 2015 and the carve-out statements of income and comprehensive income, changes in divisional equity and cash flows for the year ended December 31, 2015, and the related notes, are unaudited and we express no opinion on those balances.

**(Signed) “PricewaterhouseCoopers LLP”**

**Chartered Professional Accountants**

## Carve-out Statements of Financial Position

(\$000s)	December 31, 2016	December 31, 2015	January 1, 2015
ASSETS		(Unaudited)	(Unaudited)
<b>Current Assets</b>			
Cash and cash equivalents	<b>174</b>	189	417
Accounts receivable	<b>407</b>	343	104
Other assets (note 7)	<b>20</b>	221	—
	<b>601</b>	753	521
<b>Non-Current Assets</b>			
Investment properties (notes 6 and 15)	<b>73,372</b>	65,355	40,369
Other assets (note 7)	<b>2,932</b>	1,313	674
	<b>76,304</b>	66,668	41,043
<b>TOTAL ASSETS</b>	<b>76,905</b>	67,421	41,564
 <b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	<b>838</b>	2,283	265
Project specific financing (note 8)	<b>—</b>	11,850	11,457
Mortgages payable (note 9)	<b>1,163</b>	319	—
	<b>2,001</b>	14,452	11,722
<b>Non-Current Liabilities</b>			
Deferred income taxes (note 11)	<b>5,589</b>	4,241	2,316
Mortgages payable (note 9)	<b>41,030</b>	10,581	—
<b>TOTAL LIABILITIES</b>	<b>48,620</b>	29,274	14,038
 <b>DIVISIONAL EQUITY</b>	<b>28,285</b>	38,147	27,526
<b>TOTAL LIABILITIES AND DIVISIONAL EQUITY</b>	<b>76,905</b>	67,421	41,564

See accompanying notes to these carve-out financial statements.

## Carve-out Statements of Income and Comprehensive Income

For the years ended December 31

(\$000s)	2016	2015
		(Unaudited)
Rental revenue (note 10)	5,671	2,834
Direct operating expenses	(1,383)	(768)
Net rental income	4,288	2,066
Fair value adjustment on investment properties (note 6 and 15)	3,065	9,384
Income before finance costs and income taxes	7,353	11,450
Interest income	3	4
Finance costs	(919)	(314)
Net finance costs	(916)	(310)
Net income before income taxes	6,437	11,140
Deferred income tax expense (note 11)	(1,348)	(1,925)
Net income and comprehensive income	<b>5,089</b>	<b>9,215</b>

*See accompanying notes to these carve-out financial statements.*

## **Carve-out Statements of Changes in Divisional Equity**

For the years ended December 31

(\$000s)	<b>Divisional Equity</b>
	(Unaudited)
<b>Balance at December 31, 2014</b>	27,526
Net income for the year	9,215
Net contributions from Melcor Developments Ltd.	1,406
<b>Balance at December 31, 2015</b>	38,147
(\$000s)	<b>Divisional Equity</b>
<b>Balance at December 31, 2015 (Unaudited)</b>	38,147
Net income for the year	5,089
Net distributions to Melcor Developments Ltd.	(14,951)
<b>Balance at December 31, 2016</b>	28,285

*See accompanying notes to these carve-out financial statements.*

## Carve-out Statements of Cash Flows

For the years ended December 31

(\$000s)	Year ended December 31,	
	2016	2015
		(Unaudited)
<b>CASH FLOWS FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income for the year	<b>5,089</b>	9,215
Non-cash items:		
Amortization of tenant incentives (notes 7 and 10)	<b>80</b>	33
Straight-line rent adjustments (note 10)	<b>(693)</b>	(310)
Non-cash finance costs	<b>68</b>	—
Fair value adjustment on investment properties (notes 6 and 15)	<b>(3,065)</b>	(9,384)
Deferred income tax expense (note 11)	<b>1,348</b>	1,925
	<b>2,827</b>	1,479
Land acquired from Melcor Developments Ltd. (note 6)	<b>(254)</b>	—
Payment of tenant incentives and direct leasing costs	<b>(1,218)</b>	(873)
Changes in operating assets and liabilities (note 3(k))	<b>(39)</b>	(213)
	<b>1,316</b>	393
<b>INVESTING ACTIVITIES</b>		
Investment property development	<b>(6,067)</b>	(13,394)
	<b>(6,067)</b>	(13,394)
<b>FINANCING ACTIVITIES</b>		
Project specific financing (note 8)	<b>(11,850)</b>	393
Proceeds from mortgages payable	<b>32,030</b>	11,000
Repayment of mortgages payable	<b>(493)</b>	(26)
Net contributions from (distributions to) Melcor Developments Ltd.	<b>(14,951)</b>	1,406
	<b>4,736</b>	12,773
<b>DECREASE IN CASH &amp; CASH EQUIVALENTS DURING THE YEAR</b>	<b>(15)</b>	(228)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>189</b>	417
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>174</b>	189

See accompanying notes to these carve-out financial statements.

## 1. DESCRIPTION OF THE BUSINESS

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These carve-out financial statements include retail, industrial and development investment properties (the "Melcor Acquisition Properties") that are directly and jointly owned by Melcor Developments Ltd. ("Melcor" or "we") at December 31, 2016 and do not represent a separate legal entity. The Melcor Acquisition Properties consist of five commercial properties located in Western Canada: Kingsview Market Phases Two & Four, Telford Industrial Phase Four, The District at North Deerfoot Phase One, Chestermere Station Phase Seven and West Henday Promenade Phase Two. Melcor has entered into an acquisition agreement with Melcor Real Estate Investment Trust to sell the Melcor Acquisition Properties, as further described in note 17.

Melcor's place of business is Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8.

The Melcor Acquisition Properties carve-out financial statements for the years ended December 31, 2016 and 2015 were authorized for issue by the Board of Directors' of Melcor on December 4, 2017, after which date the carve-out financial statements may only be amended with the Board of Directors' approval.

## 2. BASIS OF PRESENTATION

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These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). As these are the first IFRS financial statements prepared for the Melcor Acquisition Properties they have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". With the exception of the presentation of the opening IFRS statement of financial position as at January 1, 2015, the application of IFRS 1 has no material effect as Melcor has been applying IFRS for all periods presented.

The Melcor Acquisition Properties are all directly or jointly owned by Melcor. The majority of properties being acquired are externally managed and maintain their own cash accounts. The properties which are internally managed by Melcor do not maintain their own cash accounts, and no cash has been allocated. Divisional equity represents the net of all capital and financing/cash transactions between the Melcor Acquisition Properties and Melcor.

The activities of the Melcor Acquisition Properties are included in these carve-out financial statements from the point in time the property qualifies as an investment property pursuant to the definition prescribed under IAS 40, *Investment Property*. The allocation of Melcor's land inventory to the Melcor Acquisition Properties is recorded in these carve-out financial statements as an addition to property under development at fair value. The Melcor Acquisition Properties do not hold land for future development.

The Melcor Acquisition Properties operate in separate locations and have discrete financial information to record their operating activities and financial position. As a result, most accounts included in these carve-out financial statements are determined by specific identification. Since the majority of properties are externally managed, no allocations of corporate overhead have been made to these carve-out financial statements.

Income taxes have been allocated to the Melcor Acquisition Properties on a separate tax return basis, by calculating the tax expense for these properties as if they had been included in a separate taxable entity. Current taxes payable/recoverable have been treated as a payable to or recoverable from Melcor and included in divisional equity, since Melcor holds the obligation to remit the taxes.

Due to the inherent limitations of carving out activities from larger entities, these carve-out financial statements may not necessarily reflect the Melcor Acquisition Properties' results of operations, financial position and cash flows for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the Melcor Acquisition Properties been a stand-alone entity during the periods presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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The significant accounting policies used in the preparation of these carve-out financial statements are described below.

### a) *Basis of measurement*

These carve-out financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties which are measured at fair value.

We prepare our financial statements in conformity with IFRS which requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. Changes in assumptions may have a significant impact on the carve-out financial statements in the period the assumptions change. We believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 and have been derived from the historical financial statements of Melcor.

These carve-out financial statements are presented in Canadian dollars which is the Melcor Acquisition Properties presentational and functional currency.

**b) *Joint arrangement***

These carve-out financial statements include an investment in one joint arrangement with an interest of 50%. This arrangement is an undivided interest and we record our proportionate share of the assets, liabilities, revenue and expenses in accordance with the agreements. Refer to note 12 for details on the joint arrangement.

**c) *Cash and cash equivalents***

Cash and cash equivalents are comprised of cash and short-term deposits with maturity dates of less than three months from the date they were acquired. These balances relate to our joint venture or externally managed properties.

**d) *Investment properties***

Investment properties include retail and industrial properties held for the long term to earn rental income or for capital appreciation, or both. It also includes properties under development for future use as investment properties. Land related to properties under development is allocated from Melcor at the commencement of property development.

Acquired investment properties are measured initially at cost, including related transaction costs associated with the acquisition. Costs capitalized to properties under development include direct development and construction costs, borrowing costs, and property taxes.

After initial recognition, investment properties are recorded at their fair value, determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows.

Melcor is responsible for determining the fair value of investment properties quarterly. Melcor has an internal valuation team consisting of individuals who are knowledgeable and have experience in the fair value techniques applied in valuing investment property. At least once every two years, the valuations are performed by qualified external valuators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

Changes in fair value are recognized in the carve-out statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is only applied if the fair value is considered to be reliably measurable. In rare circumstances, investment property under development is carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- status of construction permits.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Melcor Acquisition Properties and the cost of the item can be measured reliably. All repairs and maintenance costs are expensed when incurred.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. All direct leasing costs are external expenditures and no amounts for internal allocations are capitalized with respect to the negotiation or arranging of tenant leases.

e) ***Capitalization of borrowing costs***

General and specific borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Borrowing costs are capitalized while acquisition or construction is actively underway and ceases once the asset is substantially complete, or suspended if the development of the asset is suspended. The amount of borrowing cost capitalized is determined by applying a weighted average cost of borrowings to qualifying assets. Qualifying assets include our investment properties under development assets. All other borrowing costs are recognized as finance costs in income in the period in which they are incurred.

f) ***Other assets***

Other assets include prepaid expenses, deposits, straight-line rent adjustments and tenant incentives incurred in respect of new or renewed leases. Tenant incentives are amortized on a straight-line basis over the lease term and are recorded as a reduction of revenue.

g) ***Recognition of revenue***

Tenant leases are accounted for as operating leases given that we have retained substantially all of the risks and benefits of the ownership of our investment properties. Revenue from investment properties includes base rents, recoveries of operating expenses including property taxes, parking revenue and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. When incentives are provided to our tenants, the cost of these incentives is recognized over the lease term, on a straight-line basis, as a reduction to rental revenue. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Other revenues are recorded as earned.

h) ***Finance costs***

Finance costs are comprised of interest expense on mortgages and project specific financing and non-cash financing costs. Borrowing costs are recognized in income using the effective interest rate method.

i) ***Income taxes***

Since the Melcor Acquisition Properties are currently owned by Melcor, which is a taxable entity, current and deferred income taxes are included in the carve-out financial statements. The Melcor Acquisition Properties use the liability method of accounting for income taxes. Under the liability method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of future income tax assets are reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

We presume that investment property measured at fair value will be recovered entirely through sale. Measurement of the related deferred taxes reflects the tax consequences of recovering the carrying amount through sale.

j) ***Financial instruments***

At initial recognition, we classify our financial instruments in the following categories depending on the purpose for which the instruments were acquired:

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to third parties and receivables are initially recognized at fair value plus transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment, if necessary. Loans and receivables are comprised of accounts receivable and cash and cash equivalents.

At each reporting date, we assess whether there is objective evidence that a financial asset is impaired, considering delinquencies in payments and financial difficulty of the debtor. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of any losses is recognized in income.

***Financial liabilities***

We record our financial liabilities at fair value on initial recognition. Subsequently, "other liabilities" are measured at amortized cost using the effective interest rate method and financial liabilities designated as fair value through profit or loss ("FVTPL") are remeasured at fair value with changes in their fair value recorded through income. Other liabilities include accounts payable and accrued liabilities, project specific financing and mortgages payable.

**k) *Statements of cash flows***

Operating assets and liabilities is defined as the net change of accounts receivable, prepaid expenses, and other, and accounts payable and accrued liabilities. Excluded from operating assets and liabilities are investment property additions that are unpaid and included in accounts payable at period end.

## 4. SIGNIFICANT JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

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Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

***Significant judgments***

In the process of applying our accounting policies, we make various judgments, apart from those involving estimations, that can significantly impact the amounts recognized in the carve-out financial statements. These include:

*Investment properties*

Our accounting policies related to investment properties are described in note 3(d). In applying this policy, judgment is required in determining whether certain costs are additions to the carrying amount of an investment property.

In determining the fair value of our investment property, judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current use of our investment properties is its 'highest and best use'.

*Classification of tenant incentives*

Payments are often made to tenants of our commercial properties when new leases are signed. When the payments add future value to the space independent of the lease in place, such costs are capitalized to the investment property. If the costs incurred are specific to the lessee, and do not have stand-alone value, these costs are treated as tenant incentives and amortized on a straight-line basis to revenue over the lease term in accordance with SIC 15, Operating leases – incentives.

***Critical accounting estimates***

We make estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent liabilities and the reported amount of income for the period. Actual results could differ from estimates previously reported. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

*Valuation of investment properties*

The fair value of investment properties is dependent on stabilized net operating income or forecasted future cash flows and property specific capitalization or discount rates. The stabilized net operating income or forecasted future cash flows involve assumptions of future rental income, including estimated market rental rates and vacancy rates, estimated direct operating costs and estimated capital expenditures. Capitalization and discount rates take into account the location, size and quality of the property, as well as market data at the valuation date.

Refer to notes 6 and 15 for further information about methods and assumptions used in determining fair value.

## 5. NEW STANDARDS

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***IAS 7, Statement of cash flows*** was amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

This amendment is effective for the years beginning on or after January 1, 2017. Adoption of this standard is not expected to require any adjustment to the presentation of disclosure within these carve-out financial statements.

***IAS 12, Income taxes*** was amended to clarify (i) the requirements for recognizing deferred tax asset on unrealized losses, (ii) deferred tax where an asset is measured at fair value below the asset's tax base and (iii) certain other aspects of accounting for deferred tax assets.

This amendment is effective for years beginning on or after January 1, 2017. Adoption of this standard is not expected to require any adjustment to the presentation of disclosure within these carve-out financial statements.

**IFRS 15, Revenue from Contracts with Customers** was issued in May 2014 by the IASB and supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria.

IFRS 15 is to be applied to each prior reporting period presented retrospectively or through the recognition of the cumulative effect to opening retained earnings.

An amendment was issued in September 2015 to defer the effective date of IFRS 15 to the first interim period within years beginning on or after January 1, 2018.

Amendment to IFRS 15 was issued in April 2016 to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent, and to provide additional practical expedients on transition. Amendments are effective for annual reporting periods beginning on or after January 1, 2018.

We have completed our preliminary assessment of this new standards and do not expect the adoption to have a material impact on our financial statements.

**IFRS 9, Financial Instruments** was issued in its finalized version in July 2014 to replace IAS 39. The IASB has previously published versions of IFRS 9 that introduced a new classification and measurement model with only two classification categories, 'amortized cost' and 'fair value' (in 2009 and 2010), and a new hedge accounting model in 2013.

This final version introduces a third measurement category, 'fair value through other comprehensive income', for financial assets, as well as an expected loss impairment model that requires more timely recognition of expected credit losses.

Additional disclosures on transition from IAS 39 to IFRS 9 will be required under IFRS 7, the application of which is effective on adoption of IFRS 9.

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted.

We have completed our preliminary assessment of this new standards and do not expect the adoption to have a material impact on our financial statements.

**IFRS 16, Leases** was issued in January 2016 by the IASB to replace IAS 17. IFRS 16 includes several changes in the method of accounting for operating leases, including:

- i. All leases will be on the balance sheet of lessees, except those that meet the limited exception criteria;
- ii. Rent expense for leases on the balance sheet will be recorded as depreciation and finance expenses;
- iii. Timing of expenses will change as the finance lease model results in an accelerated recognition of expenses compared to a straight-line operating lease model.

IFRS 16 is required to be applied for annual periods beginning on or after January 1, 2019.

We are currently assessing the impact of adopting this standard.

## 6. INVESTMENT PROPERTIES

	Year ended December 31, 2016		
(\$000s)	Investment Properties	Property under Development	Total
Balance - beginning of year	42,483	22,872	65,355
Additions			
Land	—	254	254
Direct leasing costs	—	212	212
Development costs	—	4,392	4,392
Capitalized borrowing costs	—	94	94
Transfers	28,717	(28,717)	—
Fair value adjustment on investment properties (note 15)	(575)	3,640	3,065
Balance - end of year	70,625	2,747	73,372

	Year ended December 31, 2015		
(Unaudited - \$000s)	Investment Properties	Property under Development	Total
Balance - beginning of year	24,705	15,664	40,369
Additions			
Direct leasing costs	—	511	511
Development costs	—	14,885	14,885
Capitalized borrowing costs	—	206	206
Transfers	18,194	(18,194)	—
Fair value adjustment on investment properties (note 15)	(416)	9,800	9,384
Balance - end of year	42,483	22,872	65,355

In accordance with our policy, as described in note 3d, we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"), while development activity on properties under development and leasing activity drive fair value adjustments on properties under development. Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in note 15.

Presented separately from investment properties is \$1,590 (December 31, 2015, unaudited - \$664; January 1, 2015, unaudited - \$335) in tenant incentives and \$1,342 (December 31, 2015, unaudited - \$649; January 1, 2015, unaudited - \$339) in straight-line rent adjustments (note 7). The fair value of investment properties presented above has been reduced by these amounts.

Investment property assets are comprised of the following:

(\$000s)	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)	(Unaudited)
Retail	57,229	50,136	35,929
Industrial	16,143	15,219	4,440
	73,372	65,355	40,369

Our investment properties are leased to tenants primarily under long term operating leases. Rentals are receivable from tenants monthly. Minimum lease payments under non-cancellable operating leases of investment properties are receivable as follows:

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS  
(in \$000s except as noted)

(\$000s)	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)	(Unaudited)
Within one year	<b>4,516</b>	2,566	1,311
Later than one year but not later than 5 years	<b>22,737</b>	11,643	5,470
Later than 5 years	<b>27,288</b>	21,554	12,021
	<b>54,541</b>	35,763	18,802

## 7. OTHER ASSETS

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(\$000s)	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)	(Unaudited)
<b>Current Assets</b>			
Prepaid expenses and other	<b>20</b>	221	—
<b>Non-Current Assets</b>			
Straight-line rent adjustments	<b>1,342</b>	649	339
Tenant incentives	<b>1,590</b>	664	335
	<b>2,932</b>	1,313	674

During the year we provided tenant incentives of \$1,006 (2015, unaudited - \$362) and recorded \$80 (2015, unaudited - \$33) of amortization expense respectively.

## 8. PROJECT SPECIFIC FINANCING

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(\$000s)	December 31, 2016	December 31, 2015	January 1, 2015
		(Unaudited)	(Unaudited)
Non-revolving demand construction loan, bearing interest at prime + 0.50%, to a maximum of \$8,975 based upon a percentage of eligible project costs.	—	5,008	1,457
Non-revolving demand construction loan, bearing interest at prime + 0.50% or BA + 250 bps, to a maximum of \$8,300 based upon a percentage of eligible project costs.	—	6,842	—
Non-revolving demand construction loan, bearing interest at prime + 0.60% or BA + 185 bps, to a maximum of \$16,000 based upon a percentage of eligible project costs.	—	—	10,000
	<b>—</b>	<b>11,850</b>	<b>11,457</b>

Specific investment properties under development with a December 31, 2016 carrying value of \$nil (December 31, 2015, unaudited - \$29,433; January 1, 2015, unaudited - \$21,660), have been pledged as collateral on project specific debt on investment properties under development. Interest only payments are made on the above debts.

## 9. MORTGAGES PAYABLE

(\$000s)	December 31, 2016	December 31, 2015 (Unaudited)	January 1, 2015 (Unaudited)
Mortgage amortized over 25 years at fixed interest rate of 2.58%, maturing November 1 2020	<b>10,655</b>	10,974	—
Mortgage amortized over 25 years at fixed interest rate of 3.34%, maturing December 1 2026	<b>13,700</b>	—	—
Mortgage amortized over 25 years at fixed interest rate of 3.40%, maturing June 5 2026	<b>9,033</b>	—	—
Mortgage amortized over 25 years at fixed interest rate of 3.47%, maturing August 1 2026	<b>9,122</b>	—	—
Unamortized deferred financing fees	<b>(317)</b>	(74)	—
	<b>42,193</b>	10,900	—
Current portion of mortgages payable	<b>(1,163)</b>	(319)	—
	<b>41,030</b>	10,581	—

Specific investment properties, including amounts allocated to other assets, with a carrying value of \$73,528 (December 31, 2015, unaudited - \$19,164; January 1, 2015, unaudited - n/a) and assignment of applicable rents and insurance proceeds have been pledged as collateral for the above mortgages. The weighted average effective interest rate for the above mortgages, based on year-end balances is 3.19% (December 31, 2015, unaudited - 2.58%; January 1, 2015, unaudited - n/a).

The minimum contractual principal payments due within the each of the next five years and thereafter are as follows:

	Principal Installment Repayments	Balance Maturing	Total
2017	1,163	—	<b>1,163</b>
2018	1,200	—	<b>1,200</b>
2019	1,239	—	<b>1,239</b>
2020	1,219	9,355	<b>10,574</b>
2021	957	—	<b>957</b>
Thereafter	4,932	22,445	<b>27,377</b>
	<b>10,710</b>	31,800	<b>42,510</b>

## 10. RENTAL REVENUE

The components of rental revenue are as follows:

(\$000s)	2016	2015 (Unaudited)
Rental revenue	<b>5,058</b>	2,557
Amortization of tenant incentives	<b>(80)</b>	(33)
Straight-line rent adjustment	<b>693</b>	310
	<b>5,671</b>	2,834

## 11. INCOME TAX EXPENSE

The components of income tax expense are as follows:

(\$000s)	2016	2015
Deferred tax expense		(Unaudited)
Origination and reversal of temporary differences	1,334	1,675
Change in tax rates	14	250
Income tax expense	1,348	1,925

The Melcor Acquisition Properties effective income tax rate is derived as follows:

(\$000s)	2016	2015
		(Unaudited)
Income before income taxes	6,437	11,140
Statutory rate	27%	26%
	1,738	2,896
Non-taxable portion of capital gains and fair value adjustments	(404)	(1,221)
Change in tax rates	14	250
Income tax expense	1,348	1,925

The movement in deferred tax balances during the year are as follows:

(\$000s)	December 31, 2016		
	Opening (Unaudited)	Recognized in profit or loss	Closing
Investment property	4,223	882	5,105
Tenant incentives	356	437	793
Tax loss carry-forwards	(338)	29	(309)
Deferred tax liability	4,241	1,348	5,589

(\$000s)	December 31, 2015 (Unaudited)		
	Opening	Recognized in profit or loss	Closing
Investment property	2,146	2,077	4,223
Tenant incentives	170	186	356
Tax loss carry-forwards	—	(338)	(338)
Deferred tax liability	2,316	1,925	4,241

## 12. JOINT ARRANGEMENT

The table below discloses our rights to and share of the assets, liabilities, revenues, and earnings of Chestermere Communities Joint Venture, our 50% joint arrangement in Alberta, Canada that is recorded in these carve-out financial statements:

	Interest
Chestermere Communities Joint Venture	50%

(\$000's)	Assets	Liabilities	Revenue	Earnings
<i>For the year ended and as at December 31</i>				
<b>2016</b>	<b>2,756</b>	<b>115</b>	—	<b>457</b>
2015	33	38	—	—
2014	—	—	—	—

## 13. SEGMENTED INFORMATION

All the properties included in these carve-out financial statements are located in Western Canada, and are viewed by the Chief Operating Decision Maker (determined to be the Chief Executive Officer of Melcor) as one operating segment in the context of these carve-out financial statements.

## 14. RISK MANAGEMENT

We are exposed to the following risks as a result of holding financial instruments:

### a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our financial assets that are exposed to credit risk consist of cash and cash equivalents and accounts receivable. Our maximum exposure to credit risk is the carrying amount of these instruments.

We invest our cash and cash equivalents in bank accounts with major Canadian chartered banks. Accounts receivable balances include amounts due from tenants. There have been no impairment adjustments made to these accounts.

We manage our credit risk through careful selection of tenants and look to obtain national tenants or tenants in businesses with a long standing history, or perform financial background checks including business plan review for smaller tenants. We manage our concentration risk by renting to an expansive tenant base, with no dependency on rents from any one specific tenant. Management has reviewed outstanding receivable balances at December 31, 2016 and expects full payment of balances outstanding. No allowance for doubtful accounts has been recorded.

### b) Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk to ensure that we have sufficient liquid financial resources to finance operations and meet long-term mortgage repayments. We monitor rolling forecasts of our liquidity, which includes cash, on the basis of expected cash flows. In addition, we monitor balance sheet liquidity ratios against capital requirements and maintain on-going debt financing plans. We believe that we have access to sufficient capital through internally generated cash flows, external sources and undrawn committed project specific financing facilities to meet current spending forecasts.

Refer to notes 8 and 9 for the maturity information on project specific financing and mortgages payable. Accounts payable and accrued liabilities are expected to be repaid in the next twelve months.

### c) Market Risk

We are subject to interest rate cash flow risk as our project specific financing facilities bear interest at rates that vary in accordance with borrowing rates in Canada. For each 1% change in the rate of interest on our project specific financing facilities, the change in annual finance costs is approximately \$nil (December 31, 2015, unaudited - \$119; January 1, 2015, unaudited - \$115) based upon applicable period end debt balances. We are also subject to interest rate risk on refinancing of our fixed rate debts in the year of maturity. We are not subject to other significant market risks pertaining to our financial instruments.

## 15. FAIR VALUE MEASUREMENT

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of the financial instruments were determined as follows:

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS  
(in \$000s except as noted)

- the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and project specific financing approximate their fair values based on the short term maturities of these financial instruments.
- fair value of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates (Level 2).

In addition, investment properties are carried at fair value, as detailed in note 3(d), which is determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows (Level 3).

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1: quote prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between the levels of the fair value hierarchy during the year.

The following table summarizes the assets and liabilities carried at fair value and financial assets and liabilities where carrying value may not approximate fair value.

(\$000s)	Fair Value Hierarchy	December 31, 2016				December 31, 2015		January 1, 2015	
		Fair Value	Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<b><i>Non-financial assets</i></b>									
Investment properties	Level 3	73,372	—	73,372	73,372	65,355	65,355	40,369	40,369
<b><i>Financial liabilities</i></b>									
Mortgages payable	Level 3	—	42,193	42,193	42,193	10,900	10,900	—	—

#### ***Investment properties***

Investment properties are remeasured to fair value on a recurring basis, determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows. The application of these valuation methods results in these measurements being classified as Level 3 in the fair value hierarchy.

Under the discounted future cash flows method, fair values are determined by discounting the forecasted future cash flows over ten years plus a terminal value determined by applying a terminal capitalization rate to forecasted year eleven cash flows.

Under the direct income capitalization method, fair values are determined by dividing the stabilized net operating income of the property by a property specific capitalization rate.

The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents; and
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS  
(in \$000s except as noted)

An increase in the cash flows or stabilized net operating income results in an increase in fair value of investment property whereas an increase in the capitalization rate, discount rate or terminal capitalization rate decreases the fair value of the investment property.

In determining the fair value of our investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current uses of our investment properties are their 'highest and best use'.

Melcor, lead by Melcor's executive management team, is responsible for determining fair value measurements on a quarterly basis, including verifying all major inputs included in the valuation and reviewing the results. Melcor's management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis. At least once every two years, the valuations are performed by qualified external valiators who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Investment properties were valued by Melcor's internal valuation team as at December 31, 2016 of which 5 investment properties with a fair value of \$76,304 were valued by qualified independent external valuation professionals during the year, which resulted in fair value gains of \$3,065 recorded as fair value adjustment on investment properties in the statements of income and comprehensive income (December 31, 2015 - investment properties were valued by Melcor's internal valuation team of which 3 investment properties with a fair value of \$47,470 were valued by qualified independent external valuation professionals during the year, which resulted in fair value gains of \$9,384; January 1, 2015 - investment properties were valued by Melcor's internal valuation team of which 3 investment properties with a fair value of \$35,956 were valued by qualified independent external valuation professionals during the year).

Weighted average stabilized net operating income for investment properties is \$987 (December 31, 2015, unaudited - \$765; January 1, 2015, unaudited - \$831). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			Properties under Development		
December 31, 2016	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.75%	6.75%	6.12%	6.00%	6.00%	6.00%
Terminal capitalization rate	6.00%	7.25%	6.42%	6.25%	6.25%	6.25%
Discount rate	7.00%	7.75%	7.30%	7.00%	7.50%	7.10%

  

(Unaudited)	Investment Properties			Properties under Development		
December 31, 2015	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	5.75%	6.00%	5.92%	6.00%	6.50%	6.05%
Terminal capitalization rate	6.00%	6.25%	6.17%	6.25%	7.00%	6.49%
Discount rate	7.00%	7.50%	7.21%	7.00%	7.75%	7.24%

  

(Unaudited)	Investment Properties			Properties under Development		
January 1, 2015	Min	Max	Weighted Average	Min	Max	Weighted Average
Capitalization rate	6.00%	6.00%	6.00%	6.00%	6.50%	6.32%
Terminal capitalization rate	6.25%	6.25%	6.25%	6.25%	7.00%	6.73%
Discount rate	7.00%	7.50%	7.32%	7.00%	7.75%	7.58%

An increase in the capitalization rates by 50 basis points at December 31, 2016 would decrease the carrying amount of investment properties by \$5,569 (December 31, 2015, unaudited - \$3,450; January 1, 2015, unaudited - \$1,962). A decrease in the capitalization rates by 50 basis points at December 31, 2016 would increase the carrying amount of investment properties by \$6,560 (December 31, 2015, unaudited - \$4,086; January 1, 2015, unaudited - \$2,318).

## 16. KEY MANAGEMENT REMUNERATION

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Key management includes executive officers of Melcor. No Key Management salaries or other employee future benefits have been allocated to the Melcor Acquisition Properties.

## 17. SUBSEQUENT EVENTS

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Subsequent to period end Melcor entered into an agreement to obtain new mortgage financing on one of the Melcor Acquisition Properties for gross proceeds of \$3,100.

On December 4, 2017 Melcor entered into an acquisition agreement with Melcor Real Estate Investment Trust (the "REIT") and a wholly-owned subsidiary of the REIT, pursuant to which the REIT will indirectly acquire the Melcor Acquisition Properties (the "Acquisition"). The Acquisition is conditional upon the satisfaction of certain conditions including lender consents, completion of a placement of \$20,000 aggregate principal amount of 5.25% extendible convertible unsecured subordinated debentures (the "Debentures"), issuance of 1,770,000 subscription receipts (the "Subscription Receipts") for proceeds of \$15,045, approval from the unitholders of the REIT, and certain other conditions and third party approvals. The Debentures bear interest at an annual rate of 5.25% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2018. Provided that the Acquisition is completed before March 15, 2018, the Debentures will mature on December 31, 2022. Holders of Subscription Receipts are entitled to receive one trust unit of the REIT upon closing the the Acquisition without the payment of any additional consideration. In addition, on closing of the Acquisition, Subscription Receipt holders are entitled to receive payments in an amount equivalent to distributions payable by the REIT to unitholders relating to any record date occurring on or after the December 5, 2017 and the date of the closing of the Acquisition. Completion of the Acquisition is expected to occur on or about January 12, 2018.

**CONDENSED CARVE-OUT INTERIM FINANCIAL STATEMENTS**

Melcor Acquisition Properties Financial Statements

For the three and nine-months ended September 30, 2017 and 2016

(Unaudited)

## Condensed Carve-out Interim Statements of Financial Position

As at September 30, 2017

(Unaudited)

(\$000s)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	129	174
Accounts receivable	392	407
Other assets (note 5)	59	20
	<b>580</b>	601
<b>Non-Current Assets</b>		
Investment properties (notes 4 and 10)	77,457	73,372
Other assets (note 5)	3,213	2,932
	<b>80,670</b>	76,304
<b>TOTAL ASSETS</b>	<b>81,250</b>	76,905
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	771	838
Mortgages payable (note 6)	1,191	1,163
	<b>1,962</b>	2,001
<b>Non-Current Liabilities</b>		
Deferred income taxes (note 8)	6,671	5,589
Mortgages payable (note 6)	40,174	41,030
<b>TOTAL LIABILITIES</b>	<b>48,807</b>	48,620
 <b>DIVISIONAL EQUITY</b>	 <b>32,443</b>	 28,285
<b>TOTAL LIABILITIES AND DIVISIONAL EQUITY</b>	<b>81,250</b>	76,905

*See accompanying notes to these condensed carve-out interim financial statements.*

## **Condensed Carve-out Interim Statements of Income and Comprehensive Income**

For the three and nine-months ended September 30

(Unaudited)

(\$000s)	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Rental revenue (note 7)	1,622	1,479	4,710	4,114
Direct operating expenses	(436)	(501)	(1,195)	(1,027)
Net rental income	1,186	978	3,515	3,087
Fair value adjustment on investment properties (notes 4 and 10)	400	1,116	3,044	3,044
Income before finance costs and income taxes	1,586	2,094	6,559	6,131
Interest income	1	1	14	2
Finance costs	(348)	(303)	(1,047)	(599)
Net finance costs	(347)	(302)	(1,033)	(597)
Net income before income taxes	1,239	1,792	5,526	5,534
Deferred income tax expense (note 8)	(281)	(333)	(1,081)	(1,083)
Net income and comprehensive income	958	1,459	4,445	4,451

*See accompanying notes to these condensed carve-out interim financial statements.*

## **Condensed Carve-out Interim Statements of Changes in Divisional Equity**

For the nine-months ended September 30

(Unaudited)

(\$000s)	<b>Divisional Equity</b>
<b>Balance at December 31, 2015</b>	38,147
Net income for the period	4,451
Net distributions to Melcor Developments Ltd.	(1,734)
<b>Balance at September 30, 2016</b>	40,864
(\$000s)	<b>Divisional Equity</b>
<b>Balance at December 31, 2016</b>	28,285
Net income for the period	4,445
Net distributions to Melcor Developments Ltd.	(287)
<b>Balance at September 30, 2017</b>	32,443

*See accompanying notes to these condensed carve-out interim financial statements.*

## Condensed Carve-out Interim Statements of Cash Flows

For the three and nine-months ended September 30

(Unaudited)

(\$000s)	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
<b>CASH FLOWS FROM (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net income for the period	958	1,459	4,445	4,451
Non-cash items:				
Amortization of tenant incentives (notes 5 and 7)	17	46	52	63
Straight-line rent adjustments (note 7)	(34)	(97)	(164)	(602)
Non-cash finance costs	13	11	41	53
Fair value adjustment on investment properties (notes 4 and 10)	(400)	(1,116)	(3,044)	(3,044)
Deferred income tax expense (note 8)	281	333	1,081	1,083
	835	636	2,411	2,004
Land acquired from Melcor Developments Ltd. (note 4)	—	—	—	(254)
Payment of tenant incentives and direct leasing costs	(142)	(523)	(354)	(1,292)
Changes in operating assets and liabilities	252	(6)	(138)	(1,864)
	945	107	1,919	(1,406)
<b>INVESTING ACTIVITIES</b>				
Investment property development	(1,111)	(312)	(808)	(3,173)
	(1,111)	(312)	(808)	(3,173)
<b>FINANCING ACTIVITIES</b>				
Project specific financing	—	(6,841)	—	(11,850)
Proceeds from mortgages payable	—	9,200	—	18,330
Repayment of mortgages payable	(433)	(137)	(869)	(295)
Net contributions from (distributions to) Melcor Developments Ltd.	666	(2,071)	(287)	(1,734)
	233	151	(1,156)	4,451
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS DURING THE PERIOD</b>				
	67	(54)	(45)	(128)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<b>62</b>	<b>115</b>	<b>174</b>	<b>189</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>129</b>	<b>61</b>	<b>129</b>	<b>61</b>

See accompanying notes to these condensed carve-out interim financial statements.

## 1. DESCRIPTION OF THE BUSINESS

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These condensed carve-out interim financial statements include retail, industrial and development investment properties (the "Melcor Acquisition Properties") that are directly and jointly owned by Melcor Developments Ltd. ("Melcor" or "we") at September 30, 2017 and do not represent a separate legal entity. The Melcor Acquisition Properties consist of five commercial properties located in Western Canada: Kingsview Market Phases Two & Four, Telford Industrial Phase Four, The District at North Deerfoot Phase One, Chestermere Station Phase Seven and West Henday Promenade Phase Two. Melcor has entered into an acquisition agreement with Melcor Real Estate Investment Trust to sell the Melcor Acquisition Properties, as further described in note 11.

Melcor's place of business is Suite 900, 10310 Jasper Avenue Edmonton, AB T5J 1Y8.

The Melcor Acquisition Properties condensed carve-out interim financial statements for the three and nine-months ended September 30, 2017 were authorized for issue by the Board of Directors' of Melcor on December 4, 2017, after which date the condensed carve-out interim financial statements may only be amended with the Board of Directors' approval.

## 2. BASIS OF PRESENTATION

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These condensed carve-out interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

The Melcor Acquisition Properties are all directly or jointly owned by Melcor. The majority of properties being acquired are externally managed and maintain their own cash accounts. The properties which are internally managed by Melcor do not maintain their own cash accounts, and no cash has been allocated. Divisional equity represents the net of all capital and financing/cash transactions between the Melcor Acquisition Properties and Melcor.

The activities of the Melcor Acquisition Properties are included in these condensed carve-out interim financial statements from the point in time the property qualifying as an investment property pursuant to the definition prescribed under IAS 40, *Investment Property*. The allocation of Melcor's land inventory to the Melcor Acquisition Properties is recorded in these condensed carve-out interim financial statements as an addition to property under development at fair value. The Melcor Acquisition Properties do not hold land for future development.

The Melcor Acquisition Properties operate in separate locations and have discrete financial information to record their operating activities and financial position. As a result, most accounts included in these carve-out financial statements are determined by specific identification. Since the majority of properties are externally managed, no allocations of corporate overhead have been made to these carve-out financial statements.

Income taxes have been allocated to the Melcor Acquisition Properties on a separate tax return basis, by calculating the tax expense for these properties as if they had been included in a separate taxable entity. Current taxes payable/recoverable have been treated as a payable to or recoverable from Melcor and included in divisional equity, since Melcor holds the obligation to remit the taxes.

Due to the inherent limitations of carving out activities from larger entities, these condensed carve-out interim financial statements may not necessarily reflect the Melcor Acquisition Properties' results of operations, financial position and cash flows for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the properties been a stand-alone entity during the periods presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies followed in these condensed carve-out interim financial statements are consistent with the combined carve-out financial statements as at and for the year ended December 31, 2016. We have adopted amended standards IAS 7, Statement of cash flows and IAS 12, Income taxes, effective January 1, 2017. Adoption of these amended standards did not require any adjustment to the presentation or disclosure within these condensed interim consolidated financial statements. Beginning January 1, 2018 IFRS 9, Financial Instruments, and IFRS 15, Revenue from contracts with customers will be in effect, we have completed our preliminary assessment of these new standards and do not expect the adoption to have a material impact on our financial statements.

#### 4. INVESTMENT PROPERTIES

(\$000s)	Investment Properties	Property under Development	Nine-months ended September 30, 2017
			Total
Balance - beginning of period	70,625	2,747	73,372
Additions			
Direct leasing costs	—	185	185
Development costs	—	819	819
Capitalized borrowing costs	—	37	37
Transfers	4,886	(4,886)	—
Fair value adjustment on investment properties (note 10)	(319)	3,363	3,044
Balance - end of period	75,192	2,265	77,457

  

(\$000s)	Investment Properties	Property under Development	Year ended December 31, 2016
			Total
Balance - beginning of year	42,483	22,872	65,355
Additions			
Land	—	254	254
Direct leasing costs	—	212	212
Development costs	—	4,392	4,392
Capitalized borrowing costs	—	94	94
Transfers	28,717	(28,717)	—
Fair value adjustment on investment properties (note 10)	(575)	3,640	3,065
Balance - end of year	70,625	2,747	73,372

In accordance with our policy we record our investment properties at fair value. Fair value adjustments on investment properties are primarily driven by changes in capitalization rates and stabilized net operating income ("NOI"). Supplemental information on fair value measurement, including valuation techniques and key inputs, is included in note 10.

Presented separately from investment properties is \$1,707 (December 31, 2016 - \$1,590) in tenant incentives and \$1,506 (December 31, 2016 - \$1,342) in straight-line rent adjustments (note 5). The fair value of investment properties has been reduced by these amounts.

#### 5. OTHER ASSETS

(\$000s)	September 30, 2017	December 31, 2016
<b>Current Assets</b>		
Prepaid expenses and other	59	20
<b>Non-Current Assets</b>		
Straight-line rent adjustments	1,506	1,342
Tenant incentives	1,707	1,590
	3,213	2,932

NOTES TO THE COMBINED CONDENSED CARVE-OUT INTERIM FINANCIAL STATEMENTS  
 (Unaudited, in \$000s except as noted)

During the nine-month period we provided tenant incentives of \$169 (2016 - \$781) and recorded \$52 (2016 - \$63) of amortization expense respectively. In accordance with SIC 15, *Operating leases - incentives*, amortization of tenant incentives is recorded on a straight-line basis over the term of the lease against rental revenue.

## 6. MORTGAGES PAYABLE

(\$000s)	September 30, 2017	December 31, 2016
Mortgage amortized over 25 years at fixed interest rate of 2.58%, maturing November 1 2020	10,411	10,655
Mortgage amortized over 25 years at fixed interest rate of 3.34%, maturing December 1 2026	13,432	13,700
Mortgage amortized over 25 years at fixed interest rate of 3.40%, maturing June 5 2026	8,944	9,033
Mortgage amortized over 25 years at fixed interest rate of 3.47%, maturing August 1 2026	8,855	9,122
Unamortized deferred financing fees	(277)	(317)
	41,365	42,193
Current portion of mortgages payable	(1,191)	(1,163)
	40,174	41,030

Specific investment properties, including amounts allocated to other assets, with a carrying value of \$75,743 (December 31, 2016 - \$73,528) and assignment of applicable rents and insurance proceeds have been pledged as collateral for the above mortgages. The weighted average effective interest rate for the above mortgages, based on period-end balances is 3.19% (December 31, 2016 - 3.19%).

The minimum contractual principal payments due within each of the next five years and thereafter are as follows:

	Principal Installment Repayments	Balance Maturing	Total
Remainder of 2017	294	—	294
2,018	1,200	—	1,200
2,019	1,239	—	1,239
2,020	1,219	9,355	10,574
2,021	957	—	957
Thereafter	4,932	22,446	27,378
	9,841	31,801	41,642

## 7. RENTAL REVENUE

The components of rental revenue are as follows:

(\$000s)	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Rental revenue	1,605	1,428	4,598	3,575
Amortization of tenant incentives	(17)	(46)	(52)	(63)
Straight-line rent adjustments	34	97	164	602
	1,622	1,479	4,710	4,114

## 8. INCOME TAX EXPENSE

Income tax expense is recognized based on Melcor's management estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate for the period is 19.6% (September 30, 2016 - 19.6%).

## 9. SEGMENTED INFORMATION

All the properties included in these condensed carve-out interim financial statements are located in Western Canada, and are viewed by the Chief Operating Decision Maker (determined to be the Chief Executive Officer of Melcor) as one operating segment in the context of these carve-out financial statements.

## 10. FAIR VALUE MEASUREMENT

Fair value is the price that market participants would be willing to pay for an asset or liability in an orderly transaction under current market conditions at the measurement date.

The fair value of the financial instruments were determined as follows:

- the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and project specific financing approximate their fair values based on the short term maturities of these financial instruments.
- fair value of mortgages payable are estimated by discounting the future cash flows associated with the debt at market interest rates (Level 2).

In addition, investment properties are carried at fair value, as detailed in note 3(d), which is determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows (Level 3).

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1: quote prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between the levels of the fair value hierarchy during the year.

The following table summarizes the assets and liabilities carried at fair value and financial assets and liabilities where carrying value may not approximate fair value.

		September 30, 2017			December 31, 2016		
(\$000s)	Fair Value Hierarchy	Fair Value	Amortized Cost	Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
<b>Non-financial assets</b>							
Investment properties	Level 3	<b>77,457</b>	—	<b>77,457</b>	<b>77,457</b>	71,901	71,901
<b>Financial liabilities</b>							
Mortgages payable	Level 3	—	<b>41,642</b>	<b>41,642</b>	<b>41,642</b>	42,510	42,510

### ***Investment properties***

Investment properties are remeasured to fair value on a recurring basis, determined based on the accepted valuation methods of direct income capitalization or discounted future cash flows. The application of these valuation methods results in these measurements being classified as Level 3 in the fair value hierarchy.

Under the discounted future cash flows method, fair values are determined by discounting the forecasted future cash flows over ten years plus a terminal value determined by applying a terminal capitalization rate to forecasted year eleven cash flows.

Under the direct income capitalization method, fair values are determined by dividing the stabilized net operating income of the property by a property specific capitalization rate.

The significant unobservable inputs in the Level 3 valuations are as follows:

- Capitalization rate - based on actual location, size and quality of the property and taking into consideration available market data as at the valuation date;
- Stabilized net operating income - revenue less direct operating expenses adjusted for items such as average lease up costs, vacancies, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate - reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal capitalization rate - taking into account assumptions regarding vacancy rates and market rents; and
- Cash flows - based on the physical location, type and quality of the property and supported by the terms of existing leases, other contracts or external evidence such as current market rents for similar properties.

An increase in the cash flows or stabilized net operating income results in an increase in fair value of investment property whereas an increase in the capitalization rate, discount rate or terminal capitalization rate decreases the fair value of the investment property.

In determining the fair value of our investment properties judgment is required in assessing the 'highest and best use' as required under IFRS 13, Fair value measurement. We have determined that the current uses of our investment properties are their 'highest and best use'.

Melcor, lead by Melcor's executive management team, is responsible for determining fair value measurements on a quarterly basis, including verifying all major inputs included in the valuation and reviewing the results. Melcor's management, along with the Audit Committee, discuss the valuation process and key inputs on a quarterly basis. At least once every two years, the valuations are performed by qualified external valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Investment properties were valued by Melcor's internal valuation team as at September 30, 2017 of which 5 investment properties with a fair value of \$80,670 were valued by qualified independent external valuation professionals during the year, which resulted in fair value gains of \$3,044 recorded as fair value adjustment on investment properties in the consolidated statements of income and comprehensive income (December 31, 2016 - investment properties were valued by Melcor's internal valuation team of which 5 investment properties with a fair value of \$76,304 were valued by qualified independent external valuation professionals during the year, which resulted in fair value gains of \$3,065).

Weighted average stabilized net operating income for investment properties is \$882 (December 31, 2016 - \$987). Other significant valuation metrics and unobservable inputs are set out in the following table. Fair values are most sensitive to changes in capitalization rates.

	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
September 30, 2017						
Capitalization rate	5.75%	6.75%	6.04%	5.75%	5.75%	5.75%
Terminal capitalization rate	6.00%	7.00%	6.29%	6.00%	6.00%	6.00%
Discount rate	6.75%	7.75%	7.24%	7.25%	7.25%	7.25%

	Investment Properties			Properties under Development		
	Min	Max	Weighted Average	Min	Max	Weighted Average
December 31, 2016						
Capitalization rate	5.75%	6.75%	6.12%	6.00%	6.00%	6.00%
Terminal capitalization rate	6.00%	7.25%	6.42%	6.25%	6.25%	6.25%
Discount rate	7.00%	7.75%	7.30%	7.00%	7.50%	7.10%

An increase in the capitalization rates by 50 basis points would decrease the carrying amount of investment properties by \$6,006 (December 31, 2016 - \$5,569). A decrease in the capitalization rates by 50 basis points would increase the carrying amount of investment properties by \$7,089 (December 31, 2016 - \$6,560).

## 11. SUBSEQUENT EVENTS

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Subsequent to period end Melcor entered into an agreement to obtain new mortgage financing on one of the Melcor Acquisition Properties for gross proceeds of \$3,100.

On December 4, 2017 Melcor entered into an acquisition agreement with Melcor Real Estate Investment Trust (the "REIT") and a wholly-owned subsidiary of the REIT, pursuant to which the REIT will indirectly acquire the Melcor Acquisition Properties (the "Acquisition"). The Acquisition is conditional upon the satisfaction of certain conditions including lender consents, completion of a placement of \$20,000 aggregate principal amount of 5.25% extendible convertible unsecured subordinated debentures (the "Debentures"), issuance of 1,770,000 subscription receipts (the "Subscription Receipts") for proceeds of \$15,045, approval from the unitholders of the REIT, and certain other conditions and third party approvals. The Debentures bear interest at an annual rate of 5.25% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2018. Provided that the Acquisition is completed before March 15, 2018, the Debentures will mature on December 31, 2022. Holders of Subscription Receipts are entitled to receive one trust unit of the REIT upon closing the the Acquisition without the payment of any additional consideration. In addition, on closing of the Acquisition, Subscription Receipt holders are entitled to receive payments in an amount equivalent to distributions payable by the REIT to unitholders relating to any record date occurring on or after the December 5, 2017 and the date of the closing of the Acquisition. Completion of the Acquisition is expected to occur on or about January 12, 2018.