

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act) (the “United States”) except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See “Plan of Distribution”.

PROSPECTUS

Initial Public Offering

July 10, 2015



AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST

\$75,000,000

7,500,000 Units

This prospectus qualifies the distribution to the public (the “**Offering**”) of 7,500,000 units (the “**Units**”) of Automotive Properties Real Estate Investment Trust (the “**REIT**”), an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario, at a price of \$10.00 per Unit (the “**Offering Price**”). The REIT has been formed to own primarily income-producing automotive dealership properties located in Canada.

893353 Alberta Inc. (“**Dilawri**”) has taken the initiative in creating the REIT in order to establish a growth-oriented real estate entity that is expected to benefit from its relationship with the Dilawri Group (as defined herein), while retaining a significant economic interest in the Initial Properties (as defined below). In connection with the completion of the Offering and related transactions (the “**Closing**”), the REIT will indirectly acquire, through Automotive Properties Limited Partnership (the “**Partnership**”), all of the property interests currently directly or indirectly held by the Transferors (as defined herein) in 26 commercial properties (collectively, the “**Initial Properties**”) located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of gross leasable area (“**GLA**”). Out of the 26 Initial Properties, 24 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while the other two properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants). The Initial Properties represent all of the REIT-Suitable Properties (as defined herein) currently owned by the Dilawri Group. As part of the Closing, the REIT will enter into leases with the applicable members of the Dilawri Group pertaining to the entirety of each Initial Property, including the two properties that are partially occupied by third parties, and the applicable members of the Dilawri Group will sublease the applicable portions of those two properties to such third parties. Consequently, the Dilawri Group will be the REIT’s only tenant at Closing and its most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87% of the REIT’s GLA on Closing and third parties occupying the remainder pursuant to sublease arrangements with the Dilawri Group. The rent from the portions of the Initial Properties occupied by the Dilawri Group will represent approximately 88% of the REIT’s Cash NOI (as defined herein) over the Forecast Period (as defined herein), with the portions of the Initial Properties occupied by third party tenants pursuant to sublease arrangements accounting for the remainder. See “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri — The Dilawri Group as Key Tenant”. On Closing, the initial terms of the leases with the Dilawri Group will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. See “Acquisition of the Initial Properties” and “Assets of the REIT”.

The Dilawri Group was formed over 30 years ago and has been in the business of owning and operating automotive dealerships in Canada since that time, growing to become the largest automotive dealership group in the country. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. Dilawri (which includes more than the Dilawri Tenants (as defined herein)) had combined revenues of approximately \$1.6 billion and Adjusted EBITDA (as defined herein) of approximately \$75.2 million for the 2014 fiscal year. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years.

(continued on next page)



Opportunity to gain exposure to a unique real estate asset class

Automotive dealership properties benefit from strong underlying fundamentals

Portfolio of high-quality and strategically located automotive dealership properties

Significant growth opportunities

Strong national tenant with significant alignment of interests

Excellent leasing profile

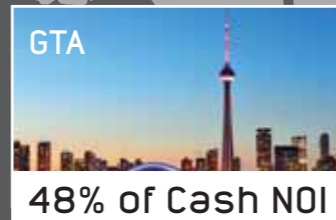
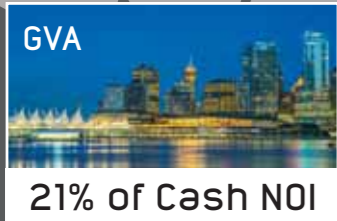
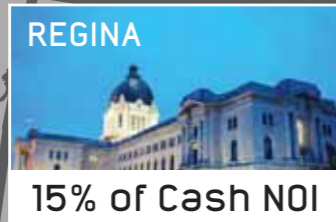
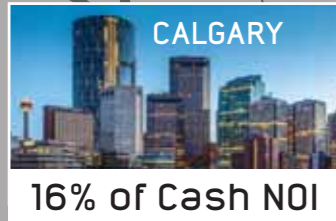
Compelling valuation and conservative financial metrics

Experienced executive management and strong independent board



Portfolio of high-quality and strategically located automotive dealership properties

26 initial properties, with **42** rental buildings with **958,000** sq. ft. of GLA on **88** acres



Forecast Cash NOI **\$23.4 million**

Average age of **8 years**

958,000 square feet of GLA

Growth

- Long-term leases with contractual rent escalations
 - > Cash NOI weighted average term to maturity of 15 years, with no lease expiries prior to 2026
 - > 1.5% contractual annual rent increase = 2.4% AFFO increase
- Third party acquisitions
 - > Leading platform to consolidate fragmented market
- Dilawri Group pipeline acquisitions
 - > Strong track record of developing automotive dealerships - three properties already in pipeline
 - > Right of first offer on all REIT-suitable properties

Strong national tenant

Canada's largest automotive group with 2014 revenues of approximately **\$1.6 billion**



26 automotive brands

- | | | |
|--------------|----------|------------|
| Acura | Dodge | Mazda |
| Aston Martin | FIAT | MINI |
| Audi | Ford | Mitsubishi |
| Bentley | GMC | Nissan |
| BMW | Honda | Porsche |
| Buick | Hyundai | RAM |
| Cadillac | Infiniti | Toyota |
| Chevrolet | Jeep | Volkswagen |
| Chrysler | KIA | |

(continued from cover)

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT through the ownership, direction or control of all of the Class B limited partnership units of the Partnership (“**Class B LP Units**”) which are economically equivalent to, and exchangeable for, Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option (as defined below) is exercised in full). See “Retained Interest”. Dilawri has advised the REIT that it is the current intention of the Dilawri Organization (as defined herein) to retain a significant interest in the REIT for the foreseeable future.

The primary objectives of the REIT are to: (a) provide holders of Units (“**Unitholders**”) with stable, predictable and growing monthly cash distributions on a tax-efficient basis; (b) enhance the value of the REIT’s assets in order to maximize long-term Unitholder value; and (c) expand the REIT’s asset base while also increasing the REIT’s adjusted funds from operations (“**AFFO**”) per Unit, including through accretive acquisitions. The REIT initially intends to make monthly cash distributions of \$0.067 per Unit to Unitholders, which are estimated to be approximately 90% of the REIT’s AFFO, on an annual basis, during the period from July 1, 2015 to June 30, 2016 (the “**Forecast Period**”). See “Additional IFRS and Non-IFRS Measures” and “Distribution Policy”. The REIT intends to pay monthly cash distributions, initially expected to provide Unitholders with an annual yield of 8.0% based on an AFFO payout ratio of approximately 90%.

The primary strategy of the REIT is to create Unitholder value over the long-term by generating sustainable tax-efficient cash flow and capital appreciation through the REIT’s strategic relationship with the Dilawri Group and its ability to execute on external and internal growth strategies. To achieve this objective, management will seek to expand the REIT’s asset base while increasing AFFO per Unit through accretive acquisitions of properties from third parties and the Dilawri Group as well as contractual rent escalations. Although the REIT expects that the majority of its acquisitions will be from third party vendors, the REIT also intends to pursue acquisitions from the Dilawri Group pursuant to a strategic alliance agreement with Dilawri (the “**Strategic Alliance Agreement**”) to be entered into on Closing. Under the terms of the Strategic Alliance Agreement, any property that is acquired, developed, redeveloped, refurbished or repositioned by a member of the Dilawri Group following Closing, including the Development Properties (as defined herein) that is, in each case, determined by Dilawri, acting reasonably, to be a REIT-Suitable Property must be offered for sale to the REIT within 90 days of the acquisition of such REIT-Suitable Property by the Dilawri Group or upon Substantial Completion (as defined herein) of such property, as applicable. The Dilawri Group currently has three properties under development that will be offered to the REIT upon Substantial Completion and which will have an aggregate of approximately 97,000 square feet of GLA. In addition, the REIT will have a right of first offer to purchase any REIT-Suitable Property owned by a member of the Dilawri Group that it decides to sell. See “Growth Strategies of the REIT” and “Arrangements with Dilawri — Strategic Alliance Agreement”.

The REIT will be externally administered on a cost-recovery basis by Dilawri pursuant to the Administration Agreement (as defined herein). The REIT’s President and Chief Executive Officer and the Chief Financial Officer are currently employees of a Subsidiary of Dilawri whose services will be provided to the REIT pursuant to the Administration Agreement. The President and Chief Executive Officer of the REIT is a new employee of such Dilawri Subsidiary specifically recruited by Dilawri for this role. The President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary will be supported by Dilawri personnel with experience in property acquisitions and dispositions, development and finance. If and as requested by the REIT, Dilawri will provide, or cause to be provided, other support services, including certain administrative services, to the REIT, on a cost-recovery basis, pursuant to the Administration Agreement. Dilawri has agreed to provide these services for a fixed fee equal to \$700,000 during the Forecast Period. Following the Forecast Period, the REIT will reimburse Dilawri for costs incurred in connection with the provision of such services so long as such costs are identified in the then current annual budget of the REIT or are otherwise approved by the REIT. See “Arrangements with Dilawri — Administration Agreement”.

Any transaction to which Dilawri or a member of the Dilawri Group is a party or is interested, must be approved by the REIT’s Independent Trustees. See “Trustees and Management of the REIT — Conflicts of Interest” and “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri — Potential Conflicts of Interest with Dilawri”.

Price: \$10.00 per Unit

	<u>Price to the Public⁽¹⁾</u>	<u>Underwriters’ Fee</u>	<u>Net Proceeds to the REIT⁽²⁾</u>
Per Unit	\$10.00	\$0.60	\$9.40
Total Offering ⁽³⁾	\$75,000,000	\$4,500,000	\$70,500,000

Notes:

- (1) The price of the Units was established by negotiation among the REIT, Dilawri and the Underwriters (as defined below) and has been determined, in part, based on the forecasted net earnings and the resulting calculation of AFFO for the Forecast Period. See “Financial Forecast”.
- (2) Before deducting the REIT’s expenses of the Offering, estimated to be \$3,240,000, which, together with the Underwriters’ fee, will be paid from the proceeds of the Offering.
- (3) The REIT has granted the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part at any one time up to 30 days after Closing, to purchase up to an additional 1,125,000 Units at the Offering Price, solely to cover the Underwriters’ over-allocation position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to the REIT”, before deducting the expenses of the Offering, will be \$86,250,000, \$5,175,000 and \$81,075,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the Units issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters’ over-allocation position acquires those Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

(continued from cover)

The following table sets out the number of Units that may be issued to the Underwriters pursuant to the Over-Allotment Option.

<u>Underwriters' Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to 1,125,000 Units	Exercisable at any one time up to 30 days after Closing	\$10.00 per Unit

TD Securities Inc. (“TDSI”), Canaccord Genuity Corp. (“CG” and, together with TDSI, the “Lead Underwriters”), Scotia Capital Inc. (“SCI”), BMO Nesbitt Burns Inc. (“BMONB”), RBC Dominion Securities Inc. (“RBCDS”), GMP Securities L.P., National Bank Financial Inc., Raymond James Ltd. and Desjardins Securities Inc. (and, together with the Lead Underwriters, the “Underwriters”), as principals, conditionally offer the Units qualified under this prospectus, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement between the REIT, Dilawri and the Underwriters referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the REIT by Torys LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

In connection with this distribution, the Underwriters have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. **The Underwriters may offer the Units at a price lower than that stated above. See “Plan of Distribution”.**

Subscriptions will be received subject to rejection or allocation in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. Closing is expected to occur on July 22, 2015 or such other date as the REIT and the Lead Underwriters may agree, but in any event no later than August 5, 2015. Registrations and transfers of Units will be effected electronically through the non-certificated inventory system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See “Declaration of Trust and Description of REIT Units — Non-Certificated Inventory System” and “Plan of Distribution”.

The TSX has conditionally approved the listing of the Units under the symbol “APR.UN”. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before September 28, 2015. See “Plan of Distribution”.

There is no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See “Risk Factors”.

A return on a purchaser’s investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of the initial investment in Units by an investor is at risk, and the anticipated return on an investment is based on many performance assumptions. Although the REIT intends to make distributions of available cash to Unitholders in accordance with its distribution policy, these cash distributions are not guaranteed and may be reduced or suspended at the discretion of the trustees of the REIT (the “Trustees”). The ability of the REIT to make distributions and the actual amount distributed on Units will depend on numerous factors, including the financial performance of the REIT’s properties, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units may decline if the REIT is unable to meet its cash distribution and AFFO targets in the future, and that decline may be significant. It is important for a person making an investment in Units to consider the particular risk factors that may affect the REIT, its business and the real estate industry, and therefore the stability of distributions to Unitholders. A prospective purchaser should therefore review this document in its entirety and carefully consider the risk factors described under “Risk Factors” before purchasing Units.

The after-tax return from an investment in Units to an investor subject to Canadian federal income tax will depend, in part, on the composition for income tax purposes of distributions made by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of a holder’s Units). The REIT estimates that approximately 100% of the monthly cash distributions to be made by the REIT to Unitholders will be tax-deferred in 2015. That composition may change over time, thus affecting the after-tax return to Unitholders. See “Certain Canadian Federal Income Tax Considerations”.

SCI, BMONB and RBCDS are affiliates of Canadian chartered banks that are expected to provide the REIT with the Credit Facilities (as defined herein) at Closing. Consequently, the REIT may be considered a “connected issuer” of each of SCI, BMONB and RBCDS under applicable Canadian securities laws. See “Debt Strategy and Indebtedness” and “Plan of Distribution”.

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that statute or any other legislation.

On Closing, one right will be issued and attached to each outstanding Unit pursuant to the Unitholders’ rights plan of the REIT. See “Unitholders’ Rights Plan”.

The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario, M5C 1G6.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
GLOSSARY	8	THE PARTNERSHIP	133
ABOUT THIS PROSPECTUS	17	DISTRIBUTION POLICY	136
MEANING OF CERTAIN REFERENCES .	18	UNITHOLDERS' RIGHTS PLAN	137
MARKET AND INDUSTRY DATA	19	CERTAIN CANADIAN FEDERAL	
MARKETING MATERIALS	19	INCOME TAX CONSIDERATIONS	141
FORWARD-LOOKING STATEMENTS ...	19	PLAN OF DISTRIBUTION	148
ADDITIONAL IFRS AND NON-IFRS		PRIOR ISSUANCES	151
MEASURES.....	21	ESCROWED SECURITIES	151
DILAWRI NON-ASPE MEASURES.....	22	USE OF PROCEEDS	151
ELIGIBILITY FOR INVESTMENT	23	RISK FACTORS	151
PROSPECTUS SUMMARY	24	MATERIAL CONTRACTS	171
THE OFFERING	41	INTERESTS OF MANAGEMENT AND	
THE REIT	44	OTHERS IN MATERIAL	
GROWTH STRATEGIES OF THE REIT ..	49	TRANSACTIONS	172
CANADIAN AUTOMOTIVE		PROMOTER	172
DEALERSHIP INDUSTRY		PRINCIPAL UNITHOLDER	172
CHARACTERISTICS	51	MANAGEMENT'S DISCUSSION AND	
ASSETS OF THE REIT	58	ANALYSIS OF FINANCIAL	
ACQUISITION OF THE INITIAL		CONDITION AND RESULTS OF	
PROPERTIES	80	OPERATIONS OF THE THIRD PARTY	
ASSESSMENTS AND VALUATIONS OF		TENANT PORTFOLIO	172
THE INITIAL PROPERTIES	81	LEGAL PROCEEDINGS AND	
RETAINED INTEREST.....	84	REGULATORY ACTIONS	179
DEBT STRATEGY AND INDEBTEDNESS	87	LEGAL MATTERS	179
ARRANGEMENTS WITH DILAWRI	91	EXPERTS	179
CAPITALIZATION OF THE REIT	97	AUDITORS AND TRANSFER AGENT	
FINANCIAL FORECAST	98	AND REGISTRAR	180
REPORT ON CONSOLIDATED		PURCHASERS' STATUTORY RIGHTS ...	180
FINANCIAL FORECAST.....	99	INDEX TO FINANCIAL STATEMENTS ..	F-1
FORECAST NON-IFRS		APPENDIX A — BOARD MANDATE	A-1
RECONCILIATION	108	APPENDIX B — AUDIT COMMITTEE	
TRUSTEES AND MANAGEMENT OF		CHARTER	B-1
THE REIT	109	CERTIFICATE OF THE REIT AND THE	
REMUNERATION OF TRUSTEES.....	118	PROMOTER	C-1
EXECUTIVE COMPENSATION	119	CERTIFICATE OF THE	
INVESTMENT GUIDELINES AND		UNDERWRITERS	C-2
OPERATING POLICIES	121		
DECLARATION OF TRUST AND			
DESCRIPTION OF REIT UNITS	124		

GLOSSARY

“**Acquired Issuer**” has the meaning given to that term under “Investment Guidelines and Operating Policies — Investment Guidelines”.

“**Acquiring Person**” has the meaning given to that term under “Unitholders’ Rights Plan — Acquiring Person”.

“**Acquisition**” has the meaning given to that term under “About This Prospectus”.

“**Acquisition ROFO**” has the meaning given to that term under “Arrangements with Dilawri — Strategic Alliance Agreement”.

“**Adjusted EBITDA**” has the meaning given to that term under “Dilawri Non-ASPE Measures”.

“**Administration Agreement**” means the administration agreement among the REIT, the Partnership, Dilawri and a Subsidiary of Dilawri to be entered into at Closing pursuant to which Dilawri will provide, or cause to be provided, the Services, as described under “Arrangements with Dilawri — Administration Agreement”.

“**Advance Notice Provision**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Nomination of Trustees”.

“**Affiliate**” has the meaning given to that term in National Instrument 45-106 — *Prospectus and Registration Exemptions*, subject to the term “issuer” in such instrument being ascribed the same meaning as the term “person” in such instrument.

“**AFFO**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**AFFO payout ratio**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Agincourt Mazda**” means the Initial Property municipally known as 5500 Finch Avenue East in Toronto, Ontario.

“**Annuitant**” has the meaning given to that term under “Eligibility for Investment”.

“**Appraisal**” means the estimate of the fair market value of the Initial Properties provided by the Appraiser, as described under “Assessments and Valuations of the Initial Properties — Independent Valuations”.

“**Appraiser**” means Cushman & Wakefield Ltd.

“**ASPE**” has the meaning given to that term under “Dilawri Non-ASPE Measures”.

“**Audi Sales Downtown Vancouver**” means the Initial Property municipally known as 1788 West 2nd Avenue in Vancouver, British Columbia.

“**BCA Reports**” means the building condition assessment reports prepared for all but one of the Initial Properties, as described under “Assessments and Valuations of the Initial Properties — Building Condition Assessments”.

“**BMONB**” means BMO Nesbitt Burns Inc.

“**Board**” means the board of trustees of the REIT.

“**Bolton Toyota**” means the Initial Property municipally known as 12050 Albion Vaughan Road in Bolton, Ontario.

“**Burrard Acura**” means the Initial Property municipally known as 730 Terminal Avenue in Vancouver, British Columbia.

“**Calgary BMW**” means the Initial Property municipally known as 34 Heritage Meadows Road S.E. in Calgary, Alberta.

“**Calgary Honda**” means the Initial Property municipally known as 11700 Lake Fraser Drive S.E. in Calgary, Alberta.

“**Capital Lease Obligation**” of any person means the obligation of such person, as lessee, to pay rent or other payment amounts under a lease of real or personal property which is required to be classified and accounted for as a finance lease or a liability on a consolidated balance sheet of such person in accordance with IFRS.

“**Cash NOI**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Carve-Out Group**” has the meaning given to that term under “About This Prospectus”.

“**BCA**” means the *Canada Business Corporation Act*, as amended.

“**CCA**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations — Status of the REIT — Qualification as a “Real Estate Investment Trust””.

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

“**CG**” means Canaccord Genuity Corp.

“**Class A LP Preferred Distribution**” has the meaning given to that term under “The Partnership — Distributions”.

“**Class A LP Units**” means, collectively, the Class A limited partnership units of the Partnership.

“**Class B LP Units**” means, collectively, the Class B limited partnership units of the Partnership, and “**Class B LP Unit**” means any one of them.

“**Closing**” means the closing of the Offering and the Acquisition and other related transactions, the material terms of which are described in this prospectus.

“**Closing Date**” means July 22, 2015, or such other date as the REIT and the Lead Underwriters may agree, but in any event no later than August 5, 2015.

“**Closing Market Price**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Code of Conduct**” has the meaning given to that term under “Trustees and Management of the REIT — Trustees and Executive Officers”.

“**Competing Permitted Bid**” has the meaning given to that term under “Unitholders’ Rights Plan — Permitted Bid Requirements”.

“**Contribution Agreement**” means the agreement to be entered into on or before Closing pursuant to which the REIT will indirectly acquire the Initial Properties, as described under “Acquisition of the Initial Properties — Contribution Agreement”.

“**Contribution Agreement Cap**” has the meaning given to that term under “Acquisition of the Initial Properties — Contribution Agreement”.

“**Control**” means the possession by any person, of the ownership, control or direction, directly or indirectly, of 50% or more of the outstanding voting securities of a person, or in the case of a limited partnership, the possession by any person of the ownership, control or direction, directly or indirectly, of 50% or more of the outstanding voting securities of the general partner; and each of “**Controlled by**” or “**Controlling**” has a corresponding meaning.

“**CPA Canada**” means Chartered Professional Accountants of Canada.

“**CRA**” means the Canada Revenue Agency.

“**Credit Facilities**” means, collectively, Loan Facility 1, Loan Facility 2 and Loan Facility 3.

“**Declaration of Trust**” means the declaration of trust of the REIT dated as of June 1, 2015, as it will be amended and restated on or prior to Closing, as described under “Declaration of Trust and Description of REIT Units”.

“**Demand Distribution**” has the meaning given to that term under “Retained Interest — Registration Rights”.

“**Demand Registration Right**” has the meaning given to that term under “Retained Interest — Registration Rights”.

“**Development Properties**” means, collectively, two properties located in Barrie, Ontario and one property located in Calgary, Alberta, in which the Dilawri Group currently holds 100% interests and which are under development as automotive dealerships and which, upon Substantial Completion, will be REIT-Suitable Properties having an aggregate of approximately 97,000 square feet of GLA.

“**Dilawri**” means 893353 Alberta Inc., an entity formed pursuant to the *Business Corporations Act* (Alberta) on September 20, 2000, that indirectly owns (or co-owns, in two cases) the Initial Properties.

“**Dilawri Acura**” means the Initial Property municipally known as 1921 1st Avenue in Regina, Saskatchewan.

“**Dilawri BMW**” means the Initial Property municipally known as 1919 1st Avenue in Regina, Saskatchewan.

“**Dilawri Dealership Properties**” has the meaning given to that term under “About This Prospectus”.

“**Dilawri Group**” means Dilawri and its Affiliates, other than any shareholder of Dilawri or any other person that Controls Dilawri.

“**Dilawri Leases**” and “**Dilawri Lease**” have the meanings given to them under “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.

“**Dilawri Mitsubishi**” means the Initial Property municipally known as 1750 6th Avenue in Regina, Saskatchewan.

“**Dilawri Nissan Infiniti**” means the Initial Property municipally known as 1775 5th Avenue in Regina, Saskatchewan.

“**Dilawri Organization**” means, collectively, (i) Dilawri, any person Controlled by Dilawri or under common Control with Dilawri or any other member of the Dilawri Organization; (ii) any persons who are beneficiaries of a discretionary trust that Controls Dilawri on the Closing Date or any of such beneficiaries’ respective spouses, sons, daughters, sons-in-law, daughters-in-law, parents and siblings, or their respective spouses, sons, daughters, sons-in-law and daughters-in-law; and (iii) any trust, the majority of the trustees or beneficiaries of which are any one or more members of the Dilawri Organization and/or any person Controlled by any one or more members of the Dilawri Organization.

“**Dilawri Tenant**” has the meaning given to that term under “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.

“**Distinctive Collection**” means the Initial Property municipally known as 150 Glendeer Circle S.E. in Calgary, Alberta.

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

“**Dixie Auto Mall**” means the Initial Property municipally known as 5500 Dixie Road, 5505, 5515, 5525 and 5500 Ambler Drive, and 1465, 1475, 1485 and 1495 Aerowood Drive in Mississauga, Ontario.

“**Dixie Industrial Property**” has the meaning given to that term under “About This Prospectus”.

“**DRIP**” means a distribution reinvestment plan of the REIT, if any.

“**Equivalent Securities**” means exchangeable securities attached to Special Voting Units, as more particularly described under “Unitholders’ Rights Plan — Permitted Bid Requirements”.

“**Escrow Agreement**” has the meaning given to that term under “Escrowed Securities”.

“**Escrowed Units**” has the meaning given to that term under “Escrowed Securities”.

“**Exchange Agreement**” means the agreement to be entered into at Closing pursuant to which the holders of Class B LP Units will be granted, among other things, the right to require the REIT to exchange each Class B LP Unit held thereby for one Unit (subject to certain anti-dilution adjustments) as described under “Retained Interest — Exchange Rights”.

“**Exempt Plans**” has the meaning given to that term under “Eligibility for Investment”.

“**FFO**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Financial Forecast**” means the financial forecast of the REIT contained under “Financial Forecast”.

“**Flip-in Event**” has the meaning given to that term under “Unitholders’ Rights Plan — Rights Exercise Privilege”.

“**Floorplan Debt**” means revolving debt provided to the Dilawri Group to finance its vehicle inventory.

“**Forecast Period**” means the forecast period contemplated under “Financial Forecast”, being the period from July 1, 2015 to June 30, 2016.

“**Frost Chevrolet Buick GMC Cadillac**” means the Initial Property municipally known as 150 Bovaird Drive West in Brampton, Ontario.

“**GBV**” means, at any time, the greater of (A) the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

“**General Partner**” has the meaning given to that term under “The Partnership — General”.

“**GLA**” means gross leasable area.

“**GP Interest**” has the meaning given to that term under “The Partnership — Partnership Units”.

“**GP Unit**” means a unit representing the GP Interest in the Partnership.

“**Grandfathered Person**” has the meaning given to that term under “Unitholders’ Rights Plan — Acquiring Person”.

“**GTA**” means the greater Toronto area.

“**GVA**” means the greater Vancouver area.

“**Holder**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations”.

“**Honda Used Car and Regina Collision Centre**” means the Initial Property municipally known as 815 Broad Street in Regina, Saskatchewan.

“**Hyundai Gallery**” means the Initial Property municipally known as 11770 Lake Fraser Drive S.E. in Calgary, Alberta.

“**IAS 39**” has the meaning given to that term under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Third Party Tenant Portfolio”.

“**IASB**” has the meaning given to that term under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Third Party Tenant Portfolio”.

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by CPA Canada in Part I of the CPA Canada Handbook — Accounting, as amended from time to time.

“**IFRS 9**” has the meaning given to that term under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Third Party Tenant Portfolio”.

“**IFRS 15**” has the meaning given to that term under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Third Party Tenant Portfolio”.

“**Income before undernoted**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Indebtedness**” of any person means (without duplication) (i) any obligation of such person for borrowed money (including, for greater certainty, the full principal amount of convertible debt, notwithstanding its presentation under IFRS), (ii) any obligation of such person incurred in connection with the acquisition of property, assets or businesses, (iii) any obligation of such person issued or assumed as the deferred purchase price of property, (iv) any Capital Lease Obligation of such person, and (v) any obligations of the type referred to in clauses (i) through (iv) of another person, the payment of which such person has guaranteed or for which such person is responsible or liable; provided that, (A) for the purpose of clauses (i) through (v) (except in respect of convertible debt, as described above), an obligation will constitute Indebtedness of such person only to the extent that it would appear as a liability on the consolidated balance sheet of such person in accordance with

IFRS, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders or holders of other securities excluded from the definition of Indebtedness pursuant to clause (C) below, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, deferred financing costs, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness has a term not in excess of 12 months, and (C) Units, Class A LP Units, Class B LP Units, exchangeable securities and other equity securities that constitute debt under IFRS do not constitute Indebtedness.

“**Independent Trustee**” means a Trustee who is “independent” pursuant to National Instrument 58-101 — *Disclosure of Corporate Governance Practices*.

“**Independent Unitholders**” has the meaning given to that term under “Unitholders’ Rights Plan — Permitted Bid Requirements”.

“**Infiniti Vancouver**” means the Initial Property municipally known as 1718 West 3rd Avenue in Vancouver, British Columbia.

“**Initial Properties**” means the portfolio of 26 commercial properties located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of GLA that the REIT will indirectly acquire through the Partnership on Closing, but does not include the Dixie Industrial Property, and “**Initial Property**” means any one of them.

“**Investor Presentation**” has the meaning given to that term under “Marketing Materials”.

“**Issued Securities**” has the meaning given to that term under “Retained Interest — Pre-Emptive Rights”, and “**Issued Security**” means any one of them.

“**Langley Acura**” means the Initial Property municipally known as 20257 Langley Bypass in Langley, British Columbia.

“**Lead Independent Trustee**” refers to the Independent Trustee who is responsible for ensuring the appropriate leadership for the Independent Trustees, as further described under “Trustees and Management of the REIT — Trustees and Executive Officers”.

“**Lead Underwriters**” means, collectively, TDSI and CG.

“**Limited Partners**” and “**Limited Partner**” have the meanings given to them under “The Partnership — General”.

“**Limited Partnership Agreement**” means the amended and restated limited partnership agreement governing the Partnership to be dated as of the Closing Date.

“**Listing Date**” has the meaning given to that term under “Escrowed Securities”.

“**Loan Facility 1**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Loan Facility 2**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Loan Facility 3**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Lock-up Period**” has the meaning given to that term under “Prospectus Summary — The Offering”.

“**LRE**” has the meaning given to that term under “Risk Factors — Risk Factors Related to the Offering and Structure of the REIT — Tax-Related Risk Factors”.

“**Market Price**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Markham Acura**” means the Initial Property municipally known as 5201 Highway 7 East in Markham, Ontario.

“**Markham Honda and Ford**” means the Initial Property municipally known as 8210 Kennedy Road and 8220 Kennedy Road in Markham, Ontario.

“**MD&A**” has the meaning given to that term under “Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Third Party Tenant Portfolio”.

“**Meadowvale Honda**” means the Initial Property municipally known as 2210 Battleford Road in Mississauga, Ontario.

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

“**NCI**” means the non-certificated inventory system administered by CDS.

“**NEOs**” means the REIT’s named executive officers for the purposes of NI 51-102, as more particularly described under “Executive Compensation”.

“**NI 51-102**” has the meaning given to that term under “About This Prospectus”.

“**NI 52-110**” has the meaning given to that term under “Trustees and Management of the REIT — Committees of the Board”.

“**NOI**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Nominating Unitholder**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Nomination of Trustees”.

“**Non-Residents**” means (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-Revolving Credit Facilities**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Non-Revolving Facility 1**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Non-Revolving Facility 2**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**North Vancouver Nissan Infiniti**” means the Initial Property municipally known as 819 Automall Drive in North Vancouver, British Columbia.

“**Notice Date**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Nomination of Trustees”.

“**Oakville Honda**” means the Initial Property municipally known as 500 Iroquois Shore Road in Oakville, Ontario.

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended.

“**OEM**” means original equipment manufacturer.

“**Offering**” means the offering of Units pursuant to this prospectus.

“**Offering Price**” means \$10.00, being the price per Unit sold pursuant to the Offering.

“**Officer’s Certificate**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations”.

“**Over-Allotment Option**” means the option granted to the Underwriters by the REIT, exercisable in whole or in part and at any one time up to 30 days after Closing, to purchase up to an additional 1,125,000 Units at the Offering Price, solely to cover the Underwriters’ over-allocation position, if any, and for market stabilization purposes, as described under “Plan of Distribution — General”.

“**Partnership**” means Automotive Properties Limited Partnership, a limited partnership to be formed under the *Limited Partnership Act* (Ontario).

“**Permitted Bid**” has the meaning given to that term under “Unitholders’ Rights Plan — Permitted Bid Requirements”.

“**Phase I ESA Report**” has the meaning given to that term under “Assessments and Valuations of the Initial Properties — Environmental Site Assessments”.

“**Phase II ESA**” has the meaning given to that term under “Assessments and Valuations of the Initial Properties — Environmental Site Assessments”.

“**Piggy-Back Distribution**” has the meaning given to that term under “Retained Interest — Registration Rights”.

“**Piggy-Back Registration Right**” has the meaning given to that term under “Retained Interest — Registration Rights”.

“**Porsche Centre Vancouver**” means the Initial Property municipally known as 688 Terminal Avenue in Vancouver, British Columbia.

“**Pro Forma Adjusted Debt**” has the meaning given to that term under “Dilawri Non-ASPE Measures”.

“**Pro Forma Adjusted Debt to Adjusted EBITDA Ratio**” has the meaning given to that term under “Dilawri Non-ASPE Measures”.

“**Pro Forma Adjusted Rent Coverage Ratio**” has the meaning given to that term under “Dilawri Non-ASPE Measures”.

“**RBCDS**” means RBC Dominion Securities Inc.

“**REALpac**” has the meaning given to that term under “Additional IFRS and Non-IFRS Measures”.

“**Redemption Date**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Redemption Price**” has the meaning given to that term under “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Regina Honda**” means the Initial Property municipally known as 789 Broad Street in Regina, Saskatchewan.

“**Regina Hyundai**” means the Initial Property municipally known as 444 Broad Street in Regina, Saskatchewan.

“**Reimbursement Distribution Amount**” has the meaning given to that term under “The Partnership — Distributions”.

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

“**REIT Exception**” means the exclusion from the definition of “SIFT trust” in the Tax Act for a trust qualifying as a “real estate investment trust” under the Tax Act, as more particularly described under “Certain Canadian Federal Income Tax Considerations — Status of the REIT — Qualification as a “Real Estate Investment Trust””.

“**REIT-Suitable Property**” means any income-producing property in Canada or the United States which the REIT would be permitted to acquire or invest in within the terms set out in the “Investment Guidelines and Operating Policies” of the REIT’s Declaration of Trust and which property is ready for use on a long-term basis, or is being used on a long-term basis, primarily as an automotive dealership or automotive repair facility, or, in the case of a disposition of an income-producing property by a member of the Dilawri Group to which the Sale ROFO applies, is being “sold” for use on a long-term basis, primarily as an automotive dealership or automotive repair facility.

“**Related Party**” means, with respect to any person, a person who is a “related party” as that term is defined in Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*, as amended from time to time.

“**Report Package**” has the meaning given to that term under “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.

“**Revolving Credit Facilities**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Revolving Facility 1**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Revolving Facility 2**” has the meaning given to that term under “Debt Strategy and Indebtedness — Composition of Indebtedness”.

“**Right**” means a right issued and attached to a Voting Unit pursuant to the Rights Plan.

“**Rights Plan**” means the Unitholders’ Rights Plan to be adopted by the Board on Closing.

“**RRIF**” has the meaning given to that term under “Eligibility for Investment”.

“**RRSP**” has the meaning given to that term under “Eligibility for Investment”.

“**Sale ROFO**” has the meaning given to that term under “Arrangements with Dilawri — Strategic Alliance Agreement”.

“**SCI**” means Scotia Capital Inc.

“**SEDAR**” means the System for Electronic Documents Analysis and Retrieval at www.sedar.com.

“**Selected Amount**” has the meaning given to that term under “The Partnership — Distributions”.

“**Separation Time**” has the meaning given to that term under “Unitholders’ Rights Plan — Rights Exercise Privilege”.

“**Services**” means the services to be provided to the REIT pursuant to the Administration Agreement, as described under “Arrangements with Dilawri — Administration Agreement”.

“**SIFT Rules**” means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act, as described under “Certain Canadian Federal Income Tax Considerations — Status of the REIT — Qualification as a “Real Estate Investment Trust””.

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

“**Strategic Alliance Agreement**” means the strategic alliance agreement between the REIT and Dilawri to be entered into at Closing, as described under “Arrangements with Dilawri — Strategic Alliance Agreement”.

“**Subsidiary**” has the meaning given to that term in National Instrument 45-106 — *Prospectus and Registration Exemptions*, subject to the term “issuer” in such instrument being ascribed the same meaning as the term “person” in such instrument.

“**Subsidiary Notes**” means promissory notes of the Partnership, a trust all of the units of which, or a corporation all of the shares of which, are owned directly or indirectly by the REIT or another entity that would be consolidated with the REIT under IFRS, having a maturity date and interest rate determined by the Trustees at the time of issuance.

“**Substantial Completion**” means, in respect of any development, redevelopment, refurbishment or repositioning project, the completion of such project so that it is ready for use or is being used for the purposes intended, including receipt of necessary certificates of occupancy, but subject to the completion of “punch list” items, and in respect of which the tenant is in occupancy and paying rent.

“**Tangible Net Worth**” means the aggregate of stated capital and retained earnings, less goodwill, incorporation and prepaid expenses, deferred costs and other assets normally regarded as intangible under generally accepted accounting principles in Canada.

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

“**Tax Proposals**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations”.

“**TDSI**” means TD Securities Inc.

“**Tenant Change of Control**” means the acquisition (directly or indirectly) of the Control of a Dilawri Tenant by any person other than any one or more members of the Dilawri Organization, the REIT or any Affiliate of the REIT, provided that a Tenant Change of Control will be deemed not to occur if such Tenant Change of Control results from a change in the ownership, control or direction of publicly held or traded securities.

“**Termination Notice**” has the meaning given to that term under “Assets of the REIT — Description of the Material Terms of the Dilawri Leases — Right to Cease Operation”.

“**Term Sheet**” has the meaning given to that term under “Marketing Materials”.

“**TFSA**” has the meaning given to that term under “Eligibility for Investment”.

“**Third Party Tenant Portfolio**” has the meaning given to that term under “About This Prospectus”.

“**Transferor Notes**” means the promissory note(s) to be issued by the Partnership to the Transferors pursuant to the Contribution Agreement.

“**Transferors**” means, collectively, Dilawri, any member of the Dilawri Group and other entities the interests in which are jointly owned by Dilawri and a third party that directly or indirectly own the leasehold and freehold interests, as applicable, in the Initial Properties and which will be parties to the Contribution Agreement, and “**Transferor**” means any one of them.

“**Triple 7 Chrysler**” means the Initial Property municipally known as 700 Broad Street in Regina, Saskatchewan.

“**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**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations — Taxation of the Partnership”.

“**Underwriters**” means, collectively, TDSI, CG, SCI, BMONB, RBCDS, GMP Securities L.P., National Bank Financial Inc., Raymond James Ltd. and Desjardins Securities Inc., as described under “Plan of Distribution”.

“**Underwriter’s Certificate**” has the meaning given to that term under “Certain Canadian Federal Income Tax Considerations”.

“**Underwriting Agreement**” means the underwriting agreement to be entered into among the REIT, Dilawri and the Underwriters, as described under “Plan of Distribution”.

“**United States**” means the United States as such term is defined in Regulation S under the U.S. Securities Act.

“**Unitholders**” means holders of Units, and “**Unitholder**” means any one of them.

“**Unit Ownership Guidelines**” has the meaning given to that term under “Remuneration of Trustees — Trustee Unit Ownership Guidelines”.

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

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

“**Vacant Premises**” has the meaning given to that term under “Assets of the REIT — Description of the Material Terms of the Dilawri Leases — Right to Cease Operation”.

“**Voting Trust Agreement**” has the meaning given to that term under “Retained Interest — General”.

“**Voting Unitholders**” means, collectively, holders of Voting Units, and “**Voting Unitholder**” means any one of them.

“**Voting Units**” means, collectively, the Units and the Special Voting Units, and “**Voting Unit**” means any one of them.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. The REIT has not, and the Underwriters and Dilawri have not, authorized anyone to provide investors with additional or different information. The REIT is not, and the Underwriters are not, offering to sell the Units in any jurisdictions where the offer or sale of such Units is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

For investors outside Canada, none of the REIT, Dilawri or any of the Underwriters has done anything that would permit the Offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this prospectus.

This prospectus includes a summary description of certain material agreements of the REIT. See "Material Contracts". The summary description discloses all attributes material to an investor in Units but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR. Investors are encouraged to read the full text of such material agreements.

Any graphs and tables demonstrating the historical performance of the Initial Properties contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of future performance.

All references in this prospectus to "AFFO per Unit" refer to AFFO per Unit on a fully-diluted basis, assuming all Class B LP Units were exchanged for Units at the beginning of the applicable period.

This prospectus includes historical combined carve-out financial statements only in respect of the portions of the Initial Properties to be acquired by the REIT on Closing which are currently leased by third party tenants (collectively, the "**Third Party Tenant Portfolio**"). See "Index to Financial Statements". The remainder of the Initial Properties (the "**Dilawri Dealership Properties**") have historically been used by the Dilawri Group in conjunction with its automotive dealership business. Under applicable securities laws, only the Third Party Tenant Portfolio is considered a business to be acquired by the REIT on Closing; whereas the properties comprising the Dilawri Dealership Properties are instead considered assets that the REIT will acquire on Closing. In accordance with applicable securities laws, the REIT is required to include only historical financial statements in this prospectus that relate to the proposed acquisition of a business, provided that this prospectus otherwise contains full, true and plain disclosure of all material facts relating to the Units. Accordingly, this prospectus contains historical audited and unaudited combined carve-out financial statements only in respect of the Third Party Tenant Portfolio, but does not include historical audited or unaudited combined carve-out financial statements in respect of the Dilawri Dealership Properties.

Applicable securities laws require the REIT to include *pro forma* financial statements in this prospectus in respect of the Third Party Tenant Portfolio giving effect to, among other things, the Offering and the acquisition by the REIT of the Initial Properties (the "**Acquisition**"), only if such *pro forma* financial statements are necessary for this prospectus to contain full, true and plain disclosure of all material facts relating to the Units. As evidenced by their execution of the certificates attached to this prospectus, the REIT, Dilawri and the Underwriters do not believe that such *pro forma* financial statements are necessary for such purpose, and, accordingly, no such statements are included. The REIT, Dilawri and the Underwriters made their determination on the basis that: (i) the Third Party Tenant Portfolio is expected to indirectly represent less than 12% of the REIT's Cash NOI during the Forecast Period; and (ii) the Financial Forecast included in this prospectus, together with the audited schedule of assets to be acquired and liabilities to be assumed as at July 1, 2015 and the other information in this prospectus relating to the Initial Properties, provides investors with meaningful material information about the REIT and its business following Closing.

Three of the Initial Properties are undergoing redevelopment or substantial renovation work by the Dilawri Group (see "Assets of the REIT — Description of the Initial Properties"). In this prospectus, reference is made

to the Initial Properties totaling approximately 958,000 square feet of GLA. This figure is, and all calculations of or reference to GLA are, based on the “as completed” GLA for these three Initial Properties as the base rent payable in respect of these properties under the applicable Dilawri Leases has been determined on an “as completed” basis.

The Dixie Auto Mall currently includes an industrial property with approximately 53,000 square feet of GLA on approximately 4.5 acres of land (the “**Dixie Industrial Property**”) which is not included as part of the Initial Properties as it is not an asset over which the REIT will have control. See “Assets of the REIT — Description of the Initial Properties”.

In order to address certain securities regulatory or public interest policy objectives, Dilawri has provided an undertaking to the REIT and the applicable Canadian securities regulatory authorities wherein Dilawri has agreed to: (i) commencing with the interim period ending September 30, 2015, provide, or cause to be provided, to the REIT, for filing and delivery to Unitholders of the REIT, separate carve-out audited annual financial statements and carve-out interim financial reports in respect of the members of the Dilawri Group subject to Dilawri Leases pertaining to the Initial Properties (such members, for so long as such member is subject to a Dilawri Lease and the applicable Initial Property is owned, indirectly, by the REIT, collectively, the “**Carve-Out Group**”), prepared in accordance with the same generally accepted accounting principles as the REIT’s financial statements, and related management’s discussion and analysis, prepared in accordance with National Instrument 51-102 — *Continuous Disclosure Obligations* or its successor (“**NI 51-102**”), and filed in accordance with the REIT’s filing deadlines pursuant to NI 51-102, for the Carve-Out Group; (ii) provide, or cause to be provided, to the REIT, information that the REIT requests in respect of the Carve-Out Group for inclusion in the REIT’s respective annual information form for any fiscal year that would be material to the REIT so that such annual information form does not contain a misrepresentation pursuant to applicable securities laws; (iii) take the appropriate measures to require each person who would be an insider of the Carve-Out Group or a person or company in a special relationship with the Carve-Out Group, if the Carve-Out Group were a reporting issuer, to: (a) file insider reports about trades in Units of the REIT (including securities which are exchangeable into Units of the REIT); and (b) comply with prohibitions against insider trading under applicable securities legislation; (iv) issue a press release and deliver to the REIT for filing a material change report in accordance with applicable securities laws with respect to any material change in the Carve-Out Group that would reasonably be expected to have a significant effect on the market price or value of any securities of the REIT, if the REIT does not issue such press release and file such material change report; and (v) provide to the REIT, for filing, an annual certificate concurrently with providing the annual financial statements referenced in (i) that it has complied with the above undertakings.

MEANING OF CERTAIN REFERENCES

Unless otherwise indicated, the disclosure in this prospectus assumes that: (i) the transactions described under “Acquisition of the Initial Properties” have been completed; and (ii) the Over-Allotment Option is not exercised. All references to dollars or “\$” are to Canadian dollars.

Unless the context otherwise requires or as otherwise provided herein, all references to the “REIT” in this prospectus refer to the REIT and its Subsidiaries, including the Partnership, on a consolidated basis.

References to “management” in this prospectus means the REIT’s President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and other persons who, following Closing, will be acting in the capacities of the REIT’s officers whether pursuant to the Administration Agreement or otherwise. Any statements in this prospectus made by or on behalf of management are made in such persons’ capacities as officers of the REIT and not in their personal capacities.

Numerous terms used in this prospectus are defined under “Glossary”.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third party sources, including industry publications and publicly available information, as well as industry data prepared by management on the basis of its knowledge of the automotive dealership industry in which the REIT will operate (including management's estimates and assumptions relating to that industry based on that knowledge). Management's knowledge of the automotive dealership industry in Canada has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third party sources, which include Statistics Canada, DesRosiers Automotive Consultants Inc., PricewaterhouseCoopers LLP, McKinsey & Company Inc., public company disclosure, and other publicly available information, generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, none of the REIT, Dilawri or the Underwriters has independently verified any of the data from third party sources referred to in this prospectus, ascertained the underlying economic assumptions relied upon by such sources, or analyzed or verified the underlying studies or surveys relied upon or referred to by third party sources. In this prospectus, references to "the Canadian automotive retail industry" include new cars, used cars, other motor vehicle dealers, and parts/accessories/tire stores as published by Statistics Canada.

MARKETING MATERIALS

A "template version" of the following "marketing materials" (each as defined in National Instrument 41-101 — *General Prospectus Requirements*) filed with the securities commission or similar authority in each of the provinces of Canada is specifically incorporated by reference into this prospectus:

1. the term sheet dated June 24, 2015 (the "**Term Sheet**"); and
2. the investor presentation filed on SEDAR on June 24, 2015 (the "**Investor Presentation**").

The Term Sheet and the Investor Presentation are available under the REIT's profile on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering, after the date hereof, but prior to the termination of the distribution of the securities under this prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials that are utilized by the Underwriters in connection with the Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or automotive dealership industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "objectives", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the REIT's relationship with the Dilawri Organization, including in respect of (i) the Dilawri Organization's retained interest in the REIT and its current intention with respect thereto, (ii) the

services to be provided to the REIT (whether directly or indirectly) by Dilawri pursuant to the Administration Agreement, (iii) expected transactions to be entered into between Dilawri and the REIT (including the REIT's acquisition of certain interests in properties held by the Dilawri Group and the Dilawri Leases); (iv) Substantial Completion of the Development Properties and occupancy and leasing arrangements relating thereto; and (v) the Strategic Alliance Agreement;

- the REIT's intention with respect to, and ability to execute, its external and internal growth strategies;
- the forecasted financial results of the REIT, including the assumptions contained in such forecast, for the periods set out in the "Financial Forecast" section of this prospectus;
- the maintenance by the REIT of a strong balance sheet and prudent financial management and the associated minimization of financial risk;
- the REIT representing a unique alternative for automotive dealership operators considering a sale or recapitalization of their business;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and the Dilawri Group;
- the REIT's distribution policy and the distributions to be paid to Unitholders;
- the distributions to be paid to holders of Partnership units;
- use of the proceeds to be received by the REIT upon the exercise of the Over-Allotment Option, if exercised;
- the REIT's debt strategy, including the REIT entering into the Credit Facilities;
- the availability and terms of the Credit Facilities, the REIT's Indebtedness at Closing, hedging arrangements and the resulting effective fixed interest rates associated with the Credit Facilities;
- the REIT's access to available sources of debt and/or equity financing;
- future compensation and governance practices by the REIT;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the percentage of cash distributions to be paid to Unitholders that will be tax deferred in 2015;
- the ability of the REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules;
- the reduction in the scope of services to be provided to the REIT under the Administration Agreement and the transition by the REIT to directly employing its senior management;
- the REIT being the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties; and
- the REIT's ability to consolidate automotive dealership properties.

The REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that interest rates will remain stable, that tax laws remain unchanged, that conditions within the automotive dealership real estate industry and the automotive dealership industry generally, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required and that the Dilawri Organization will continue its involvement with the REIT.

Although the forward-looking statements contained in this prospectus are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause the REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under "Risk Factors".

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, the REIT and Dilawri undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

ADDITIONAL IFRS AND NON-IFRS MEASURES

Additional IFRS Measure

The REIT uses "Income before undernoted" in the Financial Forecast which is an additional IFRS measure. "**Income before undernoted**" is defined as NOI less general and administrative expenses and interest and other financing charges (including Class B LP Unit distributions). Accordingly, "Income before undernoted" excludes the change in fair value of investment properties which is included in the determination of net income (or loss) and comprehensive income (or loss). The REIT believes that "Income before undernoted" is an important measure of operating performance as it shows the REIT's forecast income before a non-cash adjustment (being the change in the fair value of investment properties). The REIT's method of calculating "Income before undernoted" may differ from other issuers' calculations and, accordingly, may not be comparable to measures used by other issuers.

Non-IFRS Measures

Funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), AFFO payout ratio, net operating income ("**NOI**") and cash net operating income ("**Cash NOI**"), are key measures of performance used by real estate businesses. However, such measures are not defined by IFRS and do not have standardized meanings prescribed by IFRS. The REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT's ability to pay distributions, while FFO, NOI and Cash NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI and Cash NOI is net income.

"**FFO**" is defined consistently with the definition presented in the White Paper on funds from operations prepared by the Real Property Association of Canada ("**REALpac**"). FFO is calculated as net income in accordance with IFRS, adjusted by removing the impact of (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; and (v) distributions on redeemable or exchangeable units treated as interest expense.

"**AFFO**" is defined as FFO subject to certain adjustments, to (a) remove the impact of: (i) amortization of fair value mark-to-market adjustments on debt and amortization of financing costs and indemnity payable in respect of the Third Party Tenant Portfolio sublease structure; (ii) adjusting for any differences resulting from recognizing property rental revenues or expenses (including ground lease rental payments) on a straight-line basis; (iii) depreciation; and (iv) non-cash compensation incentive plans; and (b) deduct a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions. Other adjustments may be made to AFFO as determined by the Trustees in their sole discretion.

"**AFFO payout ratio**" is defined as the ratio of AFFO to distributions payable in a period.

"**NOI**" is defined as rental revenue from properties less property operating expenses as presented in the statement of income prepared in accordance with IFRS. Accordingly, NOI excludes certain expenses included in

the determination of net income such as general and administrative expenses, fair value adjustments and amortization.

“**Cash NOI**” is defined as NOI prior to the effects of straight-line adjustments.

FFO, AFFO, AFFO payout ratio, NOI and Cash NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT’s performance. The REIT’s method of calculating FFO, AFFO, AFFO payout ratio, NOI and Cash NOI may differ from other issuers’ methods and, accordingly, may not be comparable to measures used by other issuers. See “Forecast Non-IFRS Reconciliation”.

DILAWRI NON-ASPE MEASURES

References to “Adjusted EBITDA”, “*Pro Forma* Adjusted Rent Coverage Ratio”, “*Pro Forma* Adjusted Debt” and “*Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio”, which are key measures of performance used by automotive dealership businesses, refer to the Adjusted EBITDA, *Pro Forma* Adjusted Rent Coverage Ratio, *Pro Forma* Adjusted Debt and *Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio of the Dilawri Group on a non-consolidated combined basis. Such measures are not defined by Canadian accounting standards for private enterprises (“ASPE”) or IFRS and do not have standardized meanings prescribed by ASPE or IFRS. All of the Dilawri financial measures disclosed herein have been prepared in accordance with ASPE. The REIT believes that such measures are important measures of economic performance and are indicative of Dilawri’s ability to satisfy its obligations under the Dilawri Leases. The ASPE measurement most directly comparable to Adjusted EBITDA is net income. See “Assets of the REIT — Description of the REIT’s Key Tenant” for a reconciliation of Adjusted EBITDA to net income.

“**Adjusted EBITDA**” means the earnings of the Dilawri Group before interest, taxes, depreciation and amortization, discretionary bonus payments and eliminating therefrom gains on sales of assets and dividend income, all as reflected in the audited or reviewed, as applicable, non-consolidated combined financial statements of the Dilawri Group prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

“***Pro Forma* Adjusted Rent Coverage Ratio**” is calculated by Dilawri as Adjusted EBITDA for the 2014 fiscal year (approximately \$75.2 million) adding back to that amount the sum of distributions estimated to be received by the Dilawri Group during the Forecast Period on the Class B LP Units to be issued to it in the Acquisition (approximately \$7.95 million) and rent paid by the Dilawri Group in 2014 to third parties (approximately \$9.6 million). That resultant figure is divided by the rent paid by the Dilawri Group in the 2014 fiscal year on its properties, including inter-company rents paid on the Initial Properties (approximately \$27 million).

“***Pro Forma* Adjusted Debt**” is calculated by Dilawri as the Dilawri Group’s total debt reflected in its audited non-consolidated combined financial statements as at December 31, 2014 prepared in accordance with the recognition, measurement and disclosure principles of ASPE (approximately \$595 million) less Floorplan Debt (approximately \$294 million), less debt related to the Initial Properties to be repaid by the applicable member of the Dilawri Group in connection with the Acquisition (approximately \$191 million).

“***Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio**” is defined as the ratio of *Pro Forma* Adjusted Debt to Adjusted EBITDA.

Adjusted EBITDA, *Pro Forma* Adjusted Rent Coverage Ratio, *Pro Forma* Adjusted Debt and *Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio should not be construed as alternatives to net income or cash flow from operations determined in accordance with ASPE as indicators of the Dilawri Group’s performance. The Dilawri Group’s method of calculating Adjusted EBITDA, *Pro Forma* Adjusted Rent Coverage Ratio, *Pro Forma* Adjusted Debt and *Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio may differ from other issuers’ methods and, accordingly, may not be comparable to measures used by other issuers. See “Assets of the REIT — Description of the REIT’s Key Tenant”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, provided that on the Closing Date (i) the REIT qualifies as a “mutual fund trust” within the meaning of the Tax Act or (ii) the Units are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSX), the Units will be, on the date of Closing, qualified investments under the Tax Act for trusts governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), registered disability savings plan, deferred profit sharing plan, tax-free savings account (“TFSA”) and registered education savings plan, each within the meaning of the Tax Act (collectively, “Exempt Plans”).

Notwithstanding that the Units may be qualified investments for a trust governed by a TFSA, RRSP and RRIF, the holder of a TFSA or annuitant of an RRSP or RRIF (each, an “Annuitant”), as the case may be, will be subject to a penalty tax if the Units are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RRSP or RRIF, as the case may be. The Units will not be a prohibited investment unless the Annuitant (i) does not deal at arm’s length with the REIT for purposes of the Tax Act, or (ii) has a “significant interest” in the REIT for the purposes of the “prohibited investment” rules in the Tax Act. In addition, Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for the purposes of the “prohibited investment” rules. Annuitants should consult with their own tax advisors regarding the application of the “prohibited investment” rules having regard to their particular circumstances.

Subsidiary Notes received in connection with an *in specie* redemption of Units by the REIT would not be qualified investments for Exempt Plans, which could give rise to adverse tax consequences to the Exempt Plan or the annuitant, beneficiary, subscriber or holder thereof. Accordingly, Exempt Plans that own Units should consult with their own tax advisors before deciding to exercise the redemption rights attached to the Units.

For purposes of this “Eligibility for Investment” section, a reference to the REIT is to Automotive Properties Real Estate Investment Trust only, and is not a reference to any subsidiary entity.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Numerous terms used in this prospectus are defined in the Glossary.

THE REIT

Establishment and Overview

The REIT is a newly formed, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario, M5C 1G6. The REIT has been formed to own primarily income-producing automotive dealership properties located in Canada.

Dilawri has taken the initiative in creating the REIT in order to establish a growth-oriented real estate entity that is expected to benefit from its relationship with the Dilawri Group, while retaining a significant economic interest in the Initial Properties. The Dilawri Group was formed over 30 years ago and has been in the business of owning and operating automotive dealerships in Canada since that time, growing to become the largest automotive dealership group in the country. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. Dilawri (which includes more than the Dilawri Tenants) had combined revenues of approximately \$1.6 billion and Adjusted EBITDA of approximately \$75.2 million for the 2014 fiscal year. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years.

On Closing, the REIT will indirectly acquire all of the Transferors' interests in the Initial Properties, being a portfolio of 26 commercial properties located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of GLA. Out of the 26 Initial Properties, 24 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while the other two properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants). Interests in two of the 24 Initial Properties that are exclusively occupied by the Dilawri Group are currently jointly owned by the Dilawri Group and entities unrelated to the Dilawri Group. The Initial Properties represent all of the REIT-Suitable Properties currently owned by the Dilawri Group.

As part of the Closing, the REIT will enter into leases with the applicable members of the Dilawri Group pertaining to the entirety of each Initial Property, including the two properties that are partially occupied by third parties, and the applicable members of the Dilawri Group will sublease the applicable portions of those two properties to such third parties. Consequently, the Dilawri Group will be the REIT's only tenant at Closing and its most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87% of the REIT's GLA on Closing and third parties occupying the remainder pursuant to sublease arrangements with the Dilawri Group. The rent from the portions of the Initial Properties occupied by the Dilawri Group will represent approximately 88% of the REIT's Cash NOI over the Forecast Period, with the portions of the Initial Properties occupied by third party tenants pursuant to sublease arrangements accounting for the remainder. See "Risk Factors — Risk Factors Related to the REIT's Relationship with Dilawri — The Dilawri Group as Key Tenant". On Closing, the initial terms of the Dilawri Leases will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. See "Acquisition of the Initial Properties" and "Assets of the REIT".

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT through the ownership, direction or control of all of the Class B LP Units, which are economically equivalent to,

and exchangeable for, Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full). See “Retained Interest”. Dilawri has advised the REIT that the Dilawri Organization’s current intention is to retain a significant interest in the REIT for the foreseeable future.

The REIT will be externally administered on a cost-recovery basis by Dilawri pursuant to the Administration Agreement. See “— Arrangements with Dilawri — Administration Agreement”.

See “The REIT — Establishment and Overview”.

Business Strategy and Objectives of the REIT

The primary strategy of the REIT is to create Unitholder value over the long-term by generating sustainable tax-efficient cash flow and capital appreciation through the REIT’s strategic relationship with the Dilawri Group and its ability to execute on external and internal growth strategies. To achieve this objective, management will seek to expand the REIT’s asset base while increasing AFFO per Unit through accretive acquisitions of properties from third parties and the Dilawri Group as well as contractual rent escalations. The REIT will maintain a strong balance sheet and practice prudent financial management to minimize financial risk for Unitholders.

The primary objectives of the REIT are to: (a) provide Unitholders with stable, predictable and growing monthly cash distributions on a tax-efficient basis; (b) enhance the value of the REIT’s assets in order to maximize long-term Unitholder value; and (c) expand the REIT’s asset base while also increasing the REIT’s AFFO per Unit, including through accretive acquisitions.

See “The REIT — Business Strategy and Objectives of the REIT”.

Strengths and Investment Highlights

Management believes that the following describes the key strengths and investment highlights of the REIT and the Initial Properties:

- ***Opportunity to Gain Exposure to a Unique Real Estate Asset Class:*** The REIT provides a unique opportunity to invest in automotive dealership properties, which typically consist of well-located properties in urban areas that are specifically zoned for automotive retail use. Management believes that automotive dealership properties are a defensive asset class, as it is a strategic and fundamental part of the automotive manufacturers’ brand and distribution network. In management’s experience, automotive manufacturers tend to actively monitor the operations of their automotive dealerships and help facilitate the success and viability of the dealership locations. See “Canadian Automotive Dealership Industry Characteristics — Automotive Dealership Franchise Agreements”.
- ***Automotive Dealership Properties Benefit from Strong Underlying Fundamentals:*** Canadian automotive dealerships benefit from strong underlying fundamentals. In 2014, the Canadian automotive retail industry generated sales of approximately \$120 billion, representing approximately 23.8% of Canada’s overall retail sales of products and merchandise. From 2010 to 2014, automotive retail sales increased at a compound annual growth rate of 5.9%, with 2014 being a record year for automotive retail sales in Canada, representing an increase of 7.6% over retail sales in 2013. Automotive dealerships have demonstrated stable profitability margins over the past 10 years — since 2005, the weighted average gross profit margin for the publicly listed automotive dealerships groups in North America has averaged 15.8%, and has remained within a band ranging from 15.3% to 17.1% over that period.
- ***Portfolio of High-Quality and Strategically Located Automotive Dealership Properties:*** The Initial Properties will consist of 26 high-quality properties representing approximately 958,000 square feet of GLA located in the provinces of Ontario, Saskatchewan, Alberta and British Columbia. The majority of the GLA (98%) is used for automotive dealerships or automotive repair facilities, with the remaining GLA (2%) used for complementary uses, including restaurants operated by third parties not affiliated with the Dilawri Group.

The Initial Properties are strategically located in urban areas within four major metropolitan centres in Canada; namely, the GTA (46% of GLA), Regina (19% of GLA), Calgary (19% of GLA) and the GVA

(16% of GLA). Management believes the Initial Properties are located in attractive submarkets within these metropolitan areas, characterized by above-average population growth and household income, and are generally located along major transportation arteries, which offer both high visibility and convenient consumer access. The weighted average age of the Initial Properties is approximately 8 years, a result of the fact that many of the properties are newly constructed or have recently undergone significant renovations. The Dilawri Group regularly improves its properties to meet or exceed the latest automotive manufacturers' standards in order to position the dealerships competitively in the marketplace.

- **Significant Growth Opportunities:** The REIT expects to be well-positioned to capitalize on growth opportunities, including (i) accretive acquisitions from third parties; (ii) accretive acquisitions from the Dilawri Group, including some or all of the Development Properties; and (iii) contractual annual rent escalations. Management believes that the fragmented nature of the Canadian automotive dealership industry will provide the REIT with a significant pipeline of acquisition opportunities in the future. Management intends to be disciplined in acquiring properties, with a primary focus on obtaining properties underlying strategically located automotive dealerships in key Canadian markets which will contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions. Additionally, the REIT will have a right of first offer to acquire REIT-Suitable Properties from the Dilawri Group pursuant to the Strategic Alliance Agreement. See "Arrangements with Dilawri — Strategic Alliance Agreement" and "Growth Strategies of the REIT — External Growth".
- **Strong National Tenant with Significant Alignment of Interest:** The REIT's sole tenant, the Dilawri Group, is the largest automotive dealership group in Canada. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. Dilawri (which includes more than the Dilawri Tenants) had combined revenues of approximately \$1.6 billion and Adjusted EBITDA of approximately \$75.2 million for the 2014 fiscal year. The Dilawri Group's (which includes more than the Dilawri Tenants) *Pro Forma* Adjusted Rent Coverage Ratio in 2014 was approximately 3.4 times, its *Pro Forma* Adjusted Debt as at December 31, 2014 was approximately \$110.2 million and its *Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio as at December 31, 2014 was approximately 1.46 times. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years. The interests of the REIT and Dilawri will be strategically aligned through Dilawri's approximate 57.0% effective interest in the REIT through the ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full).
- **Excellent Leasing Profile:** The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements. The Initial Properties will be 100% occupied at Closing, with the Dilawri Group occupying approximately 87% of the REIT's total GLA and subleasing the remainder to third parties. The initial lease terms range from 11 to 19 years and the Cash NOI weighted average lease term for the REIT's entire portfolio from the Closing is expected to be approximately 15 years. The Dilawri Leases will also include a fixed annual basic rent escalator of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial term and any renewal term and a parent guarantee provided by Dilawri in support of its individual dealership's obligations under their leases for the initial terms of the leases.
- **Compelling Valuation and Conservative Financial Metrics:** The REIT intends to pay monthly cash distributions, initially expected to provide Unitholders with an annual yield of 8.0% based on an AFFO payout ratio of approximately 90%. The REIT anticipates to have an Indebtedness to GBV ratio of approximately 54% immediately following Closing, bearing interest at a weighted average effective rate of approximately 3.2% (all of which will be fixed), with a weighted average term to maturity of approximately 5.1 years. In addition, the REIT estimates that approximately 100% of the monthly cash distributions to be made by the REIT to Unitholders will be tax-deferred in 2015.

- ***Experienced Executive Management and Strong Independent Board:*** The REIT's President and Chief Executive Officer is Milton Lamb, who has over 24 years of experience in the commercial real estate industry and was specifically recruited by Dilawri to serve as the REIT's President and Chief Executive Officer due to his extensive experience. The REIT's Chief Financial Officer and Corporate Secretary, Andrew Kalra, has over 20 years of experience in finance, including over 13 years of experience in the automotive industry. Additionally, the REIT's Board, the majority of whom will be independent, has extensive collective experience in the automotive and real estate industries, capital markets and corporate governance. Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, the REIT with various services on a cost-recovery basis, including the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and certain other administrative and support services. See "Arrangements with Dilawri — Administration Agreement". The Administration Agreement may be terminated in whole or in part by the REIT at any time after expiry of the Forecast Period at no cost to the REIT.

See "The REIT — Strengths and Investment Highlights".

Growth Strategies of the REIT

The REIT has a well-defined, long-term growth strategy, supported by multiple sources of cash flow growth, including (i) accretive acquisitions of properties from third parties and the Dilawri Group, and (ii) contractual rent escalations. See "Growth Strategies of the REIT".

External Growth

- ***Accretive Acquisitions of Third Party Properties:*** Management believes that, due to the highly fragmented nature of the automotive dealership industry in Canada, the REIT will be well-positioned to capitalize on opportunities for accretive acquisitions from third party vendors. Of the 3,469 automotive dealerships in Canada as of November 2013, management estimates that the top 10 dealership groups represent only 9.1% of total dealerships in operation. The REIT believes that it will be able to capitalize on the automotive dealership industry fragmentation, as succession planning issues make the sale of a dealership's underlying real estate an attractive liquidity alternative allowing dealers to monetize their real estate while retaining ownership and control of their operations and to redeploy capital to expand their business. For the majority of dealers, their dealership represents the single largest proportion of their family's wealth. According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, 91% of dealers surveyed own the property underlying their dealership. Management believes that the REIT will represent a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT will be the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties. The REIT will seek to acquire properties that meet its investment criteria in order to diversify its tenant base, while continuing to focus on tenant quality, stability of cash flow and brand and geographical diversification in strategic markets. The REIT will evaluate potential acquisition opportunities based on a number of factors, including valuation, expected financial performance, physical features, existing leases, functionality of design, geographic market, location and opportunity for future value enhancement. See "Risk Factors".
- ***Right of First Offer to Acquire REIT-Suitable Properties from the Dilawri Group:*** The REIT will seek to leverage its relationship with the Dilawri Group to acquire REIT-Suitable Properties that are acquired, developed, redeveloped, refurbished or repositioned by the Dilawri Group. Pursuant to the Strategic Alliance Agreement, Dilawri will be required to offer to sell to the REIT any property that is acquired, developed, redeveloped, refurbished or repositioned by a member of the Dilawri Group following Closing that is, in each case, determined by Dilawri, acting reasonably, to be a REIT-Suitable Property. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years. The Dilawri Group currently owns the three Development Properties, representing an aggregate of approximately 97,000 square feet of GLA, that it will offer for sale to the REIT upon Substantial

Completion. Two of the Development Properties are located in Barrie, Ontario and one of the Development Properties is located in Calgary, Alberta. The Development Properties are currently in various stages of development and it is expected that Substantial Completion will occur with respect to each of these properties within 18 months following Closing. The three Development Properties, if acquired by the REIT, are expected to be 100% leased to the Dilawri Group on substantially the same terms as the Dilawri Leases. In addition, the REIT will have a right of first offer in respect of REIT-Suitable Properties that may in the future be sold by the Dilawri Group. See “Arrangements with Dilawri — Strategic Alliance Agreement”.

Internal Growth

Management believes the REIT will be well-positioned to organically increase cash flow and the underlying value of the Initial Properties as each of the Dilawri Leases contains annual contractual basic rent escalations in the amount of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial lease term and any renewal term. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements. As a result, the contractual rent escalations will provide the REIT with stable and predictable increases in rental revenues over the initial terms of the leases, which range from 11 to 19 years.

Canadian Automotive Dealership Industry Characteristics

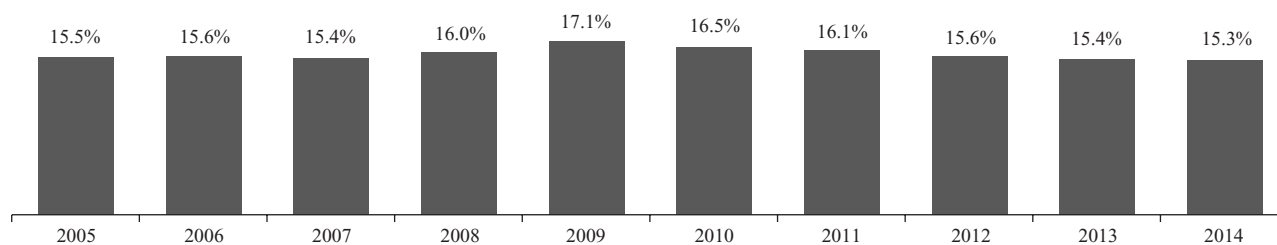
Automotive Retail Industry Overview

According to Statistics Canada, in 2014 the Canadian automotive retail industry generated sales of approximately \$120 billion, representing approximately 23.8% of Canada’s overall retail sales of products and merchandise and approximately 6.1% of gross domestic product. Automotive retail sales represent the single largest component of overall Canadian retail sales. From 1994 through 2014, Canadian automotive retail industry sales grew at a compound annual growth rate of 4.5%. According to DesRosiers Automotive Consultants Inc., the Canadian automotive industry employed approximately 853,100 people in 2013, representing 4.8% of the overall Canadian workforce. From 2010 to 2014, automotive retail sales increased at a compound annual growth rate of 5.9%. 2014 was a record year for automotive retail sales in Canada, and represented an increase of 7.6% over retail sales in 2013.

Stable Profitability Margins

Automotive dealerships have demonstrated stable profitability margins over the past 10 years. Since 2005, the weighted average gross profit margin for the publicly listed automotive dealerships groups in North America has averaged 15.8%, and has remained within a band ranging from 15.3% to 17.1% over that period. Weighted average gross profit margins increased during the financial crisis of 2008 and 2009, demonstrating the overall resiliency of the automotive dealership business.

Average Gross Profit Margins of North American Publicly Listed Automotive Dealership Groups



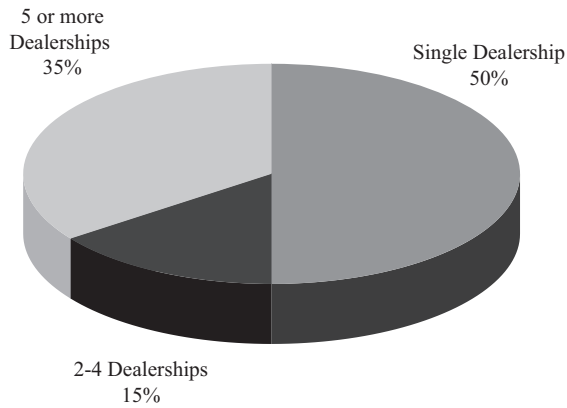
Source: Weighted average of the gross profit margins for AutoCanada Inc., AutoNation Inc., Penske Automotive Group Inc., Group 1 Automotive Inc., Sonic Automotive Inc., Asbury Automotive Group Inc., Lithia Motors, Inc. and CarMax Inc., based on management’s review of publicly available information.

Large and Highly Fragmented Market

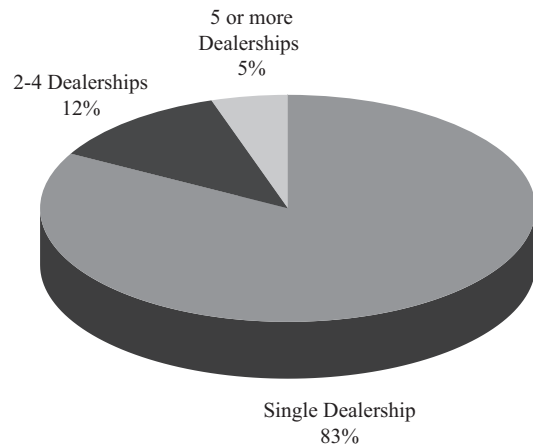
The Canadian automotive dealership industry is large and highly fragmented, with 3,469 dealerships nationwide as of November 2013. Dealerships are predominantly owned by small local and regional groups. 65% of all dealerships in Canada are owned by individuals or small dealership groups with fewer than five locations, and only 5% of the total number of ownership groups own five or more locations.

Ownership Structure of Automotive Dealerships in Canada

Proportion of Dealerships by Size of Ownership Group



Proportion of Owners by Size of Ownership Group

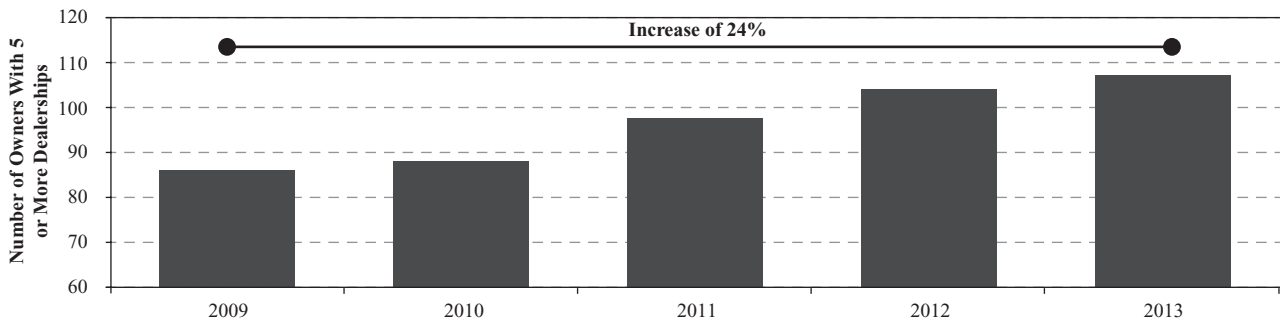


Source: DesRosiers Automotive Consultants Inc.

Industry Consolidation Gaining Momentum

The proportion of automotive dealerships in Canada that are owned by operators with fewer than five locations has declined from 71% in 2009 to 65% in 2013. Conversely, the number of dealership groups with five or more locations has grown by 24% over the same period.

Automotive Dealership Consolidation



Source: DesRosiers Automotive Consultants Inc.

See “Canadian Automotive Dealership Industry Characteristics”.

Assets of the REIT

Overview of the Initial Properties

On Closing, the REIT will indirectly acquire all of the Transferors' interests in the Initial Properties, being a portfolio of 26 commercial properties located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of GLA. Out of the 26 Initial Properties, 24 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while the other two properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants).

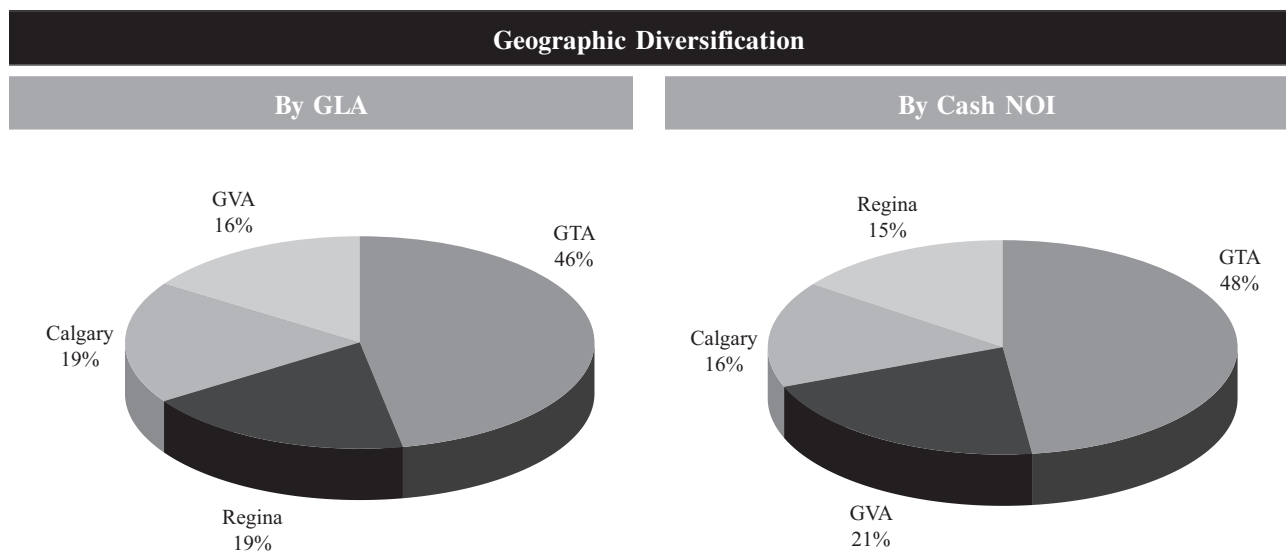
Collectively, the Initial Properties contain 34 automotive dealerships and one automotive repair facility occupying 38 individual buildings as well as four ancillary retail buildings. The Dilawri Group is the sole occupant of 29 of the 34 automotive dealerships and the one automotive repair facility, with third party automotive dealers occupying the Honda, Hyundai, Kia and Toyota dealerships at Dixie Auto Mall and the Ford dealership at Markham Honda and Ford. The four retail buildings are located on contiguous lots within the Dixie Auto Mall and are occupied by several national retail tenants including Cara Operations Limited (operating as Montana's Cookhouse and Kelsey's Restaurant) and Enterprise Rent-a-Car.

For a list of the Initial Properties and summary descriptions of the Initial Properties, see "Assets of the REIT — Overview of the Initial Properties" and "Assets of the REIT — Description of the Initial Properties", respectively.

Composition of the Initial Properties

Geographic Breakdown

The Dilawri Group has focused its growth on major population centers and has located its dealerships in highly visible areas near major transportation corridors. The Initial Properties are well-diversified geographically, with approximately 46% of the GLA of the Initial Properties located in the GTA, 19% in Regina, 19% in Calgary and 16% in the GVA. Furthermore, approximately 48%, 21%, 16% and 15% of the Cash NOI for the Forecast Period is anticipated to be derived from Initial Properties located in the GTA, the GVA, Calgary and Regina, respectively. The following charts illustrate the geographic diversification of the Initial Properties, measured by total GLA and Cash NOI, over the Forecast Period.



Property Use

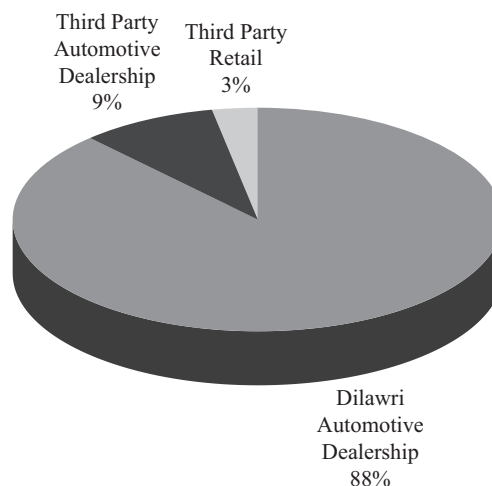
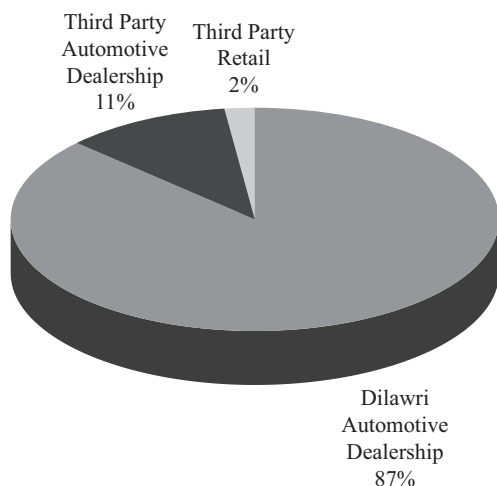
The Initial Properties are primarily comprised of automotive dealerships and an automotive repair facility, which represent 98% of the total GLA of the Initial Properties. The Initial Properties also contain four buildings being used for retail uses complementary to automotive dealerships, all of which are occupied by third parties and located at the Dixie Auto Mall. Collectively, these retail properties will represent 2% of the REIT's GLA at Closing. On Closing, the automotive dealerships and automotive repair facility occupied by the Dilawri Group will represent 87% of the REIT's total GLA, while the automotive dealerships subleased by the Dilawri Group to third parties will represent 11% of the REIT's total GLA.

At Closing, pursuant to the Dilawri Leases, including the leases for the Dixie Auto Mall and Markham Honda and Ford, the Dilawri Group will be the REIT's only tenant, contributing 100% of its Cash NOI for the Forecast Period. Of this figure, 97% pertains to automotive dealerships (both those occupied by the Dilawri Group and those subleased to third parties by the Dilawri Group at Dixie Auto Mall and Markham Honda and Ford), with the remainder pertaining to the four buildings being used for retail uses at the Dixie Auto Mall that will be subleased to third parties by the Dilawri Group. Of the REIT's total Cash NOI for the Forecast Period, 88% pertains to the automotive dealership and automotive repair facility properties occupied by the Dilawri Group, while 9% pertains to the automotive dealership properties subleased by the Dilawri Group to third parties.

Property Use Summary

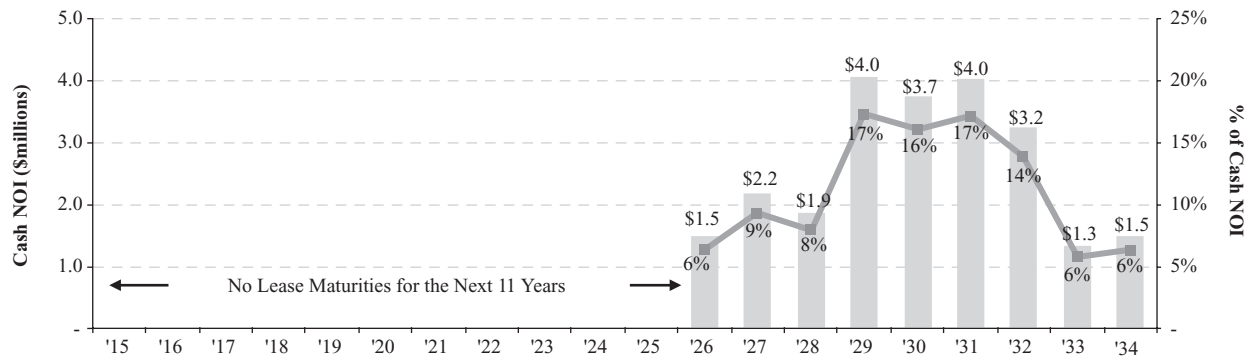
By GLA

By Cash NOI



On Closing, the initial terms of the leases with the Dilawri Group will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. The REIT will not experience any lease expiries over the next 11 years, increasing the certainty of cash flow and minimizing leasing efforts and costs incurred by the REIT.

Lease Expiry by Year



Manufacturer and Brand Diversification

At Closing, the Initial Properties will be well diversified across a broad spectrum of automotive manufacturers and brands, representing some of the largest, most recognizable global brands targeting customers in the mass market segment (64% of forecast automotive Cash NOI), the luxury segment (27% of forecast automotive Cash NOI) and the ultra-luxury segment (9% of forecast automotive Cash NOI) of the market. The manufacturers and brands are also diversified across geographic regions, with representation from Asia (65% of forecast automotive Cash NOI), Europe (26% of forecast automotive Cash NOI) and North America (9% of forecast automotive Cash NOI). Management believes that the breadth, depth and diversity of the brands and markets in the Initial Properties provides a strong and stable portfolio.

Manufacturer and Brand Diversification

Manufacturer/Brand	REIT Auto Dealership GLA	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Cash NOI	No. of REIT Locations (Initial Properties)	Avg. Remaining Lease Term (Years)
Honda ⁽¹⁾	219,620	23.4%	22.8%	7	14.5
Acura	97,503	10.4%	10.3%	4	16.4
Nissan	74,913	8.0%	9.3%	3	16.4
BMW ⁽²⁾	100,180	10.7%	8.3%	2	16.3
Porsche	39,790	4.2%	6.6%	1	19.0
Mazda	47,501	5.1%	5.4%	2	14.4
Hyundai	49,734	5.3%	5.1%	3	13.8
Toyota	44,819	4.8%	4.7%	2	14.0
Audi	29,300	3.1%	4.6%	1	17.0
Infiniti	26,314	2.8%	4.1%	2	12.9
Volkswagen	39,209	4.2%	4.1%	1	14.0
General Motors	35,504	3.8%	3.9%	1	13.0
Ford	39,287	4.2%	2.9%	1	12.0
Chrysler ⁽³⁾	40,957	4.4%	2.4%	1	11.0
Mitsubishi Motors	14,750	1.6%	1.7%	2	15.4
Kia	13,890	1.5%	1.2%	1	15.0
Various ⁽⁴⁾	24,367	2.6%	2.6%	1	12.0
Total	937,638	100.0%	100.0%	35	15.0

Notes:

- (1) Includes Honda Used Car and Regina Collision Centre.
- (2) Includes MINI.
- (3) Includes Dodge, FIAT, Jeep and RAM.
- (4) Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Land Rover, Maserati, McLaren, Mercedes-Benz and Porsche.

See "Assets of the REIT — Composition of the Initial Properties".

Description of the Material Terms of the Dilawri Leases

Each of the Initial Properties will be subject to a Dilawri Lease with a member of the Dilawri Group. With respect to the multi-tenanted component of the Dixie Auto Mall and Markham Honda and Ford, the applicable Dilawri Tenant will lease such Initial Properties and, in turn, will sublease the applicable portions thereof to the current third party tenants pursuant to their existing leases. For the purposes of this section, all references to the “**Dilawri Tenant**” shall mean the applicable member of the Dilawri Group, in its capacity as tenant under the applicable Dilawri Lease.

Dilawri will indemnify the REIT in respect of any defaults by the Dilawri Tenants under the Dilawri Leases for the initial term of the applicable Dilawri Lease.

The Dilawri Tenants will lease all building(s) and all associated lands in respect of the Initial Properties at Closing. The leased premises may be used for any lawful purpose, in compliance with all applicable laws and restrictions registered against title to the applicable lands at Closing and other restrictions contained in the Dilawri Leases. With respect to that portion of the leased premises that is used as an automobile dealership as at the Closing Date, the Dilawri Tenants may not make any changes to such use during the first five years of the initial term.

The leased premises will be leased to the Dilawri Tenants in an “as is” condition and the REIT will not be required to perform any repairs or construct any improvements to the leased premises prior to the Closing Date. Provided the Dilawri Tenant is not in material default beyond any applicable cure period, the Dilawri Tenant will have successive options to extend its Dilawri Lease for extension periods of 5 years each. The term of each Dilawri Lease (including all extension terms) will vary, but can be up to a maximum of 50 years. The annual basic rent payable in respect of the initial year of each extension term under the Dilawri Leases will equal the greater of: (a) the annual basic rent payable during the final year of the initial term or preceding extension term, as the case may be; and (b) the lesser of: (i) the fair market rent for the leased premises having regard to its age, size, use and location, as agreed between the REIT and the applicable Dilawri Tenant, and failing agreement, as determined pursuant to arbitration procedures set forth in the Dilawri Leases; and (ii) 110% of the annual basic rent payable during the final year of the initial term or preceding extension term, as the case may be. The Dilawri Tenants will be required to pay annual basic rent in equal monthly installments in advance on the first day of each month without set off or deduction. Annual basic rent under the Dilawri Leases will escalate annually at a rate of 1.5% during the initial term and any renewal term. As described under “Assessments and Valuations of the Initial Properties”, the Appraiser determined the market rental rate for each Initial Property and that market rental rate is the initial annual basic rent payable under the Dilawri Leases. In addition to annual basic rent, the Dilawri Tenants will be required to pay (i) realty taxes attributable to the leased premises; and (ii) all charges for utilities supplied to or consumed in the leased premises. The Dilawri Tenants will be responsible for all maintenance, repairs and replacements required to the leased premises other than the structural components of the buildings.

So long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10% effective interest in the REIT (on a fully-diluted basis), the Dilawri Leases provide the Dilawri Tenants thereunder with a right of first opportunity to enter into a new lease with the REIT on the same terms as the applicable Dilawri Lease (other than with respect to term, extension options and annual basic rent), if the REIT intends to lease, at any time after expiry of the applicable Dilawri Lease, all or any part of the applicable lands for use as an automobile dealership (or, in the case of the Dixie Auto Mall, all or substantially all of the buildings on such Initial Property), provided the applicable Dilawri Tenant has exercised all of its extension options in such Dilawri Lease.

See “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.

Assessments and Valuations of the Initial Properties

Dilawri retained the Appraiser to provide an independent estimate of the fair market value of the Initial Properties. Based on the Appraisal, the estimated aggregate market value of the Initial Properties as at January 1, 2015 as they currently exist was approximately \$343.4 million prior to application of any portfolio premium. The Appraiser estimated the incremental aggregate market value of three of the Initial Properties (being Regina Honda, Honda Used Car and Regina Collision Centre and Dilawri Nissan Infiniti) which are in the process of being redeveloped or substantially renovated by the Dilawri Group at its cost. The rental rates for the Dilawri Leases in respect of these three Initial Properties has been established by the REIT based on the completed value of this redevelopment or renovation work by the Dilawri Group. The Appraiser estimated that such incremental aggregate market value was approximately \$10.3 million on an “as completed” basis, resulting in the estimated aggregate market value of the Initial Properties on an “as completed” basis of approximately \$353.7 million prior to application of any portfolio premium.

To determine the full value of the Initial Properties, both as they currently exist and on an “as completed” basis, in the context of a publicly-traded portfolio, the Appraiser added a 3% to 5% portfolio premium to the aggregate values of the Initial Properties which, in the Appraiser’s professional experience, given the size and nature of the portfolio and current market condition, is warranted. The resulting full value of the Initial Properties as they currently exist is between approximately \$353.7 million and \$360.6 million and the resulting full value of the Initial Properties on an “as completed” basis is between approximately \$364.3 million and \$371.3 million. The REIT will indirectly acquire freehold and leasehold interests in the Initial Properties from the Transferors pursuant to the Contribution Agreement for an aggregate purchase price of approximately \$354.2 million, plus an amount equal to the estimated deferred land transfer taxes realized by the REIT in the Acquisition (estimated by management to be approximately \$1.8 million). Consequently, as reflected in the Financial Forecast, the REIT will pay a \$0.48 million portfolio premium to the Transferors in respect of its Acquisition of the Initial Properties which amount is reflected as a change in the value of investment properties in the Financial Forecast. Notwithstanding the payment of this portfolio premium by investors, the premium will not be repaid by the REIT as the REIT’s only intention is to make distributions to holders of Units and Class B LP Units in accordance with its distribution policy. See “Financial Forecast”, “Distribution Policy” and “Risk Factors — Risk Factors Related to the Real Estate Industry and the Business of the REIT — Financial Forecast”.

In addition to determining the fair market value of the Initial Properties, the Appraiser determined the market rent of each Initial Property based on its review of comparable leases and a valuation of the Initial Property using the cost approach. The Appraiser’s market rental rate is the initial annual basic rent payable under the Dilawri Leases. See “Assessments and Valuations of the Initial Properties”.

Debt Strategy and Indebtedness

The REIT’s overall borrowing policy will be to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period, (ii) achieve and maintain fixed rate maturities to lessen exposure to interest rate fluctuations, and (iii) extend loan commitment periods and fixed rate periods as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 55%-60% of GBV. Management expects that the ratio of Indebtedness to GBV may increase, at least temporarily, following an acquisition by the REIT of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis by management and the Trustees to ensure appropriate debt management strategies are implemented.

Based on discussion papers received from the applicable lenders, the REIT expects to have in place the following credit facilities on Closing:

- (i) Loan Facility 1, comprised of (a) a variable rate 3-year revolving facility in the maximum authorized amount of \$15 million, (b) a 5-year non-revolving loan facility which is expected to have an effective fixed interest rate of 3.1% by virtue of hedging arrangements to be entered into on or about Closing in the maximum authorized amount of \$130 million, and (c) a swap facility;

- (ii) Loan Facility 2, comprised of (a) a variable rate 5-year revolving facility in the maximum authorized amount of \$7.5 million, (b) a 5-year non-revolving loan facility which is expected to have an effective fixed interest rate of 3.3% by virtue of hedging arrangements to be entered into on or about Closing in the maximum authorized amount of \$65.5 million, and (c) a swap facility; and
- (iii) Loan Facility 3, which is expected to be a 4-year fixed rate non-revolving loan facility in the approximate amount of \$14.1 million and is estimated by management to have a fixed interest rate of 3.5%. Provided Loan Facility 3 is in good standing at maturity, the REIT will have the right to extend Loan Facility 3 for an additional 3-year term at then market interest rates.

Management estimates that the REIT's aggregate Indebtedness will be approximately \$193.8 million immediately following Closing. Total Indebtedness is estimated to represent approximately 54% of GBV immediately following Closing. The Non-Revolving Credit Facilities are expected to have a weighted average effective interest rate of approximately 3.2%, a weighted average term to maturity of approximately 5.1 years from Closing (assuming extension of Loan Facility 3 for an additional 3-year term in accordance with its terms) and a remaining term to maturity of interest rate swaps of approximately 5.6 years from Closing. The maximum amount available to be borrowed under each of the Credit Facilities will be subject to limits based on, among other things, a maximum loan to value ratio and, in some cases, minimum debt service coverage ratios, in each case, in respect of the REIT on a consolidated basis and/or the Initial Properties which secure the applicable Credit Facilities.

The Credit Facilities will be secured by, among other things, first-ranking charges on the Initial Properties and will be guaranteed by the REIT and Subsidiaries of the Partnership. Both Loan Facility 1 and Loan Facility 2 are expected to provide the REIT with the flexibility to add, remove or substitute properties from the respective security pools, subject to compliance with certain conditions. Non-Revolving Facility 1 and Non-Revolving Facility 2 will be fully open to repayment and refinancing by the REIT at any time and in any amounts throughout the 5 year committed period without payment of any prepayment fees or penalties.

The following table sets out the expected fixed rate Indebtedness of the REIT immediately following Closing:

<u>Loan</u>	<u>Prepayment Privilege</u>	<u>Maturity</u>	<u>Principal Amount at Closing</u>	<u>Effective Fixed Rate of Interest</u>
Non-Revolving Facility 1	Fully open	5 years from Closing	\$119.5 million	3.1% ⁽¹⁾
Non-Revolving Facility 2	Fully open	5 years from Closing	60.2 million	3.3% ⁽¹⁾
Loan Facility 3	None	4 years from Closing ⁽²⁾	14.1 million	3.5%
Total/Weighted Average:			<u>\$193.8 million</u>	<u>3.2%</u>

Notes:

- (1) The effective interest rate for Non-Revolving Facility 1 and Non-Revolving Facility 2 is based on interest rate swaps expected to be put in place on or about Closing (see "Debt Strategy and Indebtedness — Hedging Arrangements").
- (2) Provided Loan Facility 3 is in good standing at maturity, the REIT will have the right to extend Loan Facility 3 for an additional 3-year term at then market interest rates.

The following table sets out the combined borrowings under Non-Revolver Facility 1 and Non-Revolver Facility 2, and the expected term to maturity of the related interest rate swaps.

Years from Closing	Total Debt Amount (\$000s)	Total Swapped Fixed Rate Debt (%)
3	\$ 49,118	27.3
5	64,071	35.6
7	44,310	24.7
10	22,224	12.4
Total	\$179,724	100.0

See “Debt Strategy and Indebtedness”.

Arrangements with Dilawri

Administration Agreement

Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, if and as requested by the REIT and, in each case, subject to the overriding supervision and direction of the Board, the REIT with:

- (i) the REIT’s President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary, as approved by the REIT;
- (ii) certain administrative and other support services, including assisting the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary with the standard functions of a public company, including financial reporting, investor relations, quarterly conference calls, ongoing disclosure obligations, Unitholder correspondence, annual and special meetings of the Unitholders, compliance with the Declaration of Trust and providing office space for the REIT; and
- (iii) such other services as may from time to time be agreed in writing by the REIT and Dilawri for which Dilawri will be compensated on terms to be agreed prior to the provision of such services.

Subject to as provided above, Dilawri has agreed to provide these services to the REIT on a cost-recovery basis only. Dilawri has agreed to provide the above-noted services for a fixed fee equal to \$700,000 during the Forecast Period. Following the Forecast Period, the REIT will reimburse Dilawri for costs incurred in connection with the provision of the above services so long as such costs are identified in the then-current annual budget of the REIT or are otherwise approved by the REIT.

The REIT’s President and Chief Executive Officer is Milton Lamb and its Chief Financial Officer and Corporate Secretary is Andrew Kalra, both of whom are currently employees of a Subsidiary of Dilawri and whose services will be provided to the REIT pursuant to the Administration Agreement. The President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary of the REIT cannot be changed by Dilawri without the REIT’s prior approval, but they can be removed, through termination of the Administration Agreement, in whole or in part, by the REIT in its discretion. In addition to fulfilling the role of President and Chief Executive Officer of the REIT, Mr. Lamb will work for Dilawri to, among other things, source and develop properties, including automotive dealerships, for which he will be paid customary development fees by Dilawri. It is initially expected that Mr. Lamb and Mr. Kalra will each spend the majority of their time on services provided to the REIT. Management believes this arrangement is in the best interests of the REIT and the Unitholders as it allows the REIT to benefit from the services of an experienced President and Chief Executive Officer in a cost-efficient manner. Further, Mr. Lamb’s oversight of Dilawri’s development activities is beneficial to the REIT as it is expected to result in the identification and development of REIT-Suitable Properties that may be acquired by the REIT under the Strategic Alliance Agreement. Pursuant to the Administration Agreement, if the REIT elects to terminate the Administration Agreement in whole or in part (as described below) and wishes to directly employ the President and Chief Executive Officer, Dilawri will,

to the extent reasonably practicable, facilitate the President and Chief Executive Officer's transition to an employee of the REIT.

The term of the Administration Agreement will be for five years commencing on Closing and will be automatically renewed for further one-year terms, provided that the Administration Agreement or any of the services thereunder may be terminated by the REIT at any time during the term (except during the Forecast Period) upon 90 days' prior written notice to Dilawri, or in the event of a material breach or material default of Dilawri's obligations under the Administration Agreement or insolvency of Dilawri, in all cases without payment of any termination fees. Dilawri has the right to terminate the Administration Agreement upon not less than 180 days' prior written notice to the REIT once the REIT's fully-diluted market capitalization based on the volume weighted average price of the Units on the principal exchange or market on which the Units are listed or quoted for trading over a 20 business day period, exceeds \$500 million, or in the event of a material breach or material default of the REIT's obligations under the Administration Agreement or insolvency of the REIT, in all cases without payment of any termination fees. For clarity, after the expiry of the Forecast Period, the REIT may terminate the Administration Agreement in part in respect of one or more particular services, in each case upon 90 days' prior written notice, without payment of any termination fees. See "Arrangements with Dilawri — Administration Agreement — Termination".

Management expects the scope of the services to be provided pursuant to the Administration Agreement to decrease over time as the REIT develops the capacity and financial wherewithal to undertake more of the services internally and transitions to directly employing its President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and other senior management.

See "Arrangements with Dilawri — Administration Agreement".

Strategic Alliance Agreement

The Strategic Alliance Agreement will create various rights and obligations between the REIT and the Dilawri Group intended to establish a preferential and mutually beneficial business and operating relationship. See "Arrangements with Dilawri — Strategic Alliance Agreement". So long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT, the Strategic Alliance Agreement shall remain in full force and effect. See "Arrangements with Dilawri — Strategic Alliance Agreement — Termination". Pursuant to the Strategic Alliance Agreement, however, Dilawri's right of first offer on properties that the REIT wishes to sell (as described below) will survive termination of the Strategic Alliance Agreement and remain in effect for so long as the REIT owns the applicable property. See "Arrangements with Dilawri — Strategic Alliance Agreement — Survival of Certain Rights".

The Strategic Alliance Agreement will provide the REIT with important rights (and imposes important obligations on the Dilawri Group) that are expected to meaningfully contribute to the REIT's growth pipeline. The REIT will have (i) subject to certain exceptions, a right of first offer to acquire REIT-Suitable Properties that the Dilawri Group intends to sell; and (ii) a right of first offer to acquire REIT-Suitable Properties that are acquired or developed by the Dilawri Group (including the Development Properties) following Closing. See "Arrangements with Dilawri — Strategic Alliance Agreement — Rights Granted".

The Strategic Alliance Agreement also provides Dilawri with certain important rights (and imposes important obligations on the REIT) with respect to certain activities of the REIT. In particular, pursuant to the Strategic Alliance Agreement, any time the REIT determines that it desires to sell or otherwise dispose of a property owned by the REIT in which a member of the Dilawri Group is a tenant or, where a member of the Dilawri Group is not a tenant, which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement, the REIT will provide Dilawri with a right of first offer to purchase such property. This right survives termination of the Strategic Alliance Agreement. See "Arrangements with Dilawri — Strategic Alliance Agreement — Rights Granted".

Pursuant to the Strategic Alliance Agreement, without prior written approval of a majority of the REIT's Independent Trustees, subject to certain exceptions, Dilawri and its directors and executive officers will not be

permitted during the term of the Strategic Alliance Agreement, directly or indirectly, to: (i) create another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT; or (ii) materially engage (contractually or otherwise) with another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT, except in the normal course of business to lease or acquire property for use by Dilawri or its executive officers or directors, as applicable. See “Arrangements with Dilawri — Strategic Alliance Agreement — Non-Compete”.

The REIT and Dilawri, on its own behalf and on behalf of the Dilawri Group, will also agree that, during the term of the Strategic Alliance Agreement, neither will intentionally solicit any specific tenant of a property that is owned by the other (other than their respective Affiliates or Subsidiaries other than, in the case of Dilawri, the REIT) to vacate that property in favour of a property in which it has an ownership or operating interest. See “Arrangements with Dilawri — Strategic Alliance Agreement — Non-Solicit”.

Financial Forecast

The financial forecast information set forth below is based upon the financial forecast prepared by management, using assumptions with an effective date of July 1, 2015. The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management’s intended courses of action for the REIT for the periods covered, given management’s judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing will occur on July 1, 2015.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the Forecast Period will vary from the forecasted results and that such variations may be material. There is no representation that actual results achieved during the Forecast Period will be the same in whole or in part as those forecasted. Important factors that could cause actual results to vary materially from the forecast include those disclosed under “Risk Factors”. See “Forward-Looking Statements”, “Financial Forecast” and “Risk Factors”.

The financial forecast should be read in conjunction with the audited combined carve-out financial statements and unaudited combined carve-out financial statements of the Third Party Tenant Portfolio contained in this prospectus. See “Index to Financial Statements”.

(\$000s)	For the three month periods ending				Twelve month period ending
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Property revenue	\$7,458	\$7,458	\$7,475	\$7,475	\$29,866
Property costs	979	979	996	996	3,950
Net operating income	6,479	6,479	6,479	6,479	25,916
General and administrative expense	374	374	374	375	1,497
Interest and other financing charges:					
Interest	1,584	1,573	1,561	1,549	6,267
Class B LP Unit distributions	1,987	1,987	1,987	1,987	7,948
Income before undernoted	2,534	2,545	2,557	2,568	10,204
Change in fair value of investment properties . .	(480)	—	—	—	(480)
Net income and comprehensive income	\$2,054	\$2,545	\$2,557	\$2,568	\$ 9,724

Forecast Non-IFRS Reconciliation

The calculation of NOI and reconciliations of FFO, AFFO and Cash NOI do not form part of the consolidated statements of forecasted net earnings and comprehensive income.

Set out below is a calculation of NOI and a reconciliation of the forecasted net income and comprehensive income to FFO, AFFO, AFFO per Unit and Cash NOI. NOI, FFO, AFFO, AFFO per Unit and Cash NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO, AFFO, AFFO per Unit and Cash NOI as computed by the REIT may differ from similar computations as reported by other real estate companies and accordingly, may not be comparable to NOI, FFO, AFFO, AFFO per Unit and Cash NOI as reported by other issuers. See “Additional IFRS and Non-IFRS Measures” and “Financial Forecast”.

(\$000s, except per Unit amounts)	For the three month periods ending				Twelve month period ending
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Calculation of NOI					
Property Revenue	\$7,458	\$7,458	\$7,475	\$7,475	\$29,866
Property Costs	979	979	996	996	3,950
NOI (including straight-line adjustments)	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$25,916</u>
Reconciliation of forecasted net income to FFO and AFFO					
Net income and comprehensive income	\$2,054	\$2,545	\$2,557	\$2,568	\$ 9,724
Adjustments:					
Change in fair value of investment properties	480	—	—	—	480
Distributions on Class B LP Units	<u>1,987</u>	<u>1,987</u>	<u>1,987</u>	<u>1,987</u>	<u>7,948</u>
FFO	<u>\$4,521</u>	<u>\$4,532</u>	<u>\$4,544</u>	<u>\$4,555</u>	<u>\$18,152</u>
Adjustments:					
Amortization of deferred financing costs . . .	16	16	16	16	64
Straight-line rent adjustment	(659)	(659)	(659)	(659)	(2,636)
Straight-line land lease adjustment	24	24	24	24	96
Structural reserve ⁽¹⁾	(63)	(63)	(63)	(63)	(251)
Amortization of indemnity fee ⁽²⁾	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>72</u>
AFFO	<u>\$3,857</u>	<u>\$3,868</u>	<u>\$3,880</u>	<u>\$3,891</u>	<u>\$15,496</u>
AFFO per Unit⁽³⁾	0.22	0.22	0.22	0.22	0.89
NOI (including straight-line adjustments)	6,479	6,479	6,479	6,479	25,916
Adjustments:					
Straight-line rent adjustment	(659)	(659)	(659)	(659)	(2,636)
Straight-line land lease adjustment	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>96</u>
Cash NOI	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$23,376</u>

Notes:

- (1) Structural reserve is based on management’s determination of a prudent reserve in the event of capital expenditures that are not the responsibility of the applicable Dilawri Tenant.
- (2) In consideration of the applicable Dilawri Tenants leasing the entirety of the Dixie Auto Mall and Markham Honda and Ford (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants), the REIT will pay to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1 million on Closing. See “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.
- (3) Calculated assuming all Class B LP Units were converted into Units at the beginning of the Forecast Period.

Trustees and Management of the REIT

The following table sets forth information regarding the Trustees and executive officers of the REIT at Closing.

<u>Name, Province or State and Country of Residence</u>	<u>Position/Title</u>	<u>Independent</u>	<u>Committees</u>	<u>Principal Occupation</u>
Kapil Dilawri <i>Ontario, Canada</i>	Chair of the Board	No	N/A	Co-Founder of the Dilawri Group and Vice President and Secretary of Dilawri
Janet Graham <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee (Chair) Governance, Compensation and Nominating Committee	Managing Director IQ Alliance Incorporated
Stuart Lazier <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee (Chair)	Partner, Co-Founder and Chief Executive Officer Fiera Properties Limited
James Matthews <i>Ontario, Canada</i>	Trustee	No	N/A	Chief Financial Officer of Dilawri
John Morrison <i>Ontario, Canada</i>	Lead Independent Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	President and Chief Executive Officer Choice Properties Real Estate Investment Trust
Milton Lamb <i>Ontario, Canada</i>	President and Chief Executive Officer	N/A	N/A	President and Chief Executive Officer of the REIT
Andrew Kalra <i>Ontario, Canada</i>	Chief Financial Officer and Corporate Secretary	N/A	N/A	Chief Financial Officer and Corporate Secretary of the REIT

See “Trustees and Management of the REIT”.

THE OFFERING

Offering:	7,500,000 Units. See “Plan of Distribution”.
Amount:	\$75,000,000
Price:	\$10.00 per Unit.
Over-Allotment Option:	The REIT has granted to the Underwriters an option exercisable in whole or in part and at any one time up to 30 days after Closing to purchase up to an additional 1,125,000 Units at a price of \$10.00 per Unit solely to cover over allocations, if any, and for market stabilization purposes. See “Plan of Distribution”.
Use of Proceeds:	<p>The net proceeds of the Offering will be approximately \$67.3 million, after deducting the REIT’s estimated expenses of the Offering and the Underwriters’ fee. The REIT will use approximately \$64.5 million of the proceeds of the Offering and \$193.8 million from drawdowns under the Credit Facilities to indirectly redeem the redeemable partnership units issued to certain Transferors in connection with the Acquisition, redeem some of the Class B LP Units issued to certain Transferors and repay the Transferor Notes. Of the above-noted figures, approximately \$245.2 million will be dispersed, directly or indirectly, to the members of the Dilawri Group. The REIT will, directly or indirectly, use the remaining portion of the proceeds of the Offering to pay fees and expenses incurred by it and Dilawri in connection with the Offering and the Acquisition, and to provide a small amount of working capital for the REIT. See “Acquisition of the Initial Properties” and “Capitalization of the REIT”.</p> <p>The proceeds received by the REIT on the exercise of the Over-Allotment Option, to the extent exercised, will be used by the REIT to repay debt and provide additional working capital for the REIT. See “Plan of Distribution”.</p>
Unit Attributes:	<p>The REIT is authorized to issue an unlimited number of Units and Special Voting Units. Each Unit represents an undivided beneficial interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (a) an equal participation in distributions of the REIT, (b) rights of redemption and (c) one vote at meetings of Voting Unitholders. Special Voting Units do not have any entitlement in the REIT with respect to distributions, but do generally entitle the holder to that number of votes at any meeting of Voting Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled. Special Voting Units may be issued only in connection with or in relation to Class B LP Units or other securities exchangeable for Units, for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will not be transferable separately from the Class B LP Units or other securities to which they are attached and will be automatically transferred upon the valid transfer of such securities.</p> <p>See “Declaration of Trust and Description of REIT Units”.</p>
Retained Interest:	On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT through ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full). See “Retained Interest” and “Plan of Distribution”. Each Class B LP Unit will be

exchangeable at the option of the holder for one Unit of the REIT (subject to certain anti-dilution adjustments), will be accompanied by a Special Voting Unit and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit would be entitled. See “Distribution Policy”. The transfer of Class B LP Units is subject to a number of restrictions. See “The Partnership — Transfer of LP Units”.

Dilawri has agreed with the Underwriters not to, directly or indirectly, or to cause any member of the Dilawri Organization or the Transferors that are subject to the Voting Trust Agreement to, directly or indirectly, offer, sell or otherwise dispose of, or agree to, or announce, any such offer, sale or disposition without the prior written consent of the Lead Underwriters, on behalf of the Underwriters, and the Independent Trustees, which consents may not be unreasonably withheld or delayed, of any Class B LP Units acquired pursuant to the Acquisition (and any Units received on exchange of such Class B LP Units) by the Dilawri Organization or any other Transferor that is subject to the Voting Trust Agreement, for a period of 18 months following Closing (the “**Lock-up Period**”), subject to certain exceptions. See “Plan of Distribution”. Dilawri has advised the REIT that the Dilawri Organization’s current intention is to retain a significant interest in the REIT for the foreseeable future.

Dilawri will also have the right to nominate a certain number of Trustees to the REIT’s Board, depending upon the effective interest in the REIT of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement (on a fully-diluted basis). Subject to certain conditions and restrictions, the Dilawri Organization and any Transferors that are subject to the Voting Trust Agreement will be granted tag-along and drag-along rights as well as pre-emptive rights to maintain their effective *pro rata* ownership interest in the REIT and demand and “piggy-back” registration rights with respect to public offerings by the REIT. See “Declaration of Trust and Description of REIT Units — Nomination of Trustees” and “Retained Interest”.

Distribution Policy:

The REIT initially intends to make monthly cash distributions of \$0.067 per Unit to Unitholders, which are estimated to be approximately 90% of the REIT’s AFFO on an annual basis during the Forecast Period. The Partnership will make corresponding monthly cash distributions on each Class B LP Unit that are equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit would be entitled. Declared distributions will be paid to Unitholders and holders of Class B LP Units of record at the close of business on the last day of the month on or about the 15th day of the following month. The first distribution will be for the period from Closing to August 31, 2015 and will be made on September 15, 2015 in the amount of \$0.086 per Unit (assuming that Closing occurs on July 22, 2015). See “Distribution Policy” and “The Partnership — Distributions”. Despite the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions.

The REIT intends to pay monthly cash distributions, initially expected to provide Unitholders with an annual yield of 8.0% based on an AFFO payout ratio of approximately 90%.

Risk Factors:

An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT's properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the REIT's relationship with Dilawri, the real estate industry and the business of the REIT, the automotive dealership industry, the Offering and the structure of the REIT. See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

THE REIT

Establishment and Overview

The REIT is a newly formed, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. The principal, registered and head office of the REIT is located at 133 King Street East, Suite 300, Toronto, Ontario, M5C 1G6. The REIT has been formed to own primarily income-producing automotive dealership properties located in Canada.

Dilawri has taken the initiative in creating the REIT in order to establish a growth-oriented real estate entity that is expected to benefit from its relationship with the Dilawri Group, while retaining a significant economic interest in the Initial Properties. For a description of the Dilawri Group, see “Assets of the REIT — Description of the REIT’s Key Tenant”.

On Closing, the REIT will indirectly acquire all of the Transferors’ interests in the Initial Properties, being a portfolio of 26 commercial properties located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of GLA. Out of the 26 Initial Properties, 24 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while the other two properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants). Interests in two of the 24 Initial Properties that are exclusively occupied by the Dilawri Group are currently jointly owned by the Dilawri Group and entities unrelated to the Dilawri Group. The Initial Properties represent all of the REIT-Suitable Properties currently owned by the Dilawri Group.

As part of the Closing, the REIT will enter into leases with the applicable members of the Dilawri Group pertaining to the entirety of each Initial Property, including the two properties that are partially occupied by third parties, and the applicable members of the Dilawri Group will sublease the applicable portions of those two properties to such third parties. Consequently, the Dilawri Group will be the REIT’s only tenant at Closing and its most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87% of the REIT’s GLA on Closing and third parties occupying the remainder pursuant to sublease arrangements with the Dilawri Group. The rent from the portions of the Initial Properties occupied by the Dilawri Group will represent approximately 88% of the REIT’s Cash NOI over the Forecast Period, with the portions of the Initial Properties occupied by third party tenants pursuant to sublease arrangements accounting for the remainder. See “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri — The Dilawri Group as Key Tenant”. On Closing, the initial terms of the Dilawri Leases will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. See “Acquisition of the Initial Properties” and “Assets of the REIT”.

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT through the ownership, direction or control of all of the Class B LP Units, which are economically equivalent to, and exchangeable for, Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full). See “Retained Interest”. Dilawri has advised the REIT that the Dilawri Organization’s current intention is to retain a significant interest in the REIT for the foreseeable future. Dilawri is also entering into the Strategic Alliance Agreement with the REIT that is to remain in effect until the effective interest in the REIT of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement falls below 10%, in the aggregate (on a fully-diluted basis); provided, however, that certain rights in favour of Dilawri will survive the termination of the Strategic Alliance Agreement. See “Arrangements with Dilawri — Strategic Alliance Agreement”.

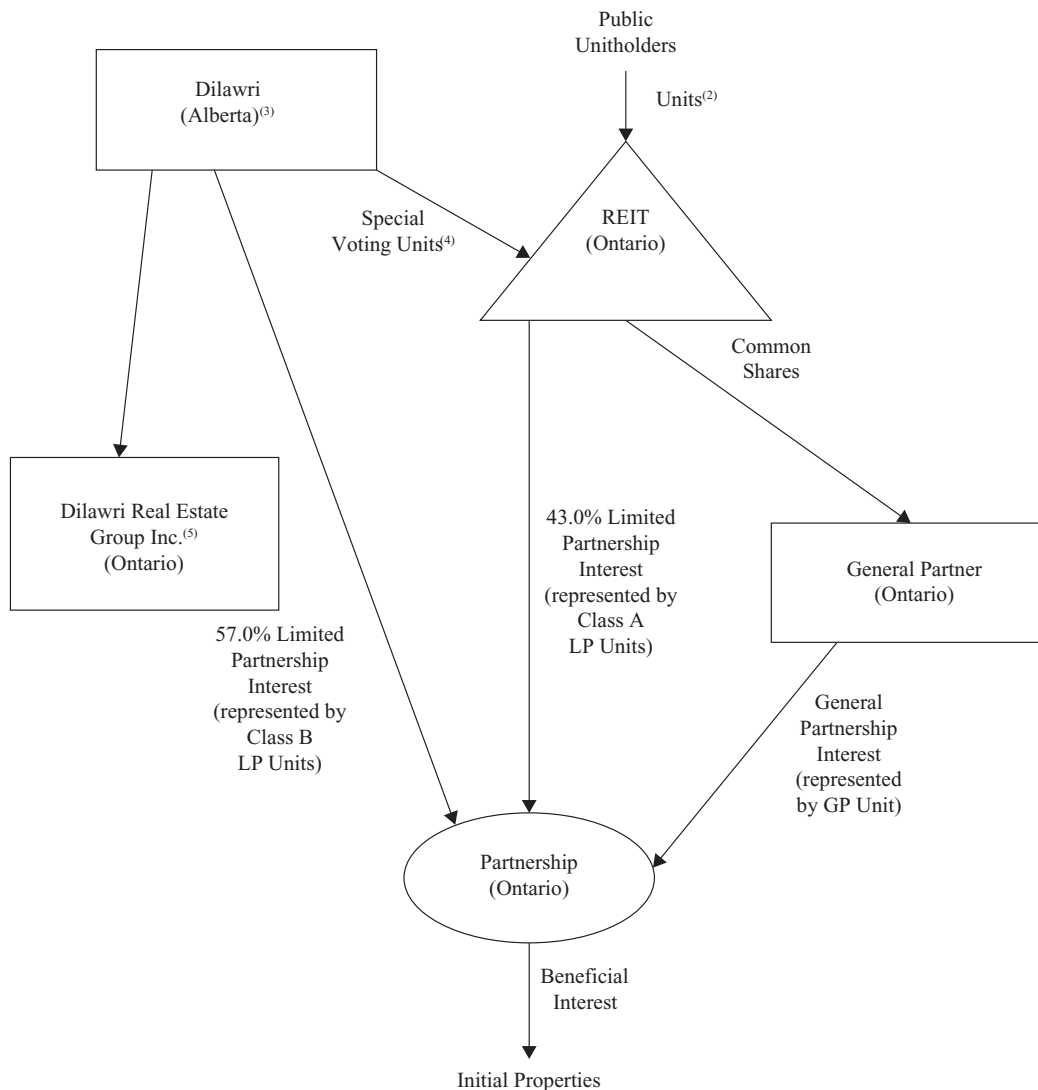
The REIT will be externally administered on a cost-recovery basis by Dilawri pursuant to the Administration Agreement. The REIT’s President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary are currently employees of a Subsidiary of Dilawri whose services will be provided to the REIT pursuant to the Administration Agreement. The President and Chief Executive Officer of the REIT is a new employee of such Dilawri Subsidiary specifically recruited by Dilawri for this role. The President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary will be supported by Dilawri

personnel with experience in property acquisitions and dispositions, development and finance. If and as requested by the REIT, Dilawri will provide, or cause to be provided, other support services, including certain administrative services, to the REIT, on a cost-recovery basis, pursuant to the Administration Agreement. Dilawri has agreed to provide these services for a fixed fee equal to \$700,000 during the Forecast Period. Following the Forecast Period, the REIT will reimburse Dilawri for costs incurred in connection with the provision of such services so long as such costs are identified in the then current annual budget of the REIT or are otherwise approved by the REIT. See “Arrangements with Dilawri — Administration Agreement”.

Any transaction to which Dilawri or a member of the Dilawri Group is a party or is interested, must be approved by the REIT’s Independent Trustees. See “Trustees and Management of the REIT — Conflicts of Interest” and “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri — Potential Conflicts of Interest with Dilawri”.

Post-Closing Structure⁽¹⁾

The following is a diagram of the post-closing structure of the REIT:



Notes:

- (1) All ownership interests in the above post-closing structure diagram are 100% unless otherwise indicated.
- (2) On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT on a fully-diluted basis through the ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT on a fully-diluted basis if the Over-Allotment Option is exercised in full). See “Retained Interest”.
- (3) The Class B LP Units will be owned by certain members of the Dilawri Group and other Transferors, each of whom will enter into the Voting Trust Agreement pursuant to which Dilawri will be granted sole voting control over the Class B LP Units, associated Special Voting Units and the Units into which the Class B LP Units may be exchanged.
- (4) Each Class B LP Unit will be exchangeable at the option of Dilawri for one Unit of the REIT (subject to certain anti-dilution adjustments), will be accompanied by a Special Voting Unit of the REIT (which provides Dilawri with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled. See “Retained Interest” and “Distribution Policy”.
- (5) Dilawri Real Estate Group Inc. will be a party to the Administration Agreement pursuant to which Dilawri will provide or cause to be provided, the Services. See “Arrangements with Dilawri — Administration Agreement”.

Development Properties

Dilawri owns five properties that will not be sold to the REIT at Closing as part of the Acquisition. Three of these properties are under development as automotive dealerships (the “**Development Properties**”) and the remaining two are not REIT-Suitable Properties. The Development Properties are being developed by the Dilawri Group into automotive dealerships that are expected to have an aggregate of approximately 97,000 square feet of GLA and are in various stages of development. Two of the Development Properties are located in Barrie, Ontario and one is located in Calgary, Alberta. Dilawri has advised the REIT that it anticipates that Substantial Completion will occur with respect to each of the Development Properties within 18 months following Closing, at which time the properties will be REIT-Suitable Properties and will be offered for sale to the REIT under the Strategic Alliance Agreement. See “Arrangements with Dilawri — Strategic Alliance Agreement”.

The following table describes certain characteristics of the Development Properties:

<u>Brand</u>	<u>Approximate GLA</u>	<u>Location</u>	<u>Anticipated Date of Substantial Completion</u>
Volkswagen	30,000	Barrie, Ontario	Q3/2016
Audi	22,000	Barrie, Ontario	Q3/2016
Honda	45,000	Calgary, Alberta	Q3/2016

Business Strategy and Objectives of the REIT

The primary strategy of the REIT is to create Unitholder value over the long-term by generating sustainable tax-efficient cash flow and capital appreciation through the REIT’s strategic relationship with the Dilawri Group and its ability to execute on external and internal growth strategies. To achieve this objective, management will seek to expand the REIT’s asset base while increasing AFFO per Unit through accretive acquisitions of properties from third parties and the Dilawri Group as well as contractual rent escalations. The REIT will maintain a strong balance sheet and practice prudent financial management to minimize financial risk for Unitholders.

The primary objectives of the REIT are to: (a) provide Unitholders with stable, predictable and growing monthly cash distributions on a tax-efficient basis; (b) enhance the value of the REIT’s assets in order to maximize long-term Unitholder value; and (c) expand the REIT’s asset base while also increasing the REIT’s AFFO per Unit, including through accretive acquisitions.

Strengths and Investment Highlights

Management believes that the following describes the key strengths and investment highlights of the REIT and the Initial Properties:

- **Opportunity to Gain Exposure to a Unique Real Estate Asset Class:** The REIT provides a unique opportunity to invest in automotive dealership properties, which typically consist of well-located properties in urban areas that are specifically zoned for automotive retail use. Management believes that automotive dealership properties are a defensive asset class, as it is a strategic and fundamental part of the automotive manufacturers’ brand and distribution network. In management’s experience, automotive manufacturers tend to actively monitor the operations of their automotive dealerships and help facilitate the success and viability of the dealership locations. See “Canadian Automotive Dealership Industry Characteristics — Automotive Dealership Franchise Agreements”.
- **Automotive Dealership Properties Benefit from Strong Underlying Fundamentals:** Canadian automotive dealerships benefit from strong underlying fundamentals. In 2014, the Canadian automotive retail industry generated sales of approximately \$120 billion, representing approximately 23.8% of Canada’s overall retail sales of products and merchandise. From 2010 to 2014, automotive retail sales increased at a compound annual growth rate of 5.9%, with 2014 being a record year for automotive retail sales in

Canada, representing an increase of 7.6% over retail sales in 2013. Automotive dealerships have demonstrated stable profitability margins over the past 10 years — since 2005, the weighted average gross profit margin for the publicly listed automotive dealerships groups in North America has averaged 15.8%, and has remained within a band ranging from 15.3% to 17.1% over that period.

- **Portfolio of High-Quality and Strategically Located Automotive Dealership Properties:** The Initial Properties will consist of 26 high-quality properties representing approximately 958,000 square feet of GLA located in the provinces of Ontario, Saskatchewan, Alberta and British Columbia. The majority of the GLA (98%) is used for automotive dealerships or automotive repair facilities, with the remaining GLA (2%) used for complementary uses, including restaurants operated by third parties not affiliated with the Dilawri Group.

The Initial Properties are strategically located in urban areas within four major metropolitan centres in Canada; namely, the GTA (46% of GLA), Regina (19% of GLA), Calgary (19% of GLA) and the GVA (16% of GLA). Management believes the Initial Properties are located in attractive submarkets within these metropolitan areas, characterized by above-average population growth and household income, and are generally located along major transportation arteries, which offer both high visibility and convenient consumer access. The weighted average age of the Initial Properties is approximately 8 years, a result of the fact that many of the properties are newly constructed or have recently undergone significant renovations. The Dilawri Group regularly improves its properties to meet or exceed the latest automotive manufacturers' standards in order to position the dealerships competitively in the marketplace.

- **Significant Growth Opportunities:** The REIT expects to be well-positioned to capitalize on growth opportunities, including (i) accretive acquisitions from third parties; (ii) accretive acquisitions from the Dilawri Group, including some or all of the Development Properties; and (iii) contractual annual rent escalations. Management believes that the fragmented nature of the Canadian automotive dealership industry will provide the REIT with a significant pipeline of acquisition opportunities in the future. Of the 3,469 automotive dealerships in Canada as of November 2013, management estimates that the top 10 dealership groups represent only 9.1% of total dealerships in operation, and 65% of all dealerships in Canada are owned by individuals or small dealership groups with fewer than five locations. The REIT believes that it will be able to capitalize on the automotive dealership industry fragmentation, as succession planning issues make the sale of a dealership's underlying real estate an attractive liquidity alternative allowing dealers to monetize their real estate while retaining ownership and control of their operations and to redeploy capital to expand their business. For the majority of dealers, their dealership represents the single largest proportion of their family's wealth. According to PricewaterhouseCoopers LLP's 2012 *Automotive Trendsetter Report*, 91% of dealers surveyed own the property underlying their dealership. Management believes that the REIT will represent a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT will be the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties. Management intends to be disciplined in acquiring properties, with a primary focus on obtaining properties underlying strategically located automotive dealerships in key Canadian markets which will contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions. Additionally, the REIT will have a right of first offer to acquire REIT-Suitable Properties from the Dilawri Group pursuant to the Strategic Alliance Agreement. See "Arrangements with Dilawri — Strategic Alliance Agreement" and "Growth Strategies of the REIT — External Growth".
- **Strong National Tenant with Significant Alignment of Interest:** The REIT's sole tenant, the Dilawri Group, is the largest automotive dealership group in Canada. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. Dilawri (which includes more than the Dilawri Tenants) had combined revenues of approximately \$1.6 billion and Adjusted EBITDA of approximately \$75.2 million for the 2014 fiscal year. The Dilawri Group's (which includes more than the Dilawri Tenants) *Pro Forma* Adjusted Rent Coverage Ratio in 2014 was approximately 3.4 times, its *Pro Forma* Adjusted Debt as at December 31, 2014 was approximately \$110.2 million and its *Pro Forma* Adjusted Debt to Adjusted EBITDA Ratio as at December 31, 2014 was

approximately 1.46 times. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years. The interests of the REIT and Dilawri will be strategically aligned through Dilawri's approximate 57.0% effective interest in the REIT through the ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full).

- ***Excellent Leasing Profile:*** The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements. The Initial Properties will be 100% occupied at Closing, with the Dilawri Group occupying approximately 87% of the REIT's total GLA and subleasing the remainder to third parties. The initial lease terms range from 11 to 19 years and the Cash NOI weighted average lease term for the REIT's entire portfolio from the Closing is expected to be approximately 15 years. The Dilawri Leases will also include a fixed annual basic rent escalator of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial term and any renewal term and a parent guarantee provided by Dilawri in support of its individual dealership's obligations under their leases for the initial terms of the leases.
- ***Compelling Valuation and Conservative Financial Metrics:*** The REIT intends to pay monthly cash distributions, initially expected to provide Unitholders with an annual yield of 8.0% based on an AFFO payout ratio of approximately 90%. The REIT anticipates to have an Indebtedness to GBV ratio of approximately 54% immediately following Closing, bearing interest at a weighted average effective rate of approximately 3.2% (all of which will be fixed), with a weighted average term to maturity of approximately 5.1 years (assuming extension of Loan Facility 3 for an additional 3-year term in accordance with its terms). In addition, the REIT estimates that approximately 100% of the monthly cash distributions to be made by the REIT to Unitholders will be tax-deferred in 2015.
- ***Experienced Executive Management and Strong Independent Board:*** The REIT's President and Chief Executive Officer is Milton Lamb, who has over 24 years of experience in the commercial real estate industry and was specifically recruited by Dilawri to serve as the REIT's President and Chief Executive Officer due to his extensive experience. The REIT's Chief Financial Officer and Corporate Secretary, Andrew Kalra, has over 20 years of experience in finance, including over 13 years of experience in the automotive industry. Additionally, the REIT's Board, the majority of whom will be independent, has extensive collective experience in the automotive and real estate industries, capital markets and corporate governance. Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, the REIT with various services on a cost-recovery basis, including the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and certain other administrative and support services. See "Arrangements with Dilawri — Administration Agreement". The Administration Agreement may be terminated in whole or in part by the REIT at any time after expiry of the Forecast Period at no cost to the REIT.

GROWTH STRATEGIES OF THE REIT

The REIT has a well-defined, long-term growth strategy, supported by multiple sources of cash flow growth, including (i) accretive acquisitions of properties from third parties and the Dilawri Group, and (ii) contractual rent escalations.

External Growth

Management believes that the REIT will be able to pursue numerous sources of accretive, external growth which will provide the REIT with attractive opportunities to increase its scale and AFFO per Unit. These sources include acquisitions from third parties, the acquisition of some or all of the Development Properties from the Dilawri Group and the acquisition of other properties from the Dilawri Group pursuant to the Strategic Alliance Agreement. Management intends to utilize a disciplined approach in acquiring these properties, with a primary focus on acquiring strategically-located automotive dealership properties in key

Canadian markets which will contribute to the REIT's ability to generate stable, predictable and growing monthly cash distributions.

- ***Accretive Acquisitions of Third Party Properties:*** Management believes that, due to the highly fragmented nature of the automotive dealership industry in Canada, the REIT will be well-positioned to capitalize on opportunities for accretive acquisitions from third party vendors. Of the 3,469 automotive dealerships in Canada as of November 2013, management estimates that the top 10 dealership groups represent only 9.1% of total dealerships in operation. The REIT believes that it will be able to capitalize on the automotive dealership industry fragmentation, as succession planning issues make the sale of a dealership's underlying real estate an attractive liquidity alternative allowing dealers to monetize their real estate while retaining ownership and control of their operations and to redeploy capital to expand their business. For the majority of dealers, their dealership represents the single largest proportion of their family's wealth. According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, 91% of dealers surveyed own the property underlying their dealership. Management believes that the REIT will represent a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT will be the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties. The REIT will seek to acquire properties that meet its investment criteria in order to diversify its tenant base, while continuing to focus on tenant quality, stability of cash flow and brand and geographical diversification in strategic markets. The REIT will evaluate potential acquisition opportunities based on a number of factors, including valuation, expected financial performance, physical features, existing leases, functionality of design, geographic market, location and opportunity for future value enhancement. See "Risk Factors".
- ***Right of First Offer to Acquire REIT-Suitable Properties from the Dilawri Group:*** The REIT will seek to leverage its relationship with the Dilawri Group to acquire REIT-Suitable Properties that are acquired, developed, redeveloped, refurbished or repositioned by the Dilawri Group. Pursuant to the Strategic Alliance Agreement, Dilawri will be required to offer to sell to the REIT any property that is acquired, developed, redeveloped, refurbished or repositioned by a member of the Dilawri Group following Closing that is, in each case, determined by Dilawri, acting reasonably, to be a REIT-Suitable Property. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years. The Dilawri Group currently owns the three Development Properties, representing an aggregate of approximately 97,000 square feet of GLA, that it will offer for sale to the REIT upon Substantial Completion. Two of the Development Properties are located in Barrie, Ontario and one of the Development Properties is located in Calgary, Alberta. The Development Properties are currently in various stages of development and it is expected that Substantial Completion will occur with respect to each of these properties within 18 months following Closing. The three Development Properties, if acquired by the REIT, are expected to be 100% leased to the Dilawri Group on substantially the same terms as the Dilawri Leases. In addition, the REIT will have a right of first offer in respect of REIT-Suitable Properties that may in the future be sold by the Dilawri Group. See "Arrangements with Dilawri — Strategic Alliance Agreement".

Internal Growth

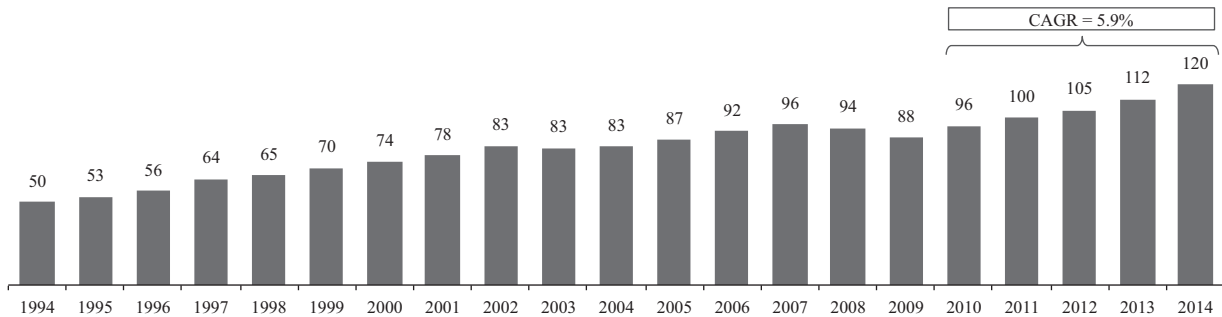
Management believes the REIT will be well-positioned to organically increase cash flow and the underlying value of the Initial Properties as each of the Dilawri Leases contains annual contractual basic rent escalations in the amount of 1.5% per annum (translating into approximately 2.4% AFFO growth per annum) during the initial lease term and any renewal term. The Dilawri Leases are structured as triple-net leases under which the tenant is responsible for all costs relating to repair and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements. As a result, the contractual rent escalations will provide the REIT with stable and predictable increases in rental revenues over the initial terms of the leases, which range from 11 to 19 years.

CANADIAN AUTOMOTIVE DEALERSHIP INDUSTRY CHARACTERISTICS

Automotive Retail Industry Overview

According to Statistics Canada, in 2014 the Canadian automotive retail industry generated sales of approximately \$120 billion, representing approximately 23.8% of Canada's overall retail sales of products and merchandise and approximately 6.1% of gross domestic product. Automotive retail sales represent the single largest component of overall Canadian retail sales. From 1994 through 2014, Canadian automotive retail industry sales grew at a compound annual growth rate of 4.5%. According to DesRosiers Automotive Consultants Inc., the Canadian automotive industry employed approximately 853,100 people in 2013, representing 4.8% of the overall Canadian workforce. From 2010 to 2014, automotive retail sales increased at a compound annual growth rate of 5.9%. 2014 was a record year for automotive retail sales in Canada, and represented an increase of 7.6% over retail sales in 2013.

Canadian Automotive Industry Retail Sales (C\$ billions)



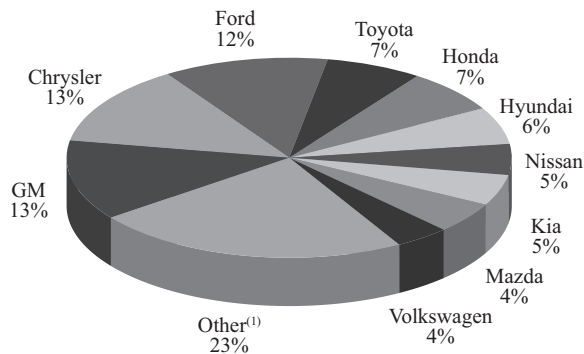
Source: Statistics Canada

Automotive Manufacturers

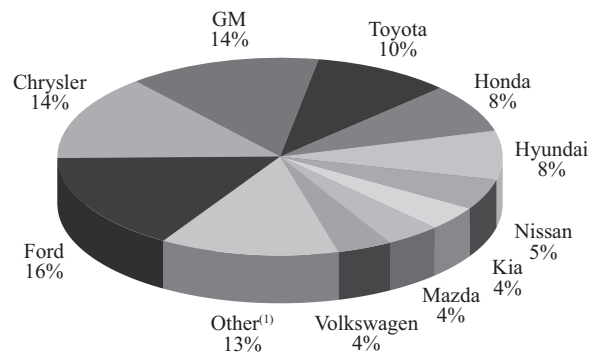
The Canadian automotive industry is well-diversified across automotive manufacturers, with 27 separate automotive manufacturers with a retail presence in Canada. In 2014, automotive dealerships franchised by these manufacturers sold 1.89 million new vehicles. The largest manufacturers by market share of new vehicle unit sales in 2014 were Ford (16.3%), Chrysler (14.4%), General Motors (13.5%), Toyota (10.0%) and Honda (8.3%), with the remaining 22 manufacturers representing 37.5% of new vehicle unit sales.

Major Automotive Manufacturers with Sales in Canada

Market Share by Number of Franchised Dealers



Market Share by Number of New Vehicles Sold (2013)



Source: DesRosiers Automotive Consultants Inc.

Note:

- (1) Includes Subaru, Mitsubishi, Scion, Fiat, Mercedes-Benz, Smart, Acura, BMW, Audi, Volvo, Lexus, Infiniti, MINI, Land Rover, Jaguar, Porsche, and Suzuki.

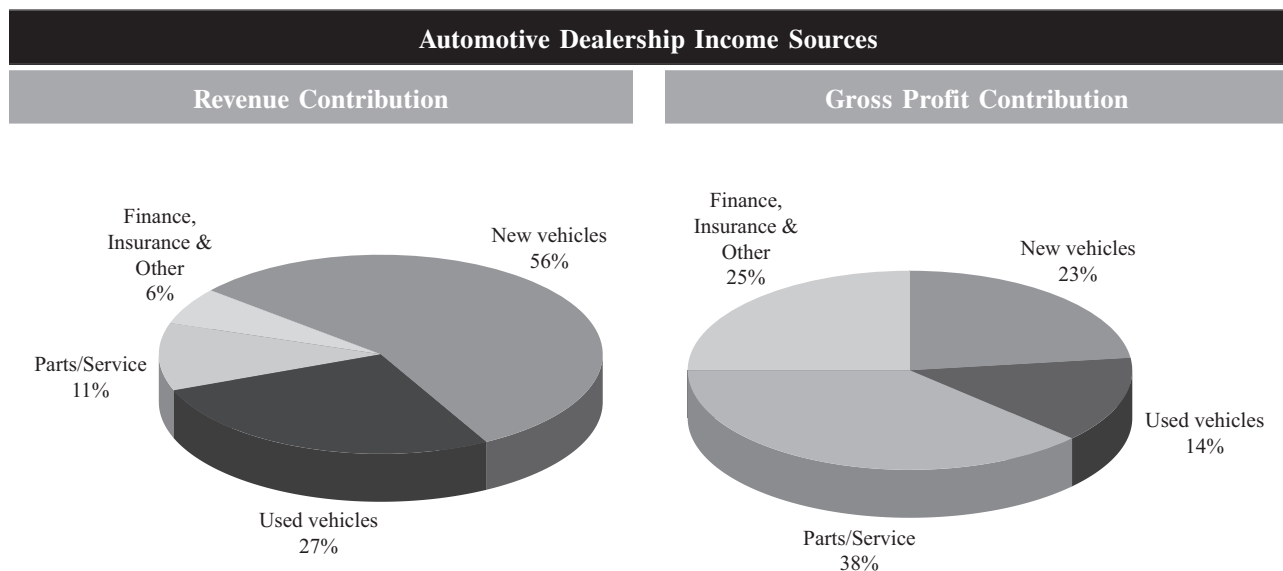
Automotive Dealership Business Model

Franchised automotive dealerships are the critical distribution channel through which automotive manufacturers sell new vehicles. Franchised automotive dealerships are an effective way to display vehicle inventory, provide information about the various models a manufacturer produces, enable customers to test drive vehicles, provide a medium for the sale and exchange of used vehicles, arrange purchase financing and perform periodic service work.

Automotive manufacturers rely on automotive dealerships to act as a crucial touch point with prospective and existing customers. Automotive dealerships remain an integral component of the distribution channel as: (i) most customers want to physically experience the vehicle before purchase as it is typically one of their largest investments; (ii) most customers frequently seek expert advice on optional equipment and further service offerings (such as insurance and financing options) as well as detailed information that is either not available or not conclusively answered online; and (iii) both manufacturers and customers continue to value the personal aspect of the sales process, which forms the basis of brand representation, customer retention and service offerings. According to McKinsey & Company’s *2013 Innovating Automotive Retail* report, 85% of customers continue to use the dealership as a physical touch point, and more than 80% of customers take test-drives during the car-buying process, underscoring the continuing strategic importance of automotive dealerships. In addition, following a sale, manufacturers will continue to require a strong dealer network to serve as local brand ambassadors and provide customers with vehicle maintenance and service in a convenient location.

As evidence of the manufacturer’s commitment to the automotive dealership distribution channel, automotive manufacturers provide considerable support to dealerships, typically including providing low-cost financing for floor plan inventory, providing customers with credit to lease or finance vehicle purchases, financing customer incentive programs and providing dealer incentive programs, including volume-based rebates and rebates on floor plan financing costs, employee pricing plans and support with advertising costs.

In addition to selling new vehicles, many dealers lease new vehicles and sell used vehicles. Lease arrangements typically provide dealers with a source of late-model, off-lease vehicles for their used vehicle inventory. Dealers also provide service and parts primarily for the vehicle makes and models that they sell or lease, and perform both warranty and non-warranty service work. Dealers also arrange third party financing for their customers, sell vehicle service contracts and arrange selected types of credit insurance for which they receive financing fees.



Source: Weighted average of the components of revenue for each of AutoCanada Inc., AutoNation Inc., Penske Automotive Group Inc., Group 1 Automotive Inc., Sonic Automotive Inc., Asbury Automotive Group Inc. and Lithia Motors, Inc. for the 12 months ended December 31, 2014, based on management’s review of publicly available information. Excludes CarMax, Inc., as it reports segmented financial information on a different basis.

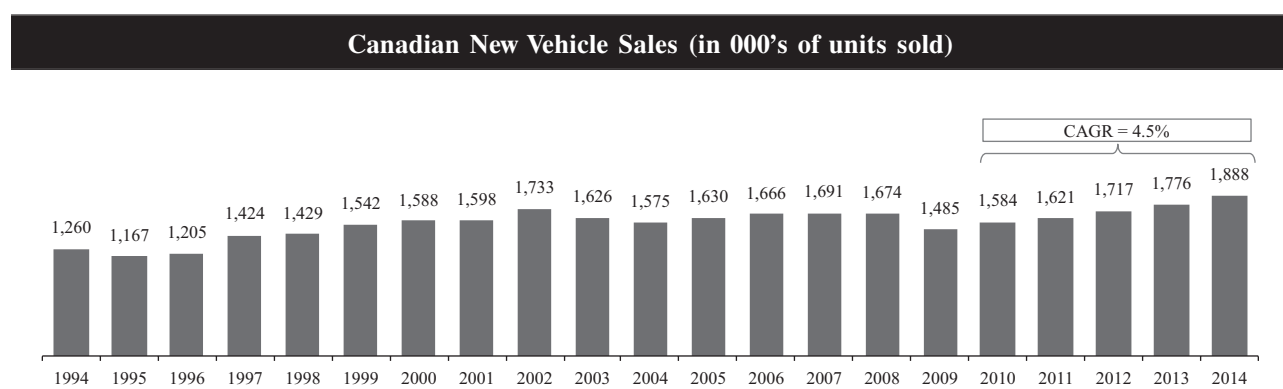
Management believes that the diversification of revenues among the categories above results in greater stability of a dealer's cash flow and its ability to make property lease payments in many economic environments.

Automotive Industry Dynamics

Management believes that the REIT will benefit from a number of favourable industry dynamics and trends, including:

Growth in Revenue and Vehicle Sales

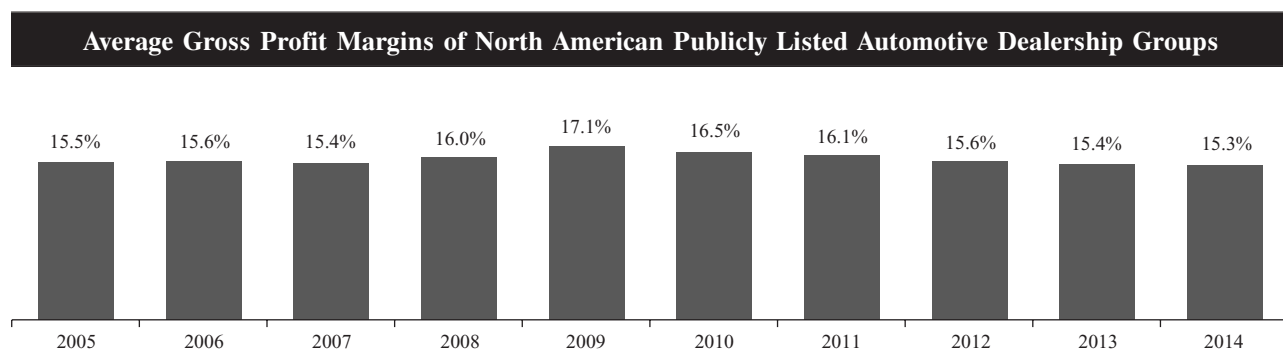
Automotive retail sales in Canada have demonstrated gradual growth over the long term. Since 1994, automotive retail industry sales have increased at a compound annual growth rate of 4.5%. This compares favourably to overall retail sales, which have increased at a compound annual growth rate of 4.4% over the same period. Since Canada emerged from the financial crisis, sales of new vehicles have rebounded significantly. Between 2010 and 2014, annual new vehicle sales in Canada increased from 1.58 million units to 1.89 million units, representing an aggregate increase of 19.2%, and a compound annual growth rate of 4.5%. 2014 was a record year for new vehicle sales, and represented a growth rate of 6.3% over 2013.



Source: Statistics Canada

Stable Profitability Margins

Automotive dealerships have demonstrated stable profitability margins over the past 10 years. Since 2005, the weighted average gross profit margin for the publicly listed automotive dealerships groups in North America has averaged 15.8%, and has remained within a band ranging from 15.3% to 17.1% over that period. Weighted average gross profit margins increased during the financial crisis of 2008 and 2009, demonstrating the overall resiliency of the automotive dealership business.



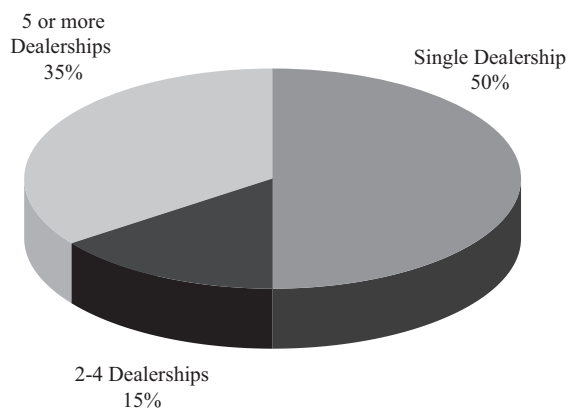
Source: Weighted average of the gross profit margins for AutoCanada Inc., AutoNation Inc., Penske Automotive Group Inc., Group 1 Automotive Inc., Sonic Automotive Inc., Asbury Automotive Group Inc., Lithia Motors, Inc. and CarMax Inc., based on management's review of publicly available information.

Large and Highly Fragmented Market

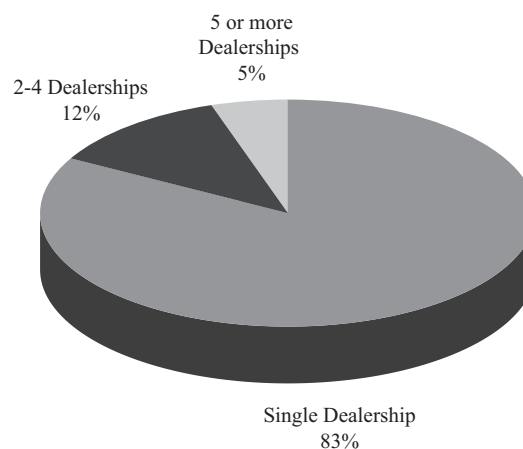
The Canadian automotive dealership industry is large and highly fragmented, with 3,469 dealerships nationwide as of November 2013. Dealerships are predominantly owned by small local and regional groups. 65% of all dealerships in Canada are owned by individuals or small dealership groups with fewer than five locations, and only 5% of the total number of ownership groups own five or more locations.

Ownership Structure of Automotive Dealerships in Canada

Proportion of Dealerships by Size of Ownership Group



Proportion of Owners by Size of Ownership Group



Source: DesRosiers Automotive Consultants Inc.

Of the 3,469 automotive dealerships in Canada as of November 2013, management estimates that the top 10 dealership groups represent only 9.1% of total dealerships in operation.

Large Canadian Automotive Dealership Groups

Company	Dealerships	% of Total	Dealership Locations
Dilawri Group ⁽¹⁾	57	1.6%	QC, ON, SK, AB, BC
AutoCanada ⁽¹⁾	48	1.4%	NS, NB, ON, MB, SK, AB, BC
Go Auto ⁽¹⁾	35	1.0%	AB, BC, NWT, Y
Gabriel-Prestige-President Group ⁽¹⁾	27	0.8%	QC
Pattison Auto Group ⁽¹⁾	27	0.8%	NS, NB, ON, MB, SK, AB, BC
Humberview ⁽¹⁾	27	0.8%	ON
O'Regan Group ⁽¹⁾	26	0.7%	NS
Murray Auto Group ⁽¹⁾	25	0.7%	NS, MB, SK, AB, BC
Zanchin Automotive Group ⁽¹⁾	24	0.7%	ON
Wheaton ⁽¹⁾	19	0.5%	SK, AB, BC
Top 10	315	9.1%	
Other	3,154	90.9%	
Total	3,469⁽²⁾	100.0%	

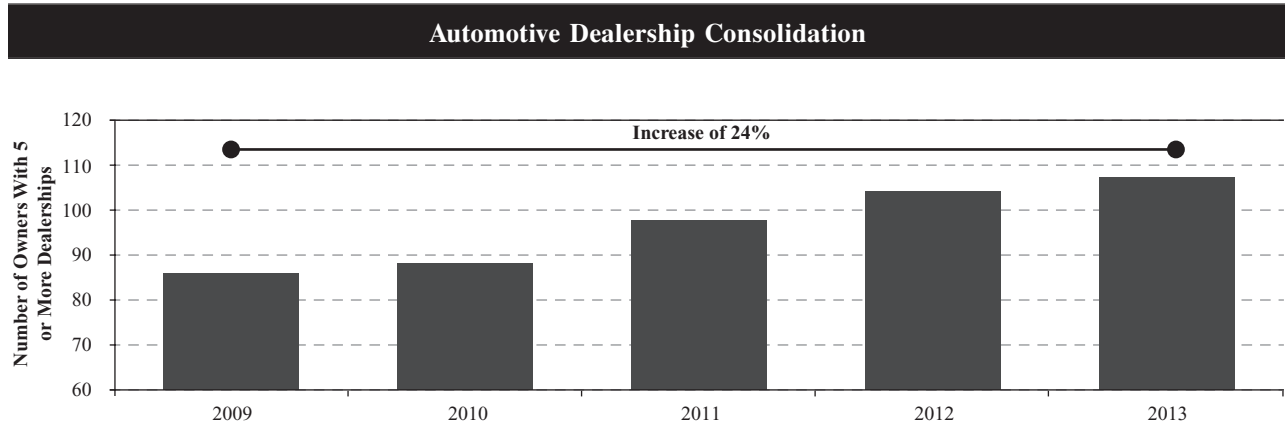
Notes:

(1) Information based on latest publicly available information or as at the date hereof in respect of the Dilawri Group.

(2) Source: DesRosiers Automotive Consultants Inc.

Industry Consolidation Gaining Momentum

The proportion of automotive dealerships in Canada that are owned by operators with fewer than five locations has declined from 71% in 2009 to 65% in 2013. Conversely, the number of dealership groups with five or more locations has grown by 24% over the same period.



Source: DesRosiers Automotive Consultants Inc.

Management believes that these trends are a reflection of the consolidation that has taken place in the last decade and management believes consolidation is likely to continue for the foreseeable future due to a number of factors, including:

- **Inherent efficiencies of multi-location dealership groups:** There are a number of significant advantages that multi-dealership owners have over single-point owners: (i) professional management and systems; (ii) economies of scale; (iii) sharing of best practices and market intelligence among individual locations; (iv) enhanced finance and insurance commission rates due to higher volumes; (v) diversification across brands and geographies; and (vi) improved access to capital.
- **Inadequate succession planning among automotive dealers:** According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, over 70% of dealers surveyed indicate that they want to be semi-retired or have completely exited their business in five years. However, only 55% of dealers surveyed actually have a succession plan in place, with smaller dealers generally being less prepared for succession planning than larger dealers. For the majority of dealers, their dealership represents the single largest proportion of their family's wealth. According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, 91% of dealers surveyed own the property underlying their dealership.
- **Aging demographics of smaller dealers:** According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, 54% of automotive dealers have owned their dealerships for more than 20 years — an increase from 33% in 1997, indicating an aging dealership base.
- **Increasing dealership capital expenditure requirements:** Imaging and branding programs mandated by automotive manufacturers require dealers to expand, modernize or standardize the look and feel of their dealerships, typically at a significant cost to the dealer. Management believes that single-point and small dealership groups will not have either the capital or the time horizon required in order to fund or justify such investments, thereby prompting many such dealerships to sell to larger competitors and making it difficult for such dealers to expand their operations and acquire additional real estate. Selling the real estate underlying a dealership to the REIT allows a dealer to redeploy capital from real estate to operations. Based on the terms of the Dilawri Leases, no significant capital investments are expected to be required on the part of the REIT with respect to the Initial Properties during the initial terms of the Dilawri Leases.

Industry consolidation in North America has increased significantly over the past decade, with the United States leading Canada in the formation and development of multi-location dealership groups. Currently,

there are seven publicly traded automotive dealership groups in the United States with an aggregate market capitalization of approximately \$33.6 billion as of April 30, 2015, compared to one in Canada with a market capitalization of approximately \$975.2 million as of April 30, 2015.

The REIT believes that the dynamics of an aging dealership base increasingly seeking retirement but with limited viable succession planning options and whose net worth is heavily weighted towards their dealership creates an ideal environment for the REIT to be a consolidator of automotive dealership properties. Management believes that the REIT will represent a unique alternative for automotive dealership operators considering a sale or recapitalization of their business, as the REIT will be the only publicly listed vehicle in Canada exclusively focused on automotive dealership properties.

Automotive Dealership Franchise Agreements

Automotive dealerships generally operate pursuant to a written franchise agreement with the applicable automotive manufacturer. In return for granting dealers exclusive distribution rights within specified territories, automotive manufacturers exert significant influence over their dealers by limiting the transferability of ownership in dealerships, designating the dealership's location, managing the supply and composition of the dealership's inventory, controlling merchandising programs and tightly managing the identity of owners and managers.

Most franchise agreements expire after a specified period of time. They generally have initial terms ranging from one to five years and are subject to automatic one to three year renewal terms thereafter. The typical franchise agreement provides for early termination or non-renewal by the automotive manufacturer under certain circumstances such as change of management or ownership without manufacturer approval, insolvency or bankruptcy of the dealer, death or incapacity of the dealer, conviction of a dealer or owner of certain crimes, misrepresentation of certain information by the dealer or owner to the manufacturer, failure to adequately operate the dealership, failure to maintain any licence, permit or authorization required for the conduct of business, or material breach of other provisions of the franchise agreement. The dealer is typically entitled to terminate the franchise agreement at any time without cause.

The following table summarizes the key features and terms of a typical automotive dealership franchise agreement based on management’s industry experience:

Geographic Exclusivity:	An automotive manufacturer typically grants a single dealer the right to sell its vehicles within a given regional/geographic area. The designation of such areas and the allocation of new vehicles among dealerships are generally subject to the discretion of the automotive manufacturer.
Floor Plan Financing:	Enables the dealer to finance new vehicle inventory at low interest rates. Automotive manufacturers often offer to cover interest costs for up to 60 days.
Manufacturer Rebates:	Franchised automotive dealerships can pass on manufacturer rebates and incentives to customers, effectively reducing vehicle sales prices without negatively impacting dealership margins.
Showrooms and Facilities:	Manufacturers often require dealers to maintain their facilities to meet certain image standards, and require the dealership to upgrade if specifications are not met, often at significant cost to the dealer.
Change of Control:	Automotive manufacturers typically place restrictions on a change of control of the dealership, and typically are able to approve or decline proposed new owners of a dealership.
Ownership Restrictions:	A typical franchise agreement will set forth the name of the person approved by the manufacturer to exercise full managerial authority over the operations of an automotive dealership and the names and ownership percentages of the approved owners. Automotive manufacturers typically limit the number of dealerships a dealership group can own (generally expressed as a percentage of volume) in a given region.
Reporting:	Automotive manufacturers generally require dealers to submit a financial statement of operations on a monthly basis.
Financial and Operating Conditions:	An automotive dealership must typically maintain certain minimum inventory levels, meet minimum annual, monthly or weekly sales targets, and must demonstrate that it is able to maintain minimum levels of equity and working capital. If a dealership is not performing to expectations or does not meet certain minimum financial or operating thresholds, a manufacturer typically has rights to require a sale of the dealership to another operator, or can assume the operations of an underperforming dealership operator to ensure the success and viability of the dealership location.

The Automotive Dealership Properties Market

Historically, automotive dealerships were large outdoor lots located outside of urban areas, or on the edge of town centres and which relied on the skills of sales staff to sell vehicles. However, that model has changed over time, and most automotive manufacturers have shifted the focus of their franchised dealers to branding and technology. A modern automotive dealership will often be a multi-storey building located in an urban area zoned for automotive retail, featuring an indoor showroom, a service area with multiple bays, highly specialized tools and computerized diagnostic equipment for the maintenance and repair of specific vehicle makes and models of the manufacturer, an outdoor parking area for new and used vehicles held in inventory, areas for customer service and reception, and office/meeting space on the ground floor and higher floors, all finished to branded specifications mandated by the automotive manufacturer.

Automotive dealerships typically require specific municipal zoning approvals that, in management’s experience, are often difficult to obtain, which has created a scarcity of land that is authorized for dealership use,

particularly within urban areas and large population centres. The existing lack of zoned dealership land and the limited creation of newly zoned land has, in the opinion of management, caused the value of automotive dealership properties to appreciate considerably over the past number of years, and has created a significant barrier to entry to any dealership group looking to enter a major market.

Management believes that automotive dealership properties are a defensive asset class, as it is a strategic and fundamental part of the automotive manufacturers' brand and distribution network. In management's experience, automotive manufacturers tend to actively monitor the operations of their automotive dealerships and help facilitate the success and viability of the dealership locations.

Management believes that the size and fragmentation of the industry and the increasing capital needs of automotive dealerships provide an attractive environment in which the REIT can seek to consolidate the automotive dealership properties sector. For the majority of dealers, their dealership represents the single largest proportion of their family's wealth. According to PricewaterhouseCoopers LLP's *2012 Automotive Trendsetter Report*, 91% of dealers surveyed own the property underlying their dealership. Management believes that an opportunity exists for a dealership group with access to capital and significant experience in identifying, acquiring and professionally managing dealerships, to acquire the properties of dealership operators for cash, stock, debt or a combination thereof. Management believes the current trend for automotive dealerships to consolidate their operations to increase efficiency and their competitive position should facilitate the REIT's strategy of acquiring properties from dealerships with multiple locations and franchises.

ASSETS OF THE REIT

Overview of the Initial Properties

On Closing, the REIT will indirectly acquire all of the Transferors' interests in the Initial Properties, being a portfolio of 26 commercial properties located in Ontario, Saskatchewan, Alberta and British Columbia totaling approximately 958,000 square feet of GLA. Out of the 26 Initial Properties, 24 are exclusively occupied by the Dilawri Group for use as automotive dealerships or, in one case, an automotive repair facility, while the other two properties are jointly occupied by the Dilawri Group (for use as automotive dealerships) and one or more third parties (for use as automotive dealerships or complementary uses, including restaurants). The interests in two of the 24 Initial Properties that are exclusively occupied by the Dilawri Group are currently jointly owned by the Dilawri Group and entities unrelated to the Dilawri Group. The Dixie Auto Mall includes the Dixie Industrial Property with approximately 53,000 square feet of GLA on approximately 4.5 acres of land which will not be included as part of the Initial Properties (see "—Description of the Initial Properties"). The Initial Properties represent all of the REIT-Suitable Properties currently owned by the Dilawri Group.

Collectively, the Initial Properties contain 34 automotive dealerships and one automotive repair facility occupying 38 individual buildings as well as four ancillary retail buildings. The Dilawri Group is the sole occupant of 29 of the 34 automotive dealerships and the one automotive repair facility, with third party automotive dealers occupying the Honda, Hyundai, Kia and Toyota dealerships at Dixie Auto Mall and the Ford dealership at Markham Honda and Ford. The four retail buildings are located on contiguous lots within the Dixie Auto Mall and are occupied by several national retail tenants including Cara Operations Limited (operating as Montana's Cookhouse and Kelsey's Restaurant) and Enterprise Rent-a-Car.

List and Description of Initial Properties

Name	Address	City/ Province	Year Built /Renov.	GLA	Acreage	Lease Maturity Year
1. Dixie Auto Mall						
Dilawri-Owned Auto						
Volkswagen	5500 Ambler Drive	Mississauga, ON	1988/2011	39,209		2029
Nissan	5500 Dixie Road	Mississauga, ON	1988/2001	26,369		2030
Mazda	5500 E Ambler Drive	Mississauga, ON	1987/2014	16,713		2030
Infiniti	5500 F Ambler Drive	Mississauga, ON	1988/2014	14,592		2030
Mitsubishi	5525 Ambler Drive	Mississauga, ON	1998	8,000		2030
Third Party Auto						
Toyota	5500 Dixie Road	Mississauga, ON	1987	22,078		2030
Honda	5500 Dixie Road	Mississauga, ON	1987	17,735		2030
Kia	5505 Ambler Drive	Mississauga, ON	2002/2006	13,890		2030
Hyundai	5515 Ambler Drive	Mississauga, ON	1998	9,345		2030
Third Party Retail						
Montana's	1495 Aerowood Drive	Mississauga, ON	2001	5,150		2030
Kelsey's	1485 Aerowood Drive	Mississauga, ON	2001	5,000		2030
A&W/Country Style	1465 Aerowood Drive	Mississauga, ON	1999	4,000		2030
Subway/NY Fries	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,200		2030
Enterprise Rent-a-Car	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	2,000		2030
Made in Japan	1475 Aerowood Drive	Mississauga, ON	1999/2011/2012	1,875		2030
Dixie Auto Mall Total				188,156	26.05	2030
2. Markham Honda and Ford						
Dilawri-Owned Auto						
Markham Honda	8220 Kennedy Road	Markham, ON	2004	32,723		2027
Third Party Auto						
Markville Ford Lincoln	8210 Kennedy Road	Markham, ON	1988/2010	39,287		2027
Markham Honda and Ford Total				72,010	6.00	2027
3. Calgary BMW	34 Heritage Meadows Road S.E.	Calgary, AB	2007	87,724	3.51	2032
4. Calgary Honda	11700 Lake Fraser Dr S.E.	Calgary, AB	2005	43,511	4.12	2029
5. Triple 7 Chrysler	700 Broad Street	Regina, SK	1959/2011	40,957	2.92	2026
6. Porsche Centre Vancouver	688 Terminal Avenue	Vancouver, BC	2013	39,790	1.56	2034
7. Frost Chevrolet Buick GMC Cadillac	150 Bovaird Drive West	Brampton, ON	2013	35,504	2.86	2028
8. Honda Used Car and Regina Collision Centre ⁽¹⁾	815 Broad Street	Regina, SK	2012/2015	33,415	2.49	2031
9. Oakville Honda	500 Iroquois Shore Road	Oakville, ON	2003/2006	33,334	3.96	2031
10. Markham Acura	5201 Highway 7 E	Markham, ON	2002	32,025	3.00	2031
11. Regina Honda ⁽¹⁾	789 Broad Street	Regina, SK	2003/2015	30,863	2.42	2031
12. Agincourt Mazda	5500 Finch Avenue E	Toronto, ON	2005	30,788	7.94	2029
13. Dilawri Nissan Infiniti ⁽¹⁾	1775 5th Avenue	Regina, SK	1998/2015	29,494	2.11	2031
14. Audi Sales Downtown Vancouver	1788 West 2nd Avenue	Vancouver, BC	2013	29,300	0.25	2032
15. Meadowvale Honda	2210 Battleford Road	Mississauga, ON	2007	28,039	3.70	2029
16. Burrard Acura ⁽²⁾	730 Terminal Avenue	Vancouver, BC	2015	27,640	1.25	2033
17. Langley Acura ⁽²⁾	20257 Langley Bypass	Langley, BC	2015	26,448	2.27	2032
18. Distinctive Collection	150 Glendeer Circle S.E.	Calgary, AB	1988/2008	24,367	1.57	2027
19. Bolton Toyota	12050 Albion Vaughan Road	Bolton, ON	2004	22,741	3.00	2028
20. Hyundai Gallery	11770 Lake Fraser Dr S.E.	Calgary, AB	2006	22,185	2.21	2029
21. North Vancouver Nissan Infiniti	819 Automall Drive	N. Vancouver, BC	1992	19,050	1.11	2033
22. Regina Hyundai	444 Broad Street	Regina, SK	2005	18,204	1.61	2028
23. Dilawri BMW	1919 1st Avenue	Regina, SK	1997	12,456	0.80	2026
24. Infiniti Vancouver	1718 West 3rd Avenue	Vancouver, BC	1999	11,722	0.27	2026
25. Dilawri Acura	1921 1st Avenue	Regina, SK	1997	11,390	0.81	2026
26. Dilawri Mitsubishi	1750 6th Avenue	Regina, SK	1993/2003	6,750	0.56	2031
Portfolio Total/Average				957,863	88.34	2030

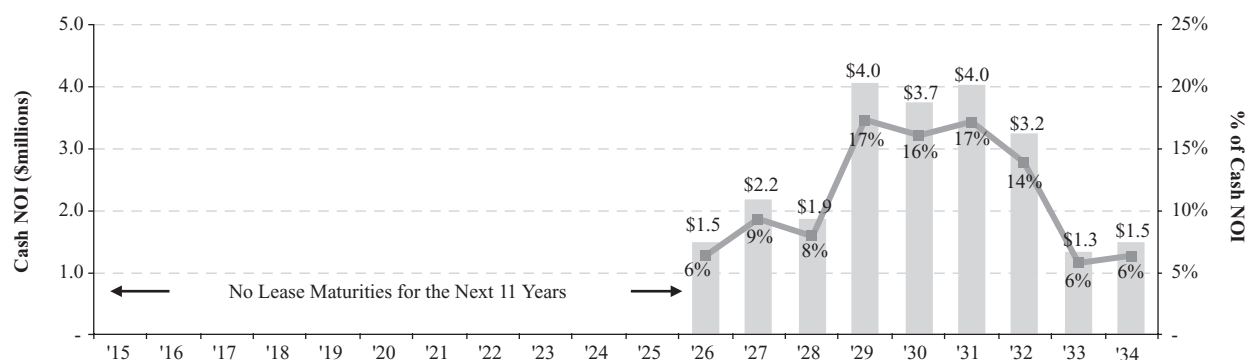
Notes:

- (1) This property is undergoing redevelopment or substantial renovation by the Dilawri Group at no cost to the REIT. See “— Description of the Initial Properties”.
- (2) The applicable member of the Dilawri Group has a leasehold interest in this property. See “— Description of the Initial Properties”.

Profile of the Dilawri Leases

As part of the Closing, the REIT will enter into leases with the applicable members of the Dilawri Group pertaining to the entirety of each Initial Property, including the two properties that are partially occupied by third parties (the Dixie Auto Mall and Markham Honda and Ford), and the applicable members of the Dilawri Group will sublease the applicable portions of those two properties to such third parties. Consequently, the Dilawri Group will be the REIT's sole tenant and provide 100% of the REIT's annual base minimum rent on Closing. The initial terms of the Dilawri Leases will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. See "Acquisition of the Initial Properties".

Lease Expiry by Year



Description of the REIT's Key Tenant

The Dilawri Group was formed over 30 years ago and has been in the business of owning and operating automotive dealerships in Canada since that time, growing to become the largest automotive dealership group in the country. The Dilawri Group owns 57 franchised automotive dealerships representing 30 automotive brands located in urban centres throughout Quebec, Ontario, Saskatchewan, Alberta and British Columbia. The key features and terms of the automotive franchise agreements pertaining to the Dilawri Group are, in all material respects, consistent with the key features and terms of the typical automotive franchise agreements as described under "Canadian Automotive Dealership Industry Characteristics — Automotive Dealership Franchise Agreements".

The following chart summarizes certain relevant financial information of the Dilawri Group (all figures are approximations):

Dilawri Group's ⁽¹⁾ Financial Information	
Combined Revenues	\$1.6 billion ⁽²⁾
Adjusted EBITDA	\$75.2 million ⁽²⁾
<i>Pro Forma</i> Adjusted Rent Coverage Ratio	3.4 times ⁽²⁾
<i>Pro Forma</i> Adjusted Debt	\$110.2 million ⁽³⁾
<i>Pro Forma</i> Adjusted Debt to Adjusted EBITDA Ratio	1.46 times ⁽³⁾

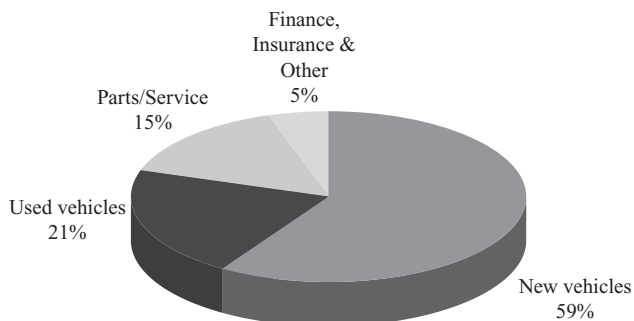
Notes:

- (1) Includes more than the Dilawri Tenants.
- (2) For the year ended December 31, 2014.
- (3) As at December 31, 2014.

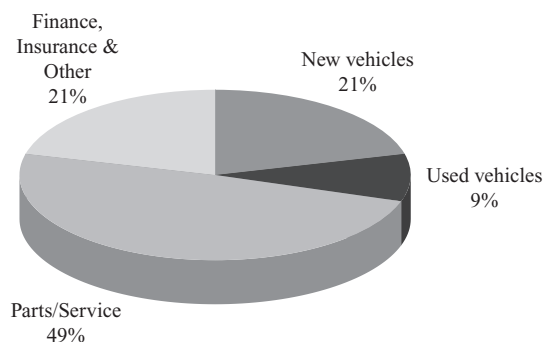
Dilawri has advised the REIT that the annual basic rent payable by the Dilawri Group during the Forecast Period under the Dilawri Leases is substantially similar, on an aggregate basis, to the rent paid in 2014 by the Dilawri Group in respect of the Initial Properties.

Dilawri Group's Automotive Dealership Income Sources (2014)

Revenue Contribution



Gross Profit Contribution



The Dilawri Group, which has more than 2,500 employees, continues to expand its automotive dealership business in strategic markets across Canada. The Dilawri Group has, on average, opened or acquired five new automotive dealerships in each year for the last five years, including, on average, two to three automotive dealership properties. In particular, 12 of the 26 Initial Properties were either opened or acquired by Dilawri within the last five years.

Dilawri⁽¹⁾ 5-Year Historical Revenues (\$billions)⁽²⁾



Notes:

- (1) Includes more than the Dilawri Tenants.
- (2) Revenue amounts are as presented in the Dilawri Group's historical audited or reviewed, as applicable, non-consolidated combined financial statements for the applicable period prepared in accordance with the recognition, measurement and disclosure principles of ASPE.

Dilawri⁽¹⁾ 5-Year Historical Adjusted EBITDA (\$millions)⁽²⁾



Notes:

- (1) Includes more than the Dilawri Tenants.
- (2) See “Glossary” for definition of Adjusted EBITDA.

The following reconciles Adjusted EBITDA to the comparable ASPE measure (net income):

Reconciliation of Adjusted EBITDA to Net Income (\$millions)

	2010	2011	2012	2013	2014
Net income	\$ (2)	\$ 3	\$ (11)	\$ 1	\$ (0.5)
Adjustments:					
Interest	14	15	16	18	20
Taxes	0	0.9	1.5	1.3	1.4
Depreciation and amortization	5	8	8	12	16
Discretionary bonus payment	14.6	21.5	36.9	34	40
Gain on sale of asset	0	0	(2.4)	(2.0)	0
Dividend income	0	0	0	0	(2.0)
Adjusted EBITDA	\$31.5	\$48.8	\$49.4	\$63.8	\$75.2

Dilawri has agreed that, as requested by the REIT, it will provide to the REIT then-current financial information regarding the Dilawri Group consistent with that set forth above. The REIT’s current intention is to include a summary of most of that information in its management’s discussion and analysis that it will file on SEDAR under applicable securities laws. Further, in order to address certain securities regulatory or public interest policy objectives, Dilawri has agreed to provide the REIT and the applicable Canadian securities regulatory authorities with an undertaking to provide certain additional information on an ongoing continuous disclosure basis. See “About This Prospectus”.

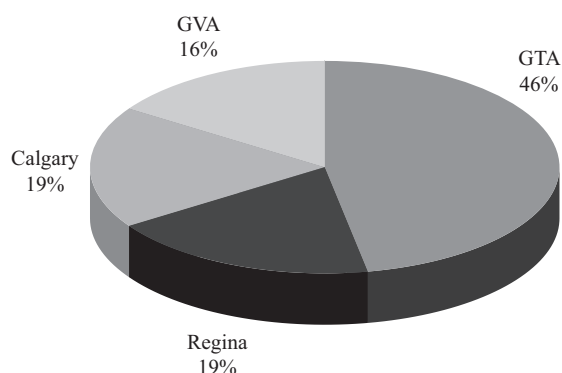
Composition of the Initial Properties

Geographic Breakdown

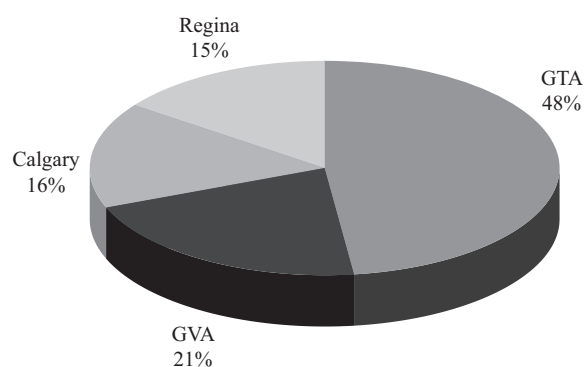
The Dilawri Group has focused its growth on major population centers and has located its dealerships in highly visible areas near major transportation corridors. The Initial Properties are well-diversified geographically, with approximately 46% of the GLA of the Initial Properties located in the GTA, 19% in Regina, 19% in Calgary and 16% in the GVA. Furthermore, approximately 48%, 21%, 16% and 15% of the Cash NOI for the Forecast Period is anticipated to be derived from Initial Properties located in the GTA, the GVA, Calgary and Regina, respectively. The following charts illustrate the geographic diversification of the Initial Properties, measured by total GLA and Cash NOI, over the Forecast Period.

Geographic Diversification

By GLA



By Cash NOI



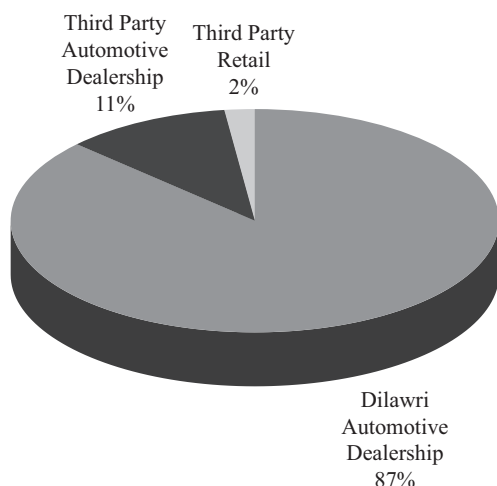
Property Use

The Initial Properties are primarily comprised of automotive dealerships and an automotive repair facility, which represent 98% of the total GLA of the Initial Properties. The Initial Properties also contain four buildings being used for retail uses complementary to automotive dealerships, all of which are occupied by third parties and located at the Dixie Auto Mall. Collectively, these retail properties will represent 2% of the REIT's GLA at Closing. On Closing, the automotive dealerships and automotive repair facility occupied by the Dilawri Group will represent 87% of the REIT's total GLA, while the automotive dealerships subleased by the Dilawri Group to third parties will represent 11% of the REIT's total GLA.

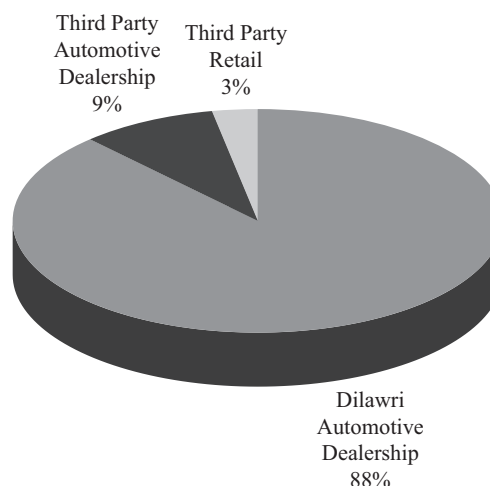
At Closing, pursuant to the Dilawri Leases, including the leases for the Dixie Auto Mall and Markham Honda and Ford, the Dilawri Group will be the REIT's only tenant, contributing 100% of its Cash NOI for the Forecast Period. Of this figure, 97% pertains to automotive dealerships (both those occupied by the Dilawri Group and those subleased to third parties by the Dilawri Group at the Dixie Auto Mall and Markham Honda and Ford), with the remainder pertaining to the four buildings being used for retail uses at the Dixie Auto Mall that will be subleased to third parties by the Dilawri Group. Of the REIT's total Cash NOI for the Forecast Period, 88% pertains to the automotive dealership and automotive repair facility properties occupied by the Dilawri Group, while 9% pertains to the automotive dealership properties subleased by the Dilawri Group to third parties.

Property Use Summary

By GLA



By Cash NOI

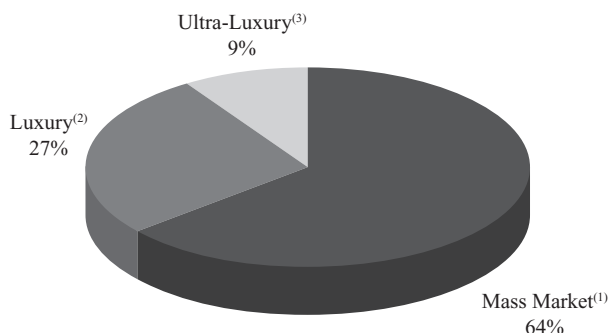


Manufacturer and Brand Diversification

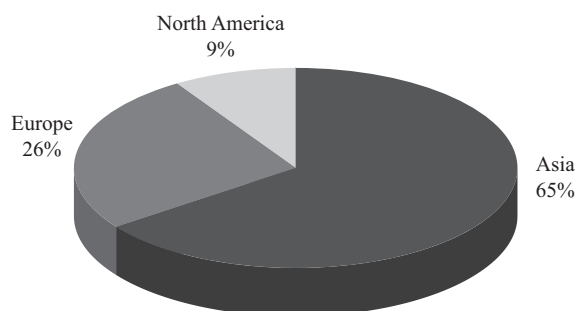
At Closing, the Initial Properties will be well diversified across a broad spectrum of automotive manufacturers and brands, representing some of the largest, most recognizable global brands targeting customers in the mass market segment (64% of forecast automotive Cash NOI), the luxury segment (27% of forecast automotive Cash NOI) and the ultra-luxury segment (9% of forecast automotive Cash NOI) of the market. The manufacturers and brands are also diversified across geographic regions, with representation from Asia (65% of forecast automotive Cash NOI), Europe (26% of forecast automotive Cash NOI) and North America (9% of forecast automotive Cash NOI). Management believes that the breadth, depth and diversity of the brands and markets in the Initial Properties provides a strong and stable portfolio.

% of Cash NOI from Dealership Properties

Brands by Market Segment



Manufacturers by Region



Notes:

- (1) Mass Market segment includes: Chrysler, Ford, General Motors, Kia, Nissan (including Nissan Infiniti), Honda, Hyundai, Mazda, Mitsubishi, Toyota and Volkswagen

(2) Luxury segment includes: Acura, Audi, BMW and Infiniti

(3) Ultra-Luxury segment includes: Aston Martin, Bentley, Lamborghini, Land Rover, Lincoln, Porsche, Maserati, McLaren and Mercedes-Benz

Manufacturer and Brand Diversification					
Manufacturer/Brand	REIT Auto Dealership GLA	% of REIT Auto Dealership GLA	% of REIT Auto Dealership Cash NOI	No. of REIT Locations (Initial Properties)	Avg. Remaining Lease Term (Years)
Honda ⁽¹⁾	219,620	23.4%	22.8%	7	14.5
Acura	97,503	10.4%	10.3%	4	16.4
Nissan	74,913	8.0%	9.3%	3	16.4
BMW ⁽²⁾	100,180	10.7%	8.3%	2	16.3
Porsche	39,790	4.2%	6.6%	1	19.0
Mazda	47,501	5.1%	5.4%	2	14.4
Hyundai	49,734	5.3%	5.1%	3	13.8
Toyota	44,819	4.8%	4.7%	2	14.0
Audi	29,300	3.1%	4.6%	1	17.0
Infiniti	26,314	2.8%	4.1%	2	12.9
Volkswagen	39,209	4.2%	4.1%	1	14.0
General Motors	35,504	3.8%	3.9%	1	13.0
Ford	39,287	4.2%	2.9%	1	12.0
Chrysler ⁽³⁾	40,957	4.4%	2.4%	1	11.0
Mitsubishi Motors	14,750	1.6%	1.7%	2	15.4
Kia	13,890	1.5%	1.2%	1	15.0
Various ⁽⁴⁾	24,367	2.6%	2.6%	1	12.0
Total	937,638	100.0%	100.0%	35	15.0

Notes:

(1) Includes Honda Used Car and Regina Collision Centre.

(2) Includes MINI.

(3) Includes Dodge, FIAT, Jeep and RAM.

(4) Represents the Dilawri Distinctive Collection property in Calgary, which currently has franchise agreements with Aston Martin and Bentley. In addition, Distinctive Collection sells a variety of used vehicles, including Audi, BMW, Lamborghini, Land Rover, Maserati, McLaren, Mercedes-Benz and Porsche.

Description of the Initial Properties

ONTARIO

Dixie Auto Mall

Dixie Auto Mall, located at 5500 Dixie Road, 5505, 5515, 5525 and 5500 Ambler Drive, 1465, 1475, 1485 and 1495 Aerowood Drive in Mississauga, is an auto mall, which includes commercial/restaurant buildings, located in Mississauga. Mississauga is located in the GTA. The property is located on the west side of Dixie Road, just south of Highway 401 and benefits from its proximity to the 400 series of major highways. The property is situated on a total site area of approximately 26.1 acres (excluding the Dixie Industrial Property). The property contains 15 buildings, including 10 automotive dealership buildings, one single-storey office building associated with one of the automotive dealerships and 4 commercial/restaurant buildings. The property has approximately 188,200 total square feet of GLA, and the car dealership and retail components have approximately 168,000 and 20,200 square feet of GLA, respectively.

Six automotive dealership buildings and the office building were constructed in approximately 1987/1988. Two automotive dealership buildings were constructed in approximately 1998, one in approximately 2001, and one in approximately 2002. Two of the commercial/restaurant buildings were constructed in approximately 1998/1999 with the other two being constructed in approximately 2001. Eight of the buildings were renovated between 1998 and 2013. The renovations vary by building and include general interior renovations, floor renovations, office renovations, building additions and window replacements. The commercial/restaurant buildings, the office building associated with one of the automotive dealerships and two of the automotive dealership buildings are one-storey, whereas the remainder of the automotive dealership buildings have a mezzanine level. The automotive dealership buildings are demised into various sections that accommodate use as automotive dealerships, including showrooms, customer lounges, washrooms, service areas, parts areas and offices. The interiors of the commercial/restaurant properties are demised to accommodate the specific needs of the tenants.

The automotive dealership buildings on the property are currently occupied by members of the Dilawri Group and third parties. The following dealerships are currently located on the property: Infiniti; Kia; Hyundai; Mazda; Nissan; Volkswagen; Mitsubishi; Toyota and Honda of which the Volkswagen, Nissan, Infiniti, Mazda and Mitsubishi are operated by the Dilawri Group. The retail buildings on the property are occupied exclusively by third parties and include Kelsey's Restaurant, Montana's Cookhouse, Subway, New York Fries, A&W, Country Style Bistro Deli, Made in Japan Teriyaki Experience and Enterprise Rent-a-Car.

Currently, the Dixie Auto Mall also includes the Dixie Industrial Property of approximately 53,000 square feet on approximately 4.5 acres of land. The Dixie Industrial Property is not included as part of the Initial Properties. However, pursuant to section 50 of the *Planning Act* (Ontario), conveyance of a part of any land, including by way of a lease for a period of 21 years or more (including renewals), is prohibited whenever the transferor retains an interest in any land abutting the land that is being conveyed. Therefore, as part of the Acquisition, Dilawri is required to, and will, transfer its interests in the Dixie Industrial Property to the REIT for nominal consideration as part of its transfer of the Dixie Auto Mall. The Dixie Industrial Property will then be leased for nominal rent to the applicable member of the Dilawri Group pursuant to the applicable Dilawri Lease for the Dixie Auto Mall pending receipt of the necessary severance approvals under the *Planning Act*. Once those severance approvals are obtained in respect of the Dixie Industrial Property, the applicable member of the Dilawri Group will surrender the portion of the Dilawri Lease in respect of such property and, in turn, the REIT will be required to, and will, transfer its interest in the Dixie Industrial Property back to Dilawri for the same nominal consideration originally paid therefor by the REIT. As all control of, and economic benefit and risks (including in respect of structural repairs) arising from, the Dixie Industrial Property will remain with Dilawri pursuant to the terms of the applicable Dilawri Lease, the Dixie Industrial Property is not considered an asset of the REIT under IFRS and, accordingly, is not included in the REIT's financial statements included elsewhere in this prospectus. Dilawri will indemnify and save harmless the REIT for any losses suffered by the REIT as a result of the REIT accepting the conveyance of the Dixie Industrial Property as described above. Management expects that Dilawri will receive the necessary approvals under the *Planning Act* within 12 to 18 months of Closing though no assurance can be given in that regard. In the unlikely event that the necessary severance approvals under the *Planning Act* are not obtained, management's current expectation is that, subject to the facts

and circumstances at that time, the REIT and Dilawri will work to terminate this temporary arrangement at which time the REIT will acquire the Dixie Industrial Property for consideration to be determined by mutual agreement between Dilawri and the REIT based on a third party appraisal obtained in respect of the Dixie Industrial Property at that time. It is expected that the REIT would then lease the Dixie Industrial Property to the applicable member of the Dilawri Group on terms which reflect the consideration paid for the Dixie Industrial Property by the REIT or the REIT will lease it to a third party tenant.

Oakville Honda

Oakville Honda, located at 500 Iroquois Shore Road in Oakville, is a full service automotive dealership located in the city of Oakville. Oakville is located in the GTA. The property benefits from good visibility and exposure to vehicle traffic on the QEW and is located on the second block East of Trafalgar Road, an arterial road. The property is surrounded by a variety of uses including office, retail and Sheridan College. The property is situated on a total site area of approximately 4.0 acres and contains two buildings, one one-storey service building and one two-storey sales and service building. Collectively, the buildings have approximately 33,300 square feet of above-grade GLA. The one-storey automotive dealership building was constructed in approximately 2003 with the two-storey automotive dealership building being constructed in approximately 2006. The buildings are demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, customer lounges, reception areas, washrooms, storage, a body and paint shop and a multi bay service area. The property is currently occupied by a member company of the Dilawri Group and used as an automotive dealership.

Meadowvale Honda

Meadowvale Honda, located at 2210 Battleford Road in Mississauga, is a full service automotive dealership located in the north-west region of the City of Mississauga. Mississauga is located in the GTA. The property benefits from being located in a well-established neighborhood and has good visibility from the Erin Mills Parkway, a busy arterial road that traverses the city. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 3.7 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 28,000 square feet of above-grade GLA. The building was constructed in 2007 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, administrative areas, washrooms, storage, service reception and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

Frost Chevrolet Buick GMC Cadillac

Frost Chevrolet Buick GMC Cadillac, located at 150 Bovaird Drive West in Brampton, is a full service automotive dealership located in the central, north-west region of the City of Brampton. Brampton is located in the GTA. The property benefits from good visibility and exposure to vehicle traffic, being located on Bovaird Drive West and being within the first block west of Hurontario Street, both arterial roads. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 2.9 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 35,500 square feet of above-grade GLA. The building was constructed in 2013 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, customer lounge, washrooms, storage and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Frost Chevrolet Buick GMC Cadillac is strategically positioned as the only Cadillac dealer in Brampton.

Bolton Toyota

Bolton Toyota, located at 12050 Albion Vaughan Road in Bolton, is a full service automotive dealership located in the south-east region of the town of Caledon, within the southerly urban area of the community of Bolton. Caledon is located in the GTA. The property benefits from good visibility and significant exposure to vehicle traffic, being located at the signalized intersection of Regional Road 50 (the main arterial road that traverses Bolton) and Albion-Vaughan Road. The property is proximate to a number of other automotive

dealerships. The property is situated on a total site area of approximately 3.0 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 22,700 square feet of above-grade GLA. The building was constructed in 2004 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, customer lounge, washrooms, storage area, parts counter, drive-through service area, and a multi bay service area with a car wash bay. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Bolton Toyota is strategically positioned as the only Toyota dealer in Bolton.

Markham Honda and Ford

Markham Honda and Ford, located at 8210 and 8220 Kennedy Road in Markham, is in the south-central region of the city of Markham and contains two full service automotive dealerships. Markham is located in the GTA and is one of the fastest growing municipalities in Ontario. The neighbourhood in which the property is located is an evolving and expanding higher density mixed-use district. The property benefits from good visibility, being located at the signalized intersection of Kennedy Road and Unionville Gate, less than 0.5 miles north of Highway 407. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 6.0 acres and contains two freestanding one-storey plus mezzanine automotive dealership buildings. One of these is a Honda dealership and the other is a Ford dealership. The Honda dealership building has approximately 32,700 square feet of above-grade GLA. The Ford dealership building has approximately 39,300 square feet of above-grade GLA. The Honda dealership building was constructed in 2004. The building is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, customer lounge, administrative areas, a services and parts department, garage facilities, storage, and a multi bay service area. The Ford dealership building was initially constructed in 1988, but the building was fully upgraded as part of an extensive expansion and renovation in 2010 which added approximately 10,200 square feet of GLA. The building is demised into various sections that accommodate use as an automotive dealership, including a showroom, washrooms, storage. A member of the Dilawri Group currently occupies the Honda dealership component and operates it as “Markham Honda”. A third party occupies the Ford dealership component and operates it as “Markville Ford Lincoln”. These dealerships are strategically positioned as the only Honda and Ford dealers, respectively, in Markham.

Agincourt Mazda

Agincourt Mazda, located at 5500 Finch Avenue East in Toronto, is a full service automotive dealership located in the north-east region of the City of Toronto. The property benefits from good visibility, being located at the signalized intersection of two arterial roads (Finch Avenue East and Markham Road). The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 7.9 acres and contains a one-storey automotive dealership building with approximately 30,800 square feet of above-grade GLA. The building was constructed in 2005 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, customer lounge, storage, offices, administrative areas, service reception, a body and paint shop and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

Markham Acura

Markham Acura, located at 5201 Highway 7 East in Markham, is a full service automotive dealership located in the south-central region of the City of Markham. Markham is located in the GTA and is one of the fastest growing municipalities in Ontario. The property is located on the south side of Highway No. 7 East, a regional road and is located across from the Markville Shopping Centre, a large regional mall. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 3.0 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 32,000 square feet of above-grade GLA. The building was constructed in 2002 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, customer lounge, offices, administrative areas, a service and parts department, storage, washrooms and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Markham Acura is strategically positioned as the only Acura dealer in Markham.

SASKATCHEWAN

Regina Honda

Regina Honda, located at 789 Broad Street in Regina, is a full service automotive dealership located eight blocks north of downtown Regina, on the east side of Broad Street, one of the city's main traffic arteries. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 2.4 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 30,300 square feet of above-grade GLA with an in-process expansion providing a total of approximately 30,900 square feet of above-grade GLA. The building was constructed in 2003 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, a reception area and customer lounge, a parts area, washrooms, storage, staff areas, a service drive-through, a used car showroom, a multi bay service area and car wash bays. This property is in the process of being substantially renovated to provide a new showroom area by the Dilawri Group at its cost. The renovations are expected to be completed in approximately May 2015. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Regina Honda is strategically positioned as the only Honda dealer in Regina.

Regina Hyundai

Regina Hyundai, located at 444 Broad Street in Regina, is a full service automotive dealership located twelve blocks north of downtown Regina, on the west side of Broad Street, one of the city's main traffic arteries. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 1.6 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 18,200 square feet of above-grade GLA. The building was constructed in 2005 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, a reception area and customer lounge, staff areas, a parts and service reception, washrooms, storage, a service drive-through and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Regina Hyundai is strategically positioned as the only Hyundai dealer in Regina.

Honda Used Car and Regina Collision Centre

Honda Used Car and Regina Collision Centre, located at 815 Broad Street in Regina, is an automotive service centre/repair shop located eight blocks north of downtown Regina, on the east side of Broad Street, one of the city's main traffic arteries. The property is proximate to a number of automotive dealerships. The property is situated on a total site area of approximately 2.5 acres and contains a one-storey plus mezzanine automotive repair facility building and will contain a newly constructed used car facility with total of approximately 33,400 square feet of above-grade GLA upon completion of the renovation and redevelopment currently being performed by the Dilawri Group at its cost. The renovation and redevelopment is expected to be completed in July 2015. The existing building was constructed in 2012 and is demised into various sections that accommodate use as an automotive repair facility, including a showroom, washrooms, storage, and a multi bay service area with a metal department, a paint department, and wash bays. The new building will consist of a used car showroom and wash bays. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive repair facility. The new building, once completed, will be occupied by a member of the Dilawri Group and used as a used car automotive dealership.

Dilawri Acura

Dilawri Acura, located at 1921 1st Avenue in Regina, is a full service automotive dealership located in north-central Regina, about ten blocks north of the central business district. The property is located one block west of the south-west corner of Broad Street, one of Regina's main traffic arteries, and 1st Avenue. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 0.8 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 11,400 square feet of above-grade GLA. The building was constructed in 1997. It is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, storage,

washrooms, a parts area and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Dilawri Acura is strategically positioned as the only Acura dealer in Regina.

Dilawri BMW

Dilawri BMW, located at 1919 1st Avenue in Regina, is a full service automotive dealership located in north-central Regina, about ten blocks north of the central business district. The property is located one block west of the south-west corner of Broad Street, one of Regina's main traffic arteries, and 1st Avenue. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 0.8 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 12,500 square feet of above-grade GLA. The building was constructed in 1997. It is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, storage, washrooms, a parts area and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Dilawri BMW is strategically positioned as the only BMW dealer in Regina.

Triple 7 Chrysler

Triple 7 Chrysler, located at 700 Broad Street in Regina, is a full service automotive dealership located in north-central Regina, about ten blocks north of the central business district. The property is located at the south-west corner of Broad Street, one of Regina's major traffic arteries, and 1st Avenue. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 2.9 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 41,000 square feet of above-grade GLA. The building was constructed in 1959, but was completely renovated in 1992 with further substantial renovations including, most recently, a renovation and re-imaging in 2011. The building is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, washrooms, staff areas, storage, a parts area, a multi bay drive-thru service area, a wash bay, and an auto body area with two paint booths. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

Dilawri Nissan Infiniti

Dilawri Nissan Infiniti, located at 1775 5th Avenue in Regina, is a full service automotive dealership located in north-central Regina, about six blocks north of the central business district. The property is located on the east side of Broad Street, one of Regina's major traffic arteries. The property is situated on a total site area of approximately 2.1 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 19,600 square feet of above-grade GLA. The building was constructed in 1998, but was renovated in 2003, including new exterior finish, windows, ceiling and lighting, flooring and overhead doors. The building is demised into various sections that accommodate use as an automotive dealership, including a two-part showroom, a customer lounge, service reception, sales and administrative offices, a children's play area, washrooms, storage, a parts area and a multi bay drive-thru service area. This property is in the process of being redeveloped with a new 29,500 square foot sales and service building constructed by the Dilawri Group at its cost. The new building will include a two-part showroom, a customer lounge, service reception, sales and administrative offices, a children's play area, washrooms, storage, a parts area and a multi bay drive-thru service area. The new building is expected to be completed in approximately October 2015 and will replace the existing building. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Dilawri Nissan Infiniti is strategically positioned as the only Nissan Infiniti dealer in Regina.

Dilawri Mitsubishi

Dilawri Mitsubishi, located at 1750 6th Avenue in Regina, is a full service automotive dealership located in north-central Regina, about six blocks north of the central business district. The property is located on the east side of Broad Street, one of Regina's major traffic arteries. The property is situated on a total site area of approximately 0.6 acres and contains a one-storey plus mezzanine automotive dealership building with

approximately 6,800 square feet of above-grade GLA. The building was constructed in 1993, but was renovated in 2003, including new exterior finish, windows, overhead doors, and carpet. The building is demised into various sections that accommodate use as an automotive dealership, including a showroom, offices, storage areas, washrooms and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Dilawri Mitsubishi is strategically positioned as the only Mitsubishi dealer in Regina.

ALBERTA

Hyundai Gallery

Hyundai Gallery, located at 11770 Lake Fraser Drive S.E. in Calgary, is a full service automotive dealership located in the Lake Bonavista district of southeast Calgary. The property is well-located at the southeast corner of Macleod Trail South and Anderson Road and benefits from exposure to significant traffic from Anderson Road S.E. The property is located in a destination commercial corridor and is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 2.2 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 22,200 square feet of above-grade GLA. The building was constructed in 2006 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, sales and administrative offices, service and parts areas, a customer lounge, storage areas, administrative offices, staff areas, washrooms, a two bay drive-thru service area, and a multi bay service area with a wash bay. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

Calgary Honda

Calgary Honda, located at 11700 Lake Fraser Drive S.E. in Calgary, is a full service automotive dealership located in the Lake Bonavista district of southeast Calgary. The property benefits from exposure to significant traffic from both Macleod Trail and Anderson Road S.E. and is located in a destination commercial corridor. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 4.1 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 43,500 square feet of above-grade GLA. The building was constructed in 2005 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, sales and administrative offices, a customer lounge, service and parts areas, staff areas, storage areas, washrooms, a three bay detailing area, a three lane drive-thru service area, and a multi bay service area, including an automatic car wash unit. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

Distinctive Collection

Distinctive Collection, located at 150 Glendee Circle S.E. in Calgary, is a full service automotive dealership located in southeast Calgary. The property is located within the Calgary Auto Mall, at the junction of Deerfoot Trail S.E. and Glenmore Trail S.E., and is in close proximity to the Deerfoot Meadows retail node. The property is situated on a total site area of approximately 1.6 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 24,400 square feet of above-grade GLA. The building was constructed in 1988, but was fully renovated and expanded in 2008, including additions to the west and north showroom areas. The building is demised into various sections that accommodate use as an automotive dealership, including two showrooms, sales and administrative offices, customer lounges, retail service and parts areas, a new car delivery pod, storage areas, staff areas, washrooms and a multi bay drive-thru service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership that sells used and new luxury automobiles, including Bentley and Aston Martin. Distinctive Collection is strategically positioned as the only Bentley and Aston Martin dealer in Calgary.

Calgary BMW

Calgary BMW, located at 34 Heritage Meadows Road S.E. in Calgary, is a full service automotive dealership located in southeast Calgary. The property is prominently located in the Deerfoot Meadows retail node, at the

junction of Deerfoot Trail S.E. and Glenmore Trail S.E., as part of an extension of the established Calgary Auto Mall. The property is located approximately ten kilometers south of the city's central downtown core. The property is situated on a total site area of approximately 3.5 acres and contains a two-storey plus mezzanine automotive dealership building with approximately 87,700 square feet of above-grade GLA. The building was constructed in 2007 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, retail service and parts areas, sales and administrative offices, a customer lounge, a new car delivery pod, storage areas, staff areas, washrooms, a three lane drive-thru service area, and a service shop with a multi bay service area and car wash bays. In addition to three stairways, an elevator connects the two floors. The upper floor of the building includes a fully enclosed and heated car storage parkade comprising an estimated 19,500 square feet. This area features a four-car showcase designed to expose the back of the dealership to traffic along Deerfoot Trail. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership.

BRITISH COLUMBIA

Porsche Centre Vancouver

Porsche Centre Vancouver, located at 688 Terminal Avenue in Vancouver, is a full service automotive dealership located in the False Creek Flats area of the City of Vancouver. The property benefits is highly visible from the Expo Line of the Vancouver Skytrain system. The immediate area experiences a very heavy volume of traffic, as it is an arterial connection route between downtown Vancouver and municipalities to the east. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 1.6 acres and contains a two-storey automotive dealership building with approximately 39,800 square feet of above-grade GLA. The building was constructed in 2013 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, sales offices, a customer waiting lounge, storage areas, administrative offices, meeting rooms, staff areas, washrooms, a vehicle fitting room, and a multi bay service area, including two wash bays. The roof top area of the building contains an enclosed storage area and room for 70 vehicles. The building contains two freight elevators and one passenger elevator. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Porsche Centre Vancouver is strategically positioned as the only Porsche dealer in the City of Vancouver.

Audi Sales Downtown Vancouver

Audi Sales Downtown Vancouver, located at 1788 West 2nd Avenue in Vancouver, is an automotive dealership located in the False Creek neighbourhood of the City of Vancouver. The property sits directly on a high exposure area of Burrard Street which intersects the border of the False Creek and Kitsilano neighbourhoods and is less than a five minute drive from the downtown core. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 0.3 acres and contains a four storey office area fronted by a two-storey double height automotive showroom totaling approximately 29,300 square feet of above-grade GLA and two additional levels of underground parking, totalling approximately 20,900 square feet. The building was constructed in 2013 and is demised into various sections that accommodate use as an automotive dealership, including two floors of showroom area, offices, a sales and service area, lounges, a reception area, storage areas, a vehicle delivery area, staff areas, and washrooms. The building contains two passenger elevators, two vehicle freight elevators and two escalators. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Audi Sales Downtown Vancouver is strategically positioned as the only Audi dealer in the City of Vancouver.

Infiniti Vancouver

Infiniti Vancouver, located at 1718 West 3rd Avenue in Vancouver, is a full service automotive dealership located in the Burrard Slopes area, which is immediately south of the downtown Vancouver peninsula and forms part of the False Creek neighbourhood of the City of Vancouver. The property benefits from its proximity to public transit and major arterial routes, including Burrard Street, Granville Street and West 4th Avenue. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area

of approximately 0.3 acres and contains a one-storey automotive dealership building with approximately 11,700 square feet of GLA plus 4,300 square feet of below-grade service area. The building was constructed in 1999 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, a rooftop display/inventory area, offices, customer lounge, parts department, reception area, storage areas, a staff room, washrooms, and service bays at grade and in the basement. In addition to two stairways, a car elevator connects the three levels (including rooftop). The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Infiniti Vancouver is strategically positioned as the only Infiniti dealer in the City of Vancouver.

North Vancouver Nissan Infiniti

North Vancouver Nissan Infiniti, located at 819 Automall Drive in Vancouver, is a full service automotive dealership located in the North Shore Auto Mall in the City of North Vancouver. The property benefits from its proximity to major commercial development, including the Marine Drive corridor. The property is situated on a total site area of approximately 1.1 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 19,100 square feet of GLA. The property contains one freight elevator. The building was constructed in 1992. The building is demised into various sections that accommodate use as an automotive dealership, including a dual showroom, reception, sales and administrative offices, staff areas, washrooms, storage, customer lounge, parts and service reception and a multi bay service area. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. North Vancouver Nissan Infiniti is strategically positioned as the only Nissan Infiniti dealer in North Vancouver.

Burrard Acura

Burrard Acura, located at 730 Terminal Avenue in Vancouver, is a full service automotive dealership located in the False Creek Flats area of the City of Vancouver. The property is highly visible from the Expo Line of the Vancouver Skytrain system and is located on an arterial connection route between downtown Vancouver and municipalities to the east. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 1.25 acres and contains a one storey plus mezzanine automotive dealership building with approximately 27,600 square feet of above-grade GLA. The building was completed in 2015 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, customer service counter, sales and administrative offices, a customer lounge, storage areas, meeting and staff rooms, washrooms, an enclosed covered customer parking area, a multi bay service area plus a wash bay and three alternate service bay areas. In addition to four stairways, there are two elevators, one freight and one passenger, connecting the two floors. A member of the Dilawri Group has a leasehold interest in this property that will be assigned to the Partnership at Closing. The initial term of the lease expires in 2035. Provided the landlord does not intend to demolish, but rather continues to lease the property, the tenant has the right to lease the property for any further term that the landlord, in its discretion, makes the property available for lease. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Burrard Acura is strategically positioned as the only Acura dealer in the City of Vancouver.

Langley Acura

Langley Acura, located at 20257 Langley Bypass in Langley, is a full service automotive dealership located in the City of Langley. Langley is located in the eastern portion of Metro Vancouver. The property benefits from high visibility from the Langley Bypass, a major arterial road. The property is proximate to a number of other automotive dealerships. The property is situated on a total site area of approximately 2.3 acres and contains a one-storey plus mezzanine automotive dealership building with approximately 26,400 square feet of above-grade GLA. The building was completed in 2015 and is demised into various sections that accommodate use as an automotive dealership, including a showroom, customer service counters, sales and administrative offices, a customer lounge, storage areas, staff rooms, washrooms, an enclosed covered customer parking area, and a multi bay service area plus wash bays and a wheel alignment bay. In addition to three stairways, passenger and freight elevators connect the two floors. A member of the Dilawri Group has a leasehold interest in this property that will be assigned to the Partnership at Closing. The initial term of the lease expires on December 31, 2033. The

tenant has the option to extend the lease for an additional ten years. Also, subject to certain conditions, the tenant has the right of first refusal to purchase the property should the landlord determine to sell it. The property is currently occupied exclusively by a member of the Dilawri Group and used as an automotive dealership. Langley Acura is strategically positioned as the only Acura dealer in Langley.

Description of the Material Terms of the Dilawri Leases

Each of the Initial Properties will be subject to leases (collectively, the “**Dilawri Leases**” or individually, a “**Dilawri Lease**”) with a member of the Dilawri Group. With respect to the multi-tenanted component of the Dixie Auto Mall and Markham Honda and Ford, the applicable Dilawri Tenant will lease such Initial Properties and, in turn, sublease the applicable portions thereof to the current third party tenants pursuant to their existing leases. For the purposes of this section, all references to the “**Dilawri Tenant**” shall mean the applicable member of the Dilawri Group, in its capacity as tenant under the applicable Dilawri Lease. In consideration of the applicable Dilawri Tenants leasing the entirety of the Dixie Auto Mall and Markham Honda and Ford (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants), the REIT will pay to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1 million on Closing.

Dilawri will indemnify the REIT in respect of any defaults by the Dilawri Tenants under the Dilawri Leases for the initial term of the applicable Dilawri Lease.

The following is a summary of the material terms of the Dilawri Leases. The terms of the individual Dilawri Leases may vary slightly from property to property depending on the nature and location of the premises being leased, but the differences are not considered by the REIT to be material.

Leased Premises

The Dilawri Tenants will lease all building(s) and all associated lands in respect of the Initial Properties at Closing. All leasehold improvements situated at the leased premises remain the property of the Dilawri Tenants until the expiration or earlier termination of the Dilawri Leases. The Dilawri Tenants are not required to remove any leasehold improvements at the expiration or earlier termination of the Dilawri Leases but they are required to remove, decommission and dispose of all above-grade storage tanks and any below-grade storage tanks permitted by the REIT on the leased premises at the expiration or earlier termination of the Dilawri Leases.

Use

The leased premises may be used for any lawful purpose, in compliance with all applicable laws and restrictions registered against title to the applicable lands at Closing, except that, without the REIT’s consent, which may be withheld in the REIT’s discretion (except in respect of paragraph (b) below, in which case the REIT may only withhold its consent, acting reasonably), the Dilawri Tenants will not be permitted to use any part of the leased premises for any of the following uses: (a) heavy manufacturing; (b) any use which could materially adversely affect the useful life of the leased premises or cause environmental contamination that the REIT believes, acting reasonably, cannot be managed in a commercially reasonable manner; (c) a video game arcade and/or any other place of recreation or amusement, except as an ancillary use to an otherwise permitted use; (d) a night club; or (e) certain other prohibited uses specified in the applicable Dilawri Lease.

With respect to that portion of the leased premises that is used as an automobile dealership as at the Closing Date, the Dilawri Tenants may not make any changes to such use during the first five years of the initial term. Thereafter, the Dilawri Tenants must provide 90 days’ prior written notice to the REIT of any proposed change in use.

Term

The initial term of the Dilawri Leases will range from 11 to 19 years from the first day of the first full calendar month following the Closing Date with a Cash NOI weighted average lease term of 15 years. The weighted average annual basic rent payable under the Dilawri Leases for the first year of the lease terms will be \$25.01 per square foot. The year of expiry of each Dilawri Lease is set forth under “— Overview of the Initial

Properties”. The leased premises will be leased to the Dilawri Tenants in an “as is” condition and the REIT will not be required to perform any repairs or construct any improvements to the leased premises prior to the Closing Date.

Options to Extend

Provided the Dilawri Tenant is not in material default beyond any applicable cure period, the Dilawri Tenant will have successive options to extend its Dilawri Lease for extension periods of 5 years each. The term of each Dilawri Lease (including all extension terms) will vary, but can be up to a maximum of 50 years. The annual basic rent payable in respect of the initial year of each extension term under the Dilawri Leases will equal the greater of: (a) the annual basic rent payable during the final year of the initial term or preceding extension term, as the case may be; and (b) the lesser of: (i) the fair market rent for the leased premises having regard to its age, size, use and location, as agreed between the REIT and the applicable Dilawri Tenant, and failing agreement, as determined pursuant to arbitration procedures set forth in the Dilawri Leases; and (ii) 110% of the annual basic rent payable during the final year of the initial term or preceding extension term, as the case may be.

Right of First Opportunity

So long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10% effective interest in the REIT (on a fully-diluted basis), the Dilawri Leases provide the Dilawri Tenants thereunder with a right of first opportunity to enter into a new lease with the REIT on the same terms as the applicable Dilawri Lease (other than with respect to term, extension options and annual basic rent), if the REIT intends to lease, at any time after expiry of the applicable Dilawri Lease, all or any part of the applicable lands for use as an automobile dealership (or, in the case of the Dixie Auto Mall, all or substantially all of the buildings on such Initial Property), provided the applicable Dilawri Tenant has exercised all of its extension options in such Dilawri Lease.

Annual Basic Rent

The Dilawri Tenants will be required to pay annual basic rent in equal monthly installments in advance on the first day of each month without set off or deduction. Annual basic rent under the Dilawri Leases will escalate annually at a rate of 1.5% during the initial term and any renewal term. As described under “Assessments and Valuations of the Initial Properties”, the Appraiser determined the market rental rate for each Initial Property and that market rental rate is the initial annual basic rent payable under the Dilawri Leases.

Additional Rent/Net Lease

In addition to annual basic rent, the Dilawri Tenants will be required to pay (i) realty taxes attributable to the leased premises; and (ii) all charges for utilities supplied to or consumed in the leased premises.

Except as otherwise set out in the Dilawri Leases, each Dilawri Lease will be net and carefree to the REIT and the REIT will not be responsible for any costs relating to the leased premises or the Initial Properties.

Repair and Maintenance Responsibilities

The REIT will maintain, repair and replace the structural components of the building (excluding the roof membrane and all windows in the leased premises), at its sole expense (unless such repairs are required as a result of the actions or default of the applicable Dilawri Tenant or are caused by perils against which the applicable Dilawri Tenant recovers under its insurance); provided, however, the REIT will not be required to make any material repairs or replacements to such structural components within the last 2 years of the initial term or any extension term unless the applicable Dilawri Tenant has exercised its next extension option, if any, subject to certain exceptions.

The Dilawri Tenants will be responsible for all other maintenance, repairs and replacements required to the leased premises, including the building systems, high voltage transformers, all utility services up to the point of connection with the building, the roof membrane (including replacement), and the parking and driveway areas (including repaving).

Right to Cease Operation

The Dilawri Tenants will not be obligated to operate any business or use the leased premises for any period of time or purpose.

In respect of all Dilawri Leases (other than the lease for the Dixie Auto Mall), if the applicable Dilawri Tenant ceases all of its business operations in the leased premises for a period of nine consecutive months or more, the REIT will have the option to give notice terminating the applicable Dilawri Lease (a “**Termination Notice**”). If within 30 days after receipt of a Termination Notice, the applicable Dilawri Tenant delivers a written notice stating that it will recommence its business operations within the applicable leased premises and does so within 120 days thereafter, the Termination Notice will be void and the Dilawri Lease for such leased premises will remain in force. The applicable Dilawri Tenant will not be entitled to nullify the Termination Notice if it has or will have ceased all business operations in such leased premises for a period of 18 consecutive months or longer having regard to the period of time occurring both before and after delivery of the Termination Notice.

In respect of the lease for the Dixie Auto Mall, if the applicable Dilawri Tenant ceases all of its business operations in any portion of the leased premises that consists of one or more stand-alone buildings for a period of nine consecutive months or more (the “**Vacant Premises**”), the REIT will have the option to give a Termination Notice terminating such Dilawri Lease only in respect of the Vacant Premises. If within 30 days after receipt of a Termination Notice, the applicable Dilawri Tenant delivers a written notice stating that it will recommence its business operations within the Vacant Premises and does so within 120 days thereafter, the Termination Notice will be void and the Dilawri Lease for the Vacant Premises will remain in force. The applicable Dilawri Tenant will not be entitled to nullify the Termination Notice if it has or will have ceased all business operations in the Vacant Premises for a period of 18 consecutive months or longer having regard to the period of time occurring both before and after delivery of the Termination Notice.

The applicable Dilawri Tenant is permitted to temporarily cease its business operations from any leased premises for the purposes of performing major repairs or renovations or store rebranding, provided such temporary cessation does not exceed 120 consecutive days.

With the exception of the REIT’s right to terminate as discussed above, neither the REIT nor the applicable Dilawri Tenant has any other rights to terminate the Dilawri Leases except as a result of damage or destruction and the right of the REIT to terminate a Dilawri Lease following an event of default by the applicable Dilawri Tenant.

Alterations

The Dilawri Tenant may install its usual trade fixtures in the leased premises and such items will remain the property of the Dilawri Tenant. The Dilawri Tenant may, without the REIT’s consent, make changes to the interior decoration, configuration and layout of the leased premises and any other alterations and additions it deems desirable, provided such changes, alterations or additions do not adversely affect the building structure or systems. The Dilawri Tenant may make changes, alterations or additions to the building structure or systems with the REIT’s prior written consent, which will not be unreasonably withheld, conditioned or delayed. All alterations and leasehold improvements will become the REIT’s property at the end of the term of the Dilawri Leases.

Environmental Covenants

The Dilawri Tenant will provide customary covenants with respect to compliance with applicable environmental laws from and after the Closing Date and an indemnity in favour of the REIT in respect of costs it incurs if the Dilawri Tenant breaches such covenants or causes environmental contamination of the leased premises after the Closing Date that the Dilawri Tenant is responsible to remediate and/or manage pursuant to the terms of the applicable Dilawri Lease.

If at any time the REIT, acting reasonably, has cause to be concerned that the applicable Dilawri Tenant may have caused environmental contamination on or about the leased premises and if requested by the REIT, on the date that is 6 months prior to the expiry date of the applicable Dilawri Lease, the REIT has the right to require that the applicable Dilawri Tenant commission a phase I environmental site assessment report and, if

required, a phase II environmental site assessment report. If any such report discloses that the applicable Dilawri Tenant has caused environmental contamination at any leased premises, the applicable Dilawri Tenant will be required to remove, remediate or otherwise manage such environmental contamination so as to comply with environmental laws. At the expiry or earlier termination of the Dilawri Lease, the applicable Dilawri Tenant will have the choice to: (a) remediate such contamination to a concentration not expected to result in any adverse effect to humans or the environment; or (b) pay for the management of such contamination provided the applicable Dilawri Tenant obtains a site specific risk assessment (or other jurisdictional equivalent) approved by the applicable governmental authorities and satisfies the REIT, acting reasonably, that it has the financial wherewithal to continue to manage, and pay for the management of, such contamination. Dilawri or another entity acceptable to the REIT will be obligated to indemnify the REIT during any such period of ongoing management by the applicable Dilawri Tenant.

Assignment and Subletting

Except for certain specific permitted transfers, the Dilawri Tenants may not assign the Dilawri Leases without the REIT's prior written consent, which will not be unreasonably withheld, conditioned or delayed. The Dilawri Tenants may, without consent but on prior notice to the REIT:

- (a) assign a Dilawri Lease, at any time during the term of such Dilawri Lease, either before or after default, in whole or in part, to Dilawri or any affiliate of the applicable Dilawri Tenant or Dilawri provided that a Tenant Change of Control has not occurred;
- (b) sublet the whole or any part of the leased premises, provided that, subject to paragraph (e) below:
 - (i) there is not a history of defaults under commercial leases either by the proposed subtenant or by those persons holding indirect or direct Control of the proposed subtenant;
 - (ii) the proposed subtenant or those persons holding indirect or direct Control of the proposed subtenant have a history of successful business operation in the business to be conducted on the leased premises; and
 - (iii) neither the proposed subtenant nor those persons holding indirect or direct Control of the proposed subtenant have been bankrupt or convicted of a criminal offense punishable by imprisonment for a term of two years or more, in each case, in the 10 years preceding the date of the proposed sublease;
- (c) mortgage its interest in the leased premises to secure a *bona fide* financing;
- (d) grant a right to occupy any part of the leased premises, provided that, subject to paragraph (e) below:
 - (i) there is not a history of defaults under commercial leases either by the proposed occupant or by those persons holding indirect or direct Control of the proposed occupant;
 - (ii) the proposed occupant or those persons holding indirect or direct Control of the proposed occupant have a history of successful business operation in the business to be conducted on the leased premises; and
 - (iii) neither the proposed occupant nor those persons holding indirect or direct Control of the proposed occupant have been bankrupt or convicted of a criminal offense punishable by imprisonment for a term of two years or more, in each case, in the 10 years preceding the date of the proposed right to occupy;
- (e) assign the Dilawri Lease, sublet the whole or any part of the leased premises, or grant any concession, licence or other right to occupy part of the leased premises in favour of a person that (i) will carry on the business of an automobile dealership; (ii) is a party to a franchise agreement with an OEM that is in full force and effect, is in good standing and is in respect of the operation of an automobile dealership at the leased premises (or the person that Controls the proposed assignee, subtenant or occupant is a party to such an agreement) and a certified copy of such agreement has been provided to the REIT;
- (f) effect a Tenant Change of Control if the applicable Dilawri Tenant carries on the business of an automobile dealership and either the applicable Dilawri Tenant or the person that Controls such Dilawri Tenant is a party to a franchise agreement with an OEM that is in full force and effect and is in good standing in respect of the operation of an automobile dealership at the leased premises and a certified copy of such agreement has been provided to the REIT; and

- (g) assign the Dilawri Lease to any person or effect a Tenant Change of Control if the assignee or person acquiring Control of the applicable Dilawri Tenant has a Tangible Net Worth equal to or greater than that of the applicable Dilawri Tenant as of the Closing Date.

Neither the applicable Dilawri Tenant nor Dilawri will be released from its obligations under a Dilawri Lease or the applicable indemnity agreement in respect of the applicable Dilawri Lease in connection with a transfer of such Dilawri Lease. As of the Closing Date, portions of the Dixie Auto Mall and Markham Honda and Ford will be occupied by third parties who will become sub-tenants of the applicable Dilawri Tenants.

Damage and Destruction

If all or any part of the leased premises is damaged or destroyed, subject to the applicable Dilawri Tenant having complied with its obligations under its Dilawri Lease (including to maintain the required insurance) and provided the Dilawri Lease has not been terminated as discussed below, the REIT must, solely to the extent of available casualty insurance proceeds, repair the damage and reconstruct the premises and the applicable Dilawri Tenant will restore its leasehold improvements and trade fixtures. Rent will not abate in respect of any damage or destruction to an Initial Property. The Dilawri Tenants are required to maintain business interruption insurance for an indemnity period of not less than 12 months.

Either the REIT or the applicable Dilawri Tenant will have the right to terminate a Dilawri Lease if the damage occurs to the leased premises in the last three years of the initial term or any extension term and would cost more than 50% of the replacement cost of the leased premises to repair and the applicable Dilawri Tenant is not at that time prepared to exercise its next extension option, if any. In the event of termination of a Dilawri Lease as aforesaid, the REIT shall be entitled to receive and retain all insurance proceeds in respect of the leased premises under all policies of insurance maintained by the applicable Dilawri Tenant (or required to be maintained under the applicable Dilawri Lease), excluding any proceeds in respect of business interruption insurance or business closure insurance and excluding any insurance proceeds in respect of inventory and equipment maintained by such Dilawri Tenant.

Tenant Expansion

Each Dilawri Tenant has the right at its cost, on notice to the REIT, to expand its leased premises, provided such expansion does not result in an increase to the GLA of more than 5% of the GLA of the building. If a Dilawri Tenant requires the leased premises to be expanded by more than 5% of the GLA of the building, the applicable Dilawri Tenant will provide notice to the REIT of such requirement along with its plans and specifications and preliminary budget therefor. The REIT shall then provide the applicable Dilawri Tenant with the terms, including the annual basic rent to be charged for the expansion premises, pursuant to which the REIT will undertake such expansion at its cost. If the applicable Dilawri Tenant and the REIT are unable to agree on the terms pursuant to which the REIT will undertake such expansion, the applicable Dilawri Tenant, at its option, shall have the right to either (i) determine not to proceed with the expansion, or (ii) undertake the expansion itself at its direct cost, provided that the expansion plans and specifications are approved by the REIT, in which case no additional annual basic rent will be payable by the Dilawri Tenant for the expansion premises. If the REIT undertakes such expansion on the terms agreed with the applicable Dilawri Tenant, the construction costs will be factored into the annual basic rent payable by the applicable Dilawri Tenant for the expansion premises.

Events of Default

Events of default under the Dilawri Leases will include:

- (a) the Dilawri Tenant's failure to pay rent or other amounts which is not remedied within 10 days after notice from the REIT;
- (b) any other default by the Dilawri Tenant that is not remedied within 30 days after notice from the REIT (unless the default cannot be remedied within 30 days in which case the applicable Dilawri Tenant will not be in default if it commences to remedy the default within such 30 day period and thereafter diligently continues to remedy the same);

- (c) the Dilawri Tenant files a proposal or voluntary assignment for the benefit of creditors or being declared bankrupt;
- (d) a petition is filed against the Dilawri Tenant to declare it bankrupt which is not cancelled or annulled within 60 days;
- (e) a trustee or receiver is appointed with respect to the Dilawri Tenant and such appointment is not cancelled or annulled within 60 days;
- (f) the term of the Dilawri Lease is seized or taken in execution by any creditor of the Dilawri Tenant and not released within 45 days;
- (g) the Dilawri Lease or any material part of the Dilawri Tenant's assets on the leased premises is seized or taken under a writ of execution or other security instrument and such writ is not stayed or vacated within 15 days after the date of such taking;
- (h) the Dilawri Tenant makes a sale in bulk of substantially all its goods out of the ordinary course of business (except in connection with an assignment or subletting permitted under the Dilawri Leases);
- (i) the Dilawri Tenant effects a transfer of the Dilawri Lease in contravention of the Dilawri Lease; or
- (j) the Dilawri Tenant fails to maintain any insurance which it is obligated to maintain under the Dilawri Lease or any insurance policy is cancelled by reason of any particular use or occupancy of the leased premises by the Dilawri Tenant and the Dilawri Tenant has not discontinued such use or occupancy and obtained similar insurance coverage in replacement thereof within 48 hours after notice from the REIT.

Financial Reporting

Each Dilawri Tenant will promptly advise the REIT in the event it receives written notice from the applicable OEM or any lender to the Dilawri Tenant of a breach of any financial covenant contained within any applicable franchise agreement with the applicable OEM or lending agreement with the lender to such Dilawri Tenant. In the event a Dilawri Tenant notifies the REIT of a breach of a financial covenant contained in a lending agreement as aforesaid, or the REIT otherwise becomes aware of such a breach, such Dilawri Tenant will promptly provide the REIT with a written notice signed by a senior financial officer of the Dilawri Tenant setting out, in reasonable detail (using actual numerical amounts and ratios, as applicable): (a) the nature of the financial covenant breached; (b) an explanation as to why such financial covenant was breached; and (c) the measures that the applicable Dilawri Tenant intends to take in order to cure such breach and its proposed timeline for effecting the cure (the “**Report Package**”). In the event a Dilawri Tenant notifies the REIT of a breach of a financial covenant contained in a franchise agreement with the applicable OEM, or the REIT otherwise becomes aware of such a breach, such Dilawri Tenant will provide the REIT with a Report Package if such breach persists for a period of 30 days or longer (in which case the Report Package will be provided by the Dilawri Tenant promptly following such 30 day period).

Following delivery of the Report Package and the proposed cure period set out therein, if requested by the REIT, the applicable Dilawri Tenant will provide a further confirmation, signed by a senior financial officer of such Dilawri Tenant or other member of the Dilawri Group, as to whether it has cured the breach of financial covenant described in the Report Package.

In addition, each Dilawri Tenant will cooperate with the REIT in connection with any financing undertaken by the REIT as may be reasonably required by a lender to the REIT, including providing financial statements to such lender of the REIT in respect of (a) the applicable Dilawri Tenant; and (b) Dilawri, until the expiry of the indemnity agreement with respect to the applicable Dilawri Lease, on a combined or consolidated basis, as applicable.

ACQUISITION OF THE INITIAL PROPERTIES

The REIT will indirectly acquire freehold and leasehold interests in the Initial Properties from the Transferors for an aggregate purchase price of approximately \$354.2 million, substantially in the manner summarized below.

General

On or before the day of Closing of the Offering, the Transferors will transfer their beneficial interests in the Initial Properties to the Partnership in consideration for a combination of Transferor Notes, Class B LP Units (with an equivalent number of Special Voting Units in the REIT) at the Offering Price or, in certain cases, other redeemable partnership units in the Partnership at a price of \$10.00 per such unit. On Closing, the REIT will use the proceeds from the Offering of approximately \$64.5 million to pay certain expenses of the Offering and to subscribe for Class A LP Units. The Partnership will use the proceeds from the REIT's subscription for its Class A Units, together with advances of approximately \$193.8 million under the Credit Facilities, to pay the remaining expenses of the Offering, repay the Transferor Notes, redeem all of the redeemable partnership units in the Partnership described above at a price of \$10.00 per such unit and redeem certain of the Class B LP Units from one or more of the Transferors at the Offering Price (and such Class B LP Units will be immediately cancelled by the Partnership).

In certain cases, it is expected that the subscription by the REIT for Class A LP Units and the contribution by certain of the Transferors of their beneficial interests in the Initial Properties will occur simultaneously. In other cases, it is expected that the subscription by the REIT for Class A LP Units will occur before or after the contribution by certain of the Transferors of their beneficial interests in the Initial Properties. Furthermore, in certain cases, one or more Transferors, in addition to the transfer of their respective beneficial interests in the applicable Initial Properties, will transfer to the Partnership all of the issued and outstanding shares in nominee corporations that hold legal title to the applicable Initial Properties on behalf of such Transferors. The transfers of the Initial Properties described above will be completed pursuant to the Contribution Agreement and will be conditional upon the completion of the Offering, the receipt of all necessary consents and waivers from all third parties relating to the transactions contemplated herein and other customary closing conditions.

Following completion of the Offering and the transactions described above, (i) the REIT will have 7,500,000 Units issued and outstanding (or 8,625,000 Units if the Over-Allotment Option is exercised in full) and will own all of the Class A LP Units, and (ii) Dilawri will have an approximate 57.0% effective interest in the REIT through the ownership, control or direction of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT if the Over-Allotment Option is exercised in full) and associated Special Voting Units.

See "Use of Proceeds" and "Post-Closing Structure".

Contribution Agreement

The REIT will indirectly acquire freehold and leasehold interests in the Initial Properties from the Transferors pursuant to the Contribution Agreement for an aggregate purchase price of approximately \$354.2 million, plus an amount equal to the estimated deferred land transfer taxes realized by the REIT in the Acquisition (estimated by management to be approximately \$1.8 million). The Contribution Agreement will contain representations and warranties typical of those contained in real estate 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 the Transferors (as vendors), the Partnership and the Initial Properties (including, among other things, representations and warranties as to organization and status, power and authorization and issued capital of the Partnership, compliance with laws, zoning, title to or interest in the Initial Properties, condition of the Initial Properties, outstanding liens and work orders, status of the existing leases and material agreements pertaining to the Third Party Tenant Portfolio to which a Transferor is a party, accuracy of rent rolls in respect of the Third Party Tenant Portfolio, tax matters, environmental matters and litigation matters). The representations and warranties by the Transferors will be severally provided by each Transferor in respect of each such Transferor's applicable interests in the Initial Property being transferred by it. Dilawri will also provide a representation and warranty that this

prospectus contains full, true and plain disclosure of all material facts, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. All representations and warranties will survive for a period of 18 months from Closing; provided, however, that representations and warranties regarding existence and capacity, and power and authorization shall survive indefinitely, representations and warranties regarding tax and environmental matters shall survive for the applicable limitation periods, and representations and warranties regarding this prospectus shall survive for a period of 36 months following Closing.

Dilawri will indemnify the REIT for any breach of the Transferors' representations and warranties in the Contribution Agreement. The maximum liability of the Dilawri Group and the applicable other Transferors, collectively, under this indemnity will be limited to an amount equal to the net proceeds of the Offering (the "**Contribution Agreement Cap**") and no claim under such indemnity may be made until the aggregate losses exceed \$750,000 and the threshold dollar amount for each claim to be included for purposes of a breach is \$25,000. The Contribution Agreement Cap will be reduced by the amount of any claims made under the Underwriting Agreement. The transactions contemplated under the Contribution Agreement will be subject to customary conditions.

There can be no assurance of recovery by the REIT from the Dilawri Group or the applicable other Transferors for any breach of the representations and warranties to be made under the Contribution Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. No member of the Dilawri Group or a Transferor has provided any security for its obligations and is not required to maintain any cash for this purpose. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Contribution Agreement and purchasers of Units under this prospectus will not have any contractual rights under the Contribution Agreement. Purchasers under this prospectus will not have a direct statutory right or any other rights against the Transferors, the vendors of the Initial Properties, and their respective securityholders. Purchasers will, however, have certain statutory rights of action against the REIT, Dilawri and the Underwriters under applicable securities laws. See "Purchasers' Statutory Rights".

The REIT will purchase a seven-year prospectus liability insurance policy that will indemnify the REIT, the Trustees and officers of the REIT, the directors and officers of Dilawri and Dilawri for any misrepresentation contained in this prospectus in the following order of priority: (i) the Trustees and officers of the REIT, (ii) the REIT, (iii) the directors and officers of Dilawri and (iv) Dilawri.

The Contribution Agreement will be a material contract of the REIT and will be available electronically on SEDAR under the REIT's issuer profile following Closing. A purchaser of Units should refer to the terms of the Contribution Agreement for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations under the Contribution Agreement.

ASSESSMENTS AND VALUATIONS OF THE INITIAL PROPERTIES

Building Condition Assessments

Building condition assessment reports ("**BCA Reports**") were prepared for each of the Initial Properties by an independent engineering firm for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems, except for Dilawri Nissan Infiniti, since the property is in the process of being redeveloped by the Dilawri Group at no cost to the REIT (see "Assets of the REIT — Description of the Initial Properties"). The assessments of the Initial Properties also identified and quantified any major defects in construction, materials or systems which might significantly affect the value of any of the Initial Properties or the continued operation thereof. The BCA Reports were completed between December, 2014 and February, 2015. Beyond the required regular maintenance on the various components of the buildings, the BCA Reports assessed both work required to be completed immediately (i.e., within 90 days of the assessment) and work recommended to be completed during the subsequent 10 years in order to maintain the building in an appropriate condition.

Based on the BCA Reports, management believes that the Initial Properties are generally well-maintained, in accordance with their use.

The table below summarizes the capital expenditures recommended in the BCA Reports and the amounts that are the responsibility of the tenants.

Forecast Capital Expenditures
(\$ millions)

	Year 1	Year 2	Years 3-5	Years 6-10	Total	10 Year Average
Tenant Expense ⁽¹⁾	\$1.9	\$0.3	\$1.9	\$3.3	\$7.4	\$0.7
REIT Expense ⁽²⁾	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Forecast Capital Expenditures	\$1.9	\$0.3	\$1.9	\$3.3	\$7.4	\$0.7
Percent of Capital Expenditures Paid Directly by Tenants	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

Notes:

- (1) Amounts reflected in the BCA Reports for which the Dilawri Group will be responsible under the Dilawri Leases.
- (2) Amounts reflected in the BCA Reports for which the REIT will be responsible under the Dilawri Leases.

Environmental Site Assessments

Each of the Initial Properties was the subject of a Phase I environmental site assessment report (“**Phase I ESA Reports**”) prepared by an independent environmental consultant between December 2014 and May 2015. In general, the purpose of these Phase I environmental site assessments was to assess potential issues of environmental concern in relation to the acquisition of the Initial Properties and the Offering. The phase I environmental site assessments were conducted in general accordance with the Canada Standard Association’s standard for such assessment reports. Intrusive sampling and analysis were not part of these phase I environmental site assessments. Following the completion of the relevant Phase I ESA Reports, environmental site assessments involving intrusive soil and/or groundwater sampling and analysis (“**Phase II ESAs**”) were carried out at two of the Initial Properties. The independent environmental consultants did not recommend that any further subsurface investigation be conducted for the other 24 Initial Properties. The purpose of these Phase II ESAs was to assess the on-site issues of potential environmental concern identified in the prior phase I environmental site assessments for these Initial Properties. For the two Initial Properties at which a Phase II ESA was conducted, no remediation was recommended.

Management is not aware of any non-compliance with environmental laws at any of the Initial Properties that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially adversely affect the REIT or the values of the Initial Properties, taken as a whole, as determined by the Appraiser. The REIT will implement policies and procedures to assess, manage and monitor environmental conditions at the Initial Properties, and to manage exposure to potential liability. See “Risk Factors — Risk Factors Related to the Real Estate Industry and the Business of the REIT — Environmental Matters”.

Independent Valuations

Dilawri retained the Appraiser to provide an independent estimate of the fair market value of the Initial Properties. The Appraisal for the Initial Properties was prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada. The Appraisal Institute of Canada has adopted a definition of market value, which is “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 in the open market; (iv) payment is made in 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.

Based on the Appraisal, the estimated aggregate market value of the Initial Properties as at January 1, 2015 as they currently exist was approximately \$343.4 million prior to application of any portfolio premium.

In addition to the foregoing, based on the Appraisal, the Appraiser estimated the incremental aggregate market value of three of the Initial Properties (being Regina Honda, Honda Used Car and Regina Collision Centre and Dilawri Nissan Infiniti) which are in the process of being redeveloped or substantially renovated by the Dilawri Group at its cost. The Appraiser estimated that such incremental aggregate market value was approximately \$10.3 million on an “as completed” basis, resulting in the estimated aggregate market value of the Initial Properties on an “as completed” basis of approximately \$353.7 million prior to application of any portfolio premium. The Appraiser’s estimate of incremental market value of these three Initial Properties is as at May 1, 2015, July 1, 2015 and October 1, 2015, respectively, being the estimated completion dates of the redevelopment or renovation work being undertaken by the Dilawri Group. The rental rates for the Dilawri Leases in respect of these three Initial Properties has been established by the REIT based on the completed value of this redevelopment or renovation work by the Dilawri Group. For a description of the redevelopment and renovation work being undertaken by the Dilawri Group at these three Initial Properties, see “Assets of the REIT — Description of the Initial Properties”.

To determine the full value of the Initial Properties, both as they currently exist and on an “as completed” basis, in the context of a publicly-traded portfolio, the Appraiser added a 3% to 5% portfolio premium to the aggregate values of the Initial Properties which, in the Appraiser’s professional experience, given the size and nature of the portfolio and current market condition, is warranted. The resulting full value of the Initial Properties as they currently exist is between approximately \$353.7 million and \$360.6 million and the resulting full value of the Initial Properties on an “as completed” basis is between approximately \$364.3 million and \$371.3 million.

The estimated market value of the Initial Properties was determined by the Appraiser using an income valuation approach (which utilized both the direct capitalization and discounted cash flow methods). The Appraiser gave consideration to the terms of the Dilawri Leases (which, for purposes of the Appraisal, were assumed to be in place as of the appraisal date), as well as information regarding recoverable taxes and operating costs provided by Dilawri (which were based on the Dilawri Group’s 2014 budget for the Initial Properties). For the two Initial Properties that are subject to land leases (being Burrard Acura and Langley Acura), the Appraiser reviewed the land leases and rental obligations were taken into account for purposes of assessing such Initial Properties’ net operating income. A higher capitalization rate was utilized by the Appraiser for these Initial Properties to take into account the leasehold nature of these properties. In addition to the foregoing, for the three Initial Properties which are in the process of being redeveloped or substantially renovated by the Dilawri Group at its cost, the Appraiser reviewed drawings and the cost budgets for such work. The Appraiser visited each of the Initial Properties to assess the 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 Initial Properties, the Appraiser assumed, among other things, that title to the Initial Properties was good and marketable and did not take into account issues such as, but not limited to, engineering, environmental, zoning, planning or related issues. The Appraiser noted in the Appraisal that they had not reviewed capital expenditure budgets or the BCA Reports for the properties, and that any outstanding expenditures of a capital nature will affect value conclusions.

In addition to determining the fair market value of the Initial Properties, the Appraiser determined the market rent of each Initial Property based on its review of comparable leases and a valuation of the Initial Property using the cost approach. The market value of the applicable property determined using the cost approach was then converted to a rent per square foot by applying a typical investment rate of return determined by the Appraiser. Based on that, the Appraiser determined the market rental rate for each Initial Property as of January 1, 2015 (or, in the case of the three Initial Properties currently undergoing renovation or

redevelopment work, as of the respective dates of completion of such work). The Appraiser's market rental rate is the initial annual basic rent payable under the Dilawri Leases.

Caution should be exercised in the evaluation and use of appraisal results, such as the Appraisal. An appraisal is an estimate of market value. 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 some of the assumptions may not materialize or may differ materially from actual experience in the future. See "Risk Factors — Risk Factors Related to the Real Estate Industry and the Business of the REIT".

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.

RETAINED INTEREST

General

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT on a fully-diluted basis through the ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT on a fully-diluted basis if the Over-Allotment Option is exercised in full).

Each Class B LP Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to certain anti-dilution adjustments), will be accompanied by a Special Voting Unit of the REIT (which provides the holder thereof with that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled), and will receive distributions of cash from the Partnership equal to the distributions to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled. The transfer of Class B LP Units will be subject to a number of restrictions.

Dilawri, each member of the Dilawri Organization that will own Class B LP Units and each other Transferor that will own Class B LP Units will enter into a voting trust agreement (the "**Voting Trust Agreement**") pursuant to which Dilawri will be granted sole voting control over such Class B LP Units, the associated Special Voting Units and the Units into which the Class B LP Units may be exchanged, granting Dilawri sole control over the securities held by the Dilawri Organization and the Transferors. However, this voting trust will cease to apply in respect of Units or Class B LP Units (and associated Special Voting Units) transferred by the Dilawri Organization to the officers or employees of the Dilawri Group, if any. The Voting Trust Agreement will not contain any provisions requiring or directing Dilawri to vote such associated Special Voting Units for or against any matters brought to a vote by the REIT and Dilawri has the right to vote such securities in its discretion.

Dilawri has advised the REIT that the Dilawri Organization's current intention is to retain a significant interest in the REIT for the foreseeable future.

Right to Nominate Trustees of the REIT

The Declaration of Trust provides Dilawri, so long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, an effective interest of 33% or higher in the REIT (on a fully-diluted basis), with the exclusive right to nominate two Trustees for election by Unitholders; provided that, so long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10%, but less than 33%, effective interest in the REIT (on a fully-diluted basis) Dilawri shall have the right to nominate one Trustee. See "Declaration of Trust and Description of REIT Units — Nomination of Trustees". Should the size of the Board be increased or decreased, Dilawri's nomination rights shall be increased or decreased proportionately (rounding up or down to the nearest whole number, with 0.5 being rounded up). One of the nominees of Dilawri, if any and if he or she so wishes, shall have the right to be appointed the chair of the Board. Pursuant to

the Declaration of Trust, the President and Chief Executive Officer may be nominated to serve as a Trustee, so long as the majority of Trustees are Independent Trustees.

Any amendment to the Declaration of Trust that adversely affects the nomination right of Dilawri, or other rights specifically granted therein to the Dilawri Organization and the Transferors subject to the Voting Trust Agreement, will require the prior written consent of Dilawri, in its discretion for so long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate at least a 10% interest in the REIT (on a fully-diluted basis).

Exchange Rights

The REIT, the Partnership, Dilawri, the Transferors and any other persons that hold Class B LP Units will enter into the Exchange Agreement, pursuant to which the REIT will agree with the Partnership and the holders of the Class B LP Units to, among other things, issue Units upon the exchange of Class B LP Units in accordance with their terms or upon the election of a holder of Class B LP Units to receive distributions on Class B LP Units in the form of Units on a basis equivalent to the rights of Unitholders participating in a DRIP, if any, or similar plan of the REIT or the Partnership. Upon an exchange of Class B LP Units for Units, the corresponding number of Special Voting Units will be cancelled. Collectively, the rights granted by the REIT that require the REIT to issue Units are referred to as the “exchange right”. This prospectus also qualifies the grant of the exchange right by the REIT in respect of the Class B LP Units.

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

- (a) the exchange would not cause the REIT to cease to qualify as, or cause a significant risk to the REIT’s status as, a “mutual fund trust” or “real estate investment trust” under the Tax Act or cause or create a significant risk that would cause the REIT to be subject to tax under paragraph 122(1)(b) of the Tax Act;
- (b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange right; and
- (c) the person receiving the Units upon the exercise of the exchange right complies with all applicable securities laws and stock exchange requirements at the time of the exchange.

The Exchange Agreement will also provide for the right of the REIT to require the holders of all but not less than all of the Class B LP Units to exchange their Class B LP Units for Units if there occurs or is about to occur any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the REIT or interests therein or thereto, or sale of all or substantially all of the assets of the REIT, or similar transaction involving the REIT or a Subsidiary of the REIT or any proposal to do any of the foregoing (other than in connection with a transaction involving one or more of such entities pursuant to which all of the assets of such entity or entities are transferred to the REIT or another wholly owned direct or indirect Subsidiary of the REIT) and the Board determines that it is not reasonably practicable to substantially replicate the terms and conditions of the Class B LP Units in connection with such transaction and that the exchange of all but not less than all of the outstanding Class B LP Units is necessary to enable the completion of such transaction in accordance with its terms, provided, however, that in the case of a take-over bid, not less than 66 $\frac{2}{3}$ percent of the Units (calculated on a fully-diluted, converted and exchanged basis) have been validly deposited and tendered under such take-over bid and not withdrawn at the expiry of such take-over bid.

The Exchange Agreement will also provide for the automatic exchange of Class B LP Units for Units in the event of a liquidation, dissolution or winding-up of the REIT.

Pre-Emptive Rights

In the event that the REIT or the Partnership or one of their Subsidiaries decides to issue equity securities of the REIT or the Partnership or securities convertible into or exchangeable or redeemable for equity securities of the REIT or the Partnership or an option or other right to acquire any such securities other than to an Affiliate thereof (“**Issued Securities**”), the Exchange Agreement will provide the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement, for so long as the Dilawri Organization and the

Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10% effective interest in the REIT (on a fully-diluted basis), with pre-emptive rights to purchase Units, Class B LP Units, Issued Securities or such other securities being contemplated for issuance by the REIT or the Partnership, to maintain their effective *pro rata* ownership interest (on a fully-diluted basis). Any such rights will only be exercisable by Dilawri, for itself and on behalf of the other members of the Dilawri Organization and the Transferors that are subject to the Voting Agreement. The pre-emptive right will not apply to the issuance of Issued Securities in certain circumstances, including the following: (i) to participants in a DRIP or similar plan of the REIT or Partnership, including any “bonus” distribution, (ii) in respect of the exercise of options, warrants, rights or other securities issued under the REIT’s or the Partnership’s security-based compensation arrangements, if any, (iii) the issuance of Units in lieu of cash distributions, (iv) the issuance is full or partial consideration for the purchase of real property by the REIT from the Dilawri Group pursuant to the Strategic Alliance Agreement, (v) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which Dilawri (for itself and on behalf of the other members of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement) did not exercise, failed to exercise, or waived, the pre-emptive right or in respect of which the pre-emptive right did not apply, (vi) pursuant to a unitholders’ rights plan of the REIT, if any, (vii) to the REIT, the Partnership or any Subsidiary of the REIT or the Partnership or an Affiliate of any of them, and (viii) any issuance of Units pursuant to the Over-Allotment Option.

Registration Rights

The Exchange Agreement will provide the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement with the right (the “**Piggy-Back Registration Right**”) to require the REIT to include Units held by such securityholders, including Units issuable upon exchange of Class B LP Units, in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Distribution**”). Any such rights will only be exercisable by Dilawri, for itself and on behalf of the other members of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement. The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units that Dilawri requests to be sold (for itself and on behalf of the other members of the Dilawri Organization and the applicable Transferors), provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Exchange Agreement will provide the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement with the right (the “**Demand Registration Right**”) to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held by such securityholders, including Units issuable upon exchange of Class B LP Units, for distribution (a “**Demand Distribution**”). Any such rights will only be exercisable by Dilawri, for itself and on behalf of the other members of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement. Dilawri (for itself and on behalf of the other members of the Dilawri Organization and the applicable Transferors) will be entitled to request not more than one Demand Distribution per calendar year, and each Demand Distribution must be comprised of such number of Units that would reasonably be expected to result in aggregate gross proceeds of at least \$10 million. The REIT may distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to the selling securityholders.

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time following the Lock-up Period, provided that the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10% effective interest in the REIT (on a fully-diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to customary conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of

a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the applicable Transferors or members of the Dilawri Organization, and the fees of the applicable Transferors' or members of the Dilawri Organization's external legal counsel, will be borne by the applicable Transferors or members of the Dilawri Organization. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and the applicable Transferors or members of the Dilawri Organization on a proportionate basis according to the number of Units distributed by each. Pursuant to the Exchange Agreement, the REIT will indemnify the applicable Transferors or members of the Dilawri Organization for any misrepresentation in a prospectus under which the applicable Transferors' or members of the Dilawri Organization's Units are distributed (other than in respect of any information provided by the applicable Transferors or members of the Dilawri Organization, in respect of the applicable Transferors or members of the Dilawri Organization, for inclusion in the prospectus) and the applicable Transferors or members of the Dilawri Organization will indemnify the REIT for any information provided by the applicable Transferors or members of the Dilawri Organization, in respect of the applicable Transferors or members of the Dilawri Organization, for inclusion in the prospectus. These registration rights will not require the REIT to register the Units under the U.S. Securities Act.

Tag/Drag Rights

The Exchange Agreement will provide that, in the event that a person offers or agrees to purchase Class A LP Units in the Partnership held by the REIT pursuant to an agreement with the REIT, then it will be a condition of any such agreement that the person will offer to purchase a *pro rata* portion of the Class B LP Units on the same terms and subject to the same conditions as are applicable to the purchase of the Class A LP Units held by the REIT. If the holders of the Class B LP Units own, direct or control, in the aggregate, less than a 10% effective interest in the REIT (on a fully-diluted basis), the REIT will be entitled in connection with the direct or indirect sale by the REIT of all of its interests in the Partnership to an unrelated third party, to require that the holders of the Class B LP Units or any permitted assignee sell their respective Class B LP Units on the same terms and subject to the same conditions as are applicable to the REIT's direct or indirect sale of all other interests in the Partnership, and upon the REIT making such request and completing such sale, the applicable transferors will have no further interest in the Partnership.

Assignment

The Exchange Agreement will not be assignable by Dilawri, any other Transferor, or any other holder of Class B LP Units without the REIT's prior written consent other than to one or more Affiliates of Dilawri, such Transferor or such holder, as applicable, provided that such entity remains an Affiliate of Dilawri, such Transferor or such holder, as applicable. However, any such party will be able to assign its interest in the Exchange Agreement without the consent of the other parties in connection with the transfer of that party's Class B LP Units in accordance with the provisions of the Limited Partnership Agreement; provided, however, that no assignment by a holder of Class B LP Units of its interest in the Exchange Agreement will be effective unless such holder has first complied with the terms and conditions in the Limited Partnership Agreement applicable to the transfer of Class B LP Units. In addition, the Exchange Agreement will not be assignable by the REIT, except with the prior written consent of each holder of Class B LP Units. See "The Partnership — Transfer of LP Units".

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT's overall borrowing policy will be to obtain secured credit facilities, principally on a fixed rate or effectively fixed rate basis, which will allow the REIT to (i) achieve and maintain staggered maturities to lessen exposure to re-financing risk in any particular period, (ii) achieve and maintain fixed rate maturities to lessen exposure to interest rate fluctuations, and (iii) extend loan commitment periods and fixed rate periods as long as possible when borrowing conditions are favourable. Subject to market conditions and the growth of the REIT, management currently intends to target Indebtedness of approximately 55%-60% of GBV. Management expects that the ratio of Indebtedness to GBV may increase, at least temporarily, following an acquisition by the REIT

of one or more additional properties. Interest rates and loan maturities will be reviewed on a regular basis by management and the Trustees to ensure appropriate debt management strategies are implemented.

Pursuant to the Declaration of Trust, the REIT may not incur or assume any Indebtedness, if after giving effect to the incurring or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of GBV, including convertible debentures. On Closing, the REIT expects to have in place the Non-Revolving Credit Facilities with a combined principal amount of approximately \$193.8 million, consisting of fixed interest rate (directly and through interest rate swaps), long-term secured credit facilities with a weighted average effective interest rate of approximately 3.2%, a weighted average term to maturity of approximately 5.1 years from Closing (assuming extension of Loan Facility 3 for an additional 3-year term in accordance with its terms, or approximately 4.9 years if no such extension occurs) and a remaining term to maturity of interest rate swaps of approximately 5.6 years from Closing. The Non-Revolving Credit Facilities will be recorded on the statement of financial position of the REIT at the carrying value of approximately \$193.8 million, which approximates fair value.

The REIT intends to finance its ongoing operations with a combination of primarily fixed rate non-revolving secured debt with staggered maturities and floating rate secured short-term revolving debt.

Both the non-revolving debt and the revolving debt are expected to be secured primarily by first position charges against the REIT's properties. The REIT intends to satisfy principal repayments in future periods through a combination of re-financing of the Non-Revolving Credit Facilities, cash flow from operations and, to a lesser extent, through drawdowns on the Revolving Credit Facilities.

Composition of Indebtedness

The REIT's fixed and variable rate debt is initially expected to be comprised of the following:

- (i) a credit facility with a Canadian chartered bank ("**Loan Facility 1**") comprised of (a) a variable rate non-amortizing revolving facility ("**Revolving Facility 1**"), (b) a non-revolving loan facility which will effectively bear interest at a fixed rate by virtue of hedging arrangements to be entered into on or about Closing ("**Non-Revolving Facility 1**"), and (c) a swap facility;
- (ii) a syndicated credit facility with Canadian chartered banks ("**Loan Facility 2**") comprised of (a) a variable rate non-amortizing revolving facility ("**Revolving Facility 2**"), (b) a non-revolving loan facility which will effectively bear interest at a fixed rate by virtue of hedging arrangements to be entered into on or about Closing ("**Non-Revolving Facility 2**"), and (c) a swap facility; and
- (iii) a fixed rate non-revolving loan facility with a Canadian chartered bank ("**Loan Facility 3**" and, collectively with Non-Revolving Facility 1 and Non-Revolving Facility 2, the "**Non-Revolving Credit Facilities**"). Provided Loan Facility 3 is in good standing at maturity, the REIT will have the right to extend Loan Facility 3 for an additional 3-year term at then market interest rates.

The Non-Revolving Credit Facilities are expected to have maturities ranging from 4 to 5 years from Closing (subject to the REIT's right to extend Loan Facility 3 for an additional 3-year term as described above). Additionally, variable rate debt will be available to be incurred pursuant to Revolving Facility 1 and Revolving Facility 2 (collectively, the "**Revolving Credit Facilities**") with maturities of 3 and 5 years from Closing, respectively. The Credit Facilities will be secured by, among other things, first-ranking charges on the Initial Properties and will be guaranteed by the REIT and Subsidiaries of the Partnership.

Both Loan Facility 1 and Loan Facility 2 are expected to provide the REIT with the flexibility to add, remove or substitute properties from the respective security pools, subject to compliance with certain conditions. Non-Revolving Facility 1 and Non-Revolving Facility 2 will be fully open to repayment and refinancing by the REIT at any time and in any amounts throughout the 5 year committed period without payment of any prepayment fees or penalties.

Loan Facility 1 and Loan Facility 2

The Partnership has received discussion papers from Canadian chartered banks in respect of Loan Facility 1 and Loan Facility 2. The aggregate maximum amount authorized under Loan Facility 1 will be \$145 million, and the aggregate maximum amount authorized under Loan Facility 2 will be \$78 million. The maximum amount available under Revolving Facility 1 will be the lesser of (i) \$15 million, and (ii) the lesser of (a) 65% of the appraised value of the Initial Properties against which Loan Facility 1 will be secured, and (b) a debt service coverage ratio of 1.25 times for such Initial Properties, less (c) amounts outstanding under Non-Revolving Facility 1. The maximum amount available under Non-Revolving Facility 1 will be the lesser of (i) \$130 million, and (ii) 60% of the appraised value of the Initial Properties against which Loan Facility 1 will be secured. The amounts available under Loan Facility 2 will be limited to the lesser of (i) \$78 million (of which \$7.5 million relates to Revolving Facility 2 and \$65.5 million relates to Non-Revolving Facility 2), (ii) 70% of the appraised value of the Initial Properties against which Loan Facility 2 will be secured, and (iii) a debt service coverage ratio of 1.35 times for such Initial Properties, less any negative mark to market positions of interest rate hedging contracts.

The Non-Revolving Credit Facilities, which are each available in a single advance, are expected to be fully advanced at Closing in order to indirectly partially fund the Acquisition. The Revolving Credit Facilities will be used to finance property acquisitions and for general purposes and management expects that no funds will be drawn-down under the Revolving Credit Facilities at Closing.

Revolving Facility 1 will have a term to maturity of 3 years from Closing and Non-Revolving Facility 1 will have a term to maturity of 5 years from Closing. Loan Facility 2 will have a term to maturity of 5 years from Closing. The effective fixed interest rate payable under Non-Revolving Facility 1 and Non-Revolving Facility 2 is estimated by management to be 3.1% and 3.3%, respectively, based on the interest rate swaps expected to be put in place on or about Closing (see “— Hedging Arrangements”). The interest rates payable under the Revolving Credit Facilities will be variable and will be based on the Canadian prime rate plus 25 basis points or the bankers’ acceptance rate plus 150 basis points. A standby fee of 30 basis points will be charged on undrawn amounts under the Revolving Credit Facilities.

Loan Facility 1 and Loan Facility 2 will include conditions precedent, representations and warranties, financial and non-financial covenants, change of control acceleration rights (including on a change of control of the REIT) and events of default customary for a credit facility of this nature. Loan Facility 1 will include a “most favoured nations” clause pursuant to which the terms of Loan Facility 1 will change to the extent the REIT or Partnership grant any other lender more favourable terms, including terms of any unsecured debentures that may be issued by the REIT. Loan Facility 1 will also include financial covenants that will require, among other things, the REIT to maintain, on a consolidated basis: (i) a debt service coverage ratio of at least 1.4 times; (ii) a loan to value ratio of less than or equal to 65% of gross book value of assets; and (iii) minimum equity of \$150 million plus 75% of any equity issued after Closing. Subject to a \$0.5 million per annum threshold, Loan Facility 1 will require lender approval for capital expenditures by the Partnership. Loan Facility 1 will also limit distributions by the REIT to an amount not to exceed 95% of its consolidated funds from operations and will require the REIT to remain publicly-traded. The financial covenants in Loan Facility 2 will include the requirement for the Partnership and the guarantors under Loan Facility 2, including the REIT, to maintain, on a consolidated basis: (i) a ratio of total debt to gross book value of assets equal to or less than 60% (excluding convertible debentures of the REIT) and 65% (including convertible debentures and any negative mark to market position under hedging contracts and foreign exchange contracts); (ii) a debt service coverage ratio of at least 1.35 times; (iii) a property debt service coverage ratio of at least 1.35 times at Closing and 1.25 times thereafter; and (iv) a minimum equity of \$120 million following Closing. Loan Facility 2 will also limit distributions by the REIT to an amount not to exceed 100% of its consolidated adjusted funds from operations and, if required by the lenders, proceeds of future issuances of equity or debt will be required to be used by the REIT to pay down Loan Facility 2.

The availability of Loan Facility 1 and Loan Facility 2 will be contingent on, among other things, satisfactory documentation, due diligence and review by the applicable lender of the prospectuses to be delivered in connection with the Offering and, in the case of Loan Facility 1, the Offering raising at least \$70 million. Loan

Facility 1 and Loan Facility 2 are not subject to credit committee approvals of the applicable lenders under such Credit Facilities.

Loan Facility 3

The Partnership has received a discussion paper with a Canadian chartered bank pursuant to which the lender will provide the Partnership on Closing with a fixed rate non-revolving loan facility in the principal amount of approximately \$14.1 million representing approximately 54.9% of the appraised value of the Initial Property against which Loan Facility 3 will be secured. This non-revolving loan is expected to be fully advanced at Closing in order to indirectly partially fund the Acquisition.

Loan Facility 3 has a term to maturity of 4 years from Closing; provided, however, the REIT will have the right to extend Loan Facility 3 for an additional 3-year term at then market interest rates provided Loan Facility 3 is in good standing at maturity. The effective fixed interest rate payable under Loan Facility 3 is estimated by management to be 3.5%.

Loan Facility 3 will include conditions precedent, representations and warranties, financial and non-financial covenants, change of control acceleration rights (including on a change of control of the REIT) and events of default customary for a credit facility of this nature. The financial covenants will include the requirement for the Partnership to maintain a consolidated debt service coverage ratio of not less than 1.25 times.

The availability of Loan Facility 3 is contingent on, among other things, satisfactory documentation, due diligence and review by the lender of the prospectuses to be delivered in connection with the Offering. Loan Facility 3 is not subject to credit committee approval of the lender under that Credit Facility.

Summary of Fixed Rate Indebtedness

The following table sets out the expected fixed rate Indebtedness of the REIT immediately following Closing:

<u>Loan</u>	<u>Prepayment Privilege</u>	<u>Maturity</u>	<u>Principal Amount at Closing</u>	<u>Effective Fixed Rate of Interest</u>
Non-Revolving Facility 1 ⁽¹⁾	Fully open	5 years from Closing	\$119.5 million	3.1% ⁽²⁾
Non-Revolving Facility 2 ⁽³⁾	Fully open	5 years from Closing	60.2 million	3.3% ⁽²⁾
Loan Facility 3 ⁽⁴⁾	None	4 years from Closing ⁽⁵⁾	14.1 million	3.5%
Total/Weighted Average:			<u>\$193.8 million</u>	<u>3.2%</u>

Notes:

- (1) The lender under Loan Facility 1 will have security interests in the following Initial Properties: Porsche Centre Vancouver; Audi Sales Downtown Vancouver; Infiniti Vancouver; North Vancouver Nissan Infiniti; Calgary BMW; Dixie Auto Mall; Oakville Honda; Meadowvale Honda; Frost Chevrolet Buick GMC Cadillac; Bolton Toyota; and Markham Acura.
- (2) The effective interest rate for the Non-Revolving Facility 1 and Non-Revolving Facility 2 is based on interest rate swaps expected to be put in place on or about Closing (see “— Hedging Arrangements”).
- (3) The lenders under Loan Facility 2 will have security interests in the following Initial Properties: Distinctive Collection; Calgary Honda; Hyundai Gallery; Honda Used Car and Regina Collision Centre; Regina Honda; Regina Hyundai; Dilawri Mitsubishi; Dilawri Nissan Infiniti; Dilawri Acura; Dilawri BMW; Triple 7 Chrysler; Burrard Acura; Langley Acura; and Agincourt Mazda.
- (4) The lender under Loan Facility 3 will have a security interest in Markham Honda and Ford.
- (5) Provided Loan Facility 3 is in good standing at maturity, the REIT will have the right to extend Loan Facility 3 for an additional 3-year term at then market interest rates.

Hedging Arrangements

On or about Closing, the REIT will enter into interest rate swap arrangements in order to fix the rate of interest payable under the Non-Revolving Credit Facilities. The hedging arrangements are expected to be

implemented initially for a term of between 3 and 10 years, with a weighted average remaining term to maturity of approximately 5.6 years from Closing. Management and the Board will assess the REIT's hedging strategy from time to time.

The following table sets out the combined borrowings under the Non-Revolving Facility 1 and Non-Revolving Facility 2, and the expected term to maturity of the related interest rate swaps.

<u>Years from Closing</u>	<u>Total Debt Amount (\$000s)</u>	<u>Total Swapped Fixed Rate Debt (%)</u>
3	\$ 49,118	27.3
5	64,071	35.6
7	44,310	24.7
10	22,224	12.4
Total	<u>\$179,724</u>	<u>100.0</u>

ARRANGEMENTS WITH DILAWRI

On Closing, the REIT, the Partnership and Dilawri will enter into certain agreements governing the relationships among such parties following Closing. See also "Retained Interest".

Administration Agreement

General

Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, if and as requested by the REIT and, in each case, subject to the overriding supervision and direction of the Board, the REIT with:

- (i) the REIT's President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary, as approved by the REIT;
- (ii) certain administrative and other support services, including assisting the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary with the standard functions of a public company, including financial reporting, investor relations, quarterly conference calls, ongoing disclosure obligations, Unitholder correspondence, annual and special meetings of the Unitholders, compliance with the Declaration of Trust and providing office space for the REIT; and
- (iii) such other services as may from time to time be agreed in writing by the REIT and Dilawri for which Dilawri will be compensated on terms to be agreed prior to the provision of such services.

Subject to as provided above, Dilawri has agreed to provide these services to the REIT on a cost-recovery basis only. Dilawri has agreed to provide the above-noted services for a fixed fee equal to \$700,000 during the Forecast Period. During the Forecast Period, \$350,000 of such costs will be allocated to the services of the President and Chief Executive Officer, \$150,000 of such costs will be allocated to the services of the Chief Financial Officer and Corporate Secretary, and the remainder of such costs will be allocated to the other services to be provided by Dilawri. Following the Forecast Period, the REIT will reimburse Dilawri for costs incurred in connection with the provision of the above services so long as such costs are identified in the then current annual budget of the REIT or are otherwise approved by the REIT.

The REIT's President and Chief Executive Officer is Milton Lamb and its Chief Financial Officer and Corporate Secretary is Andrew Kalra, both of whom are currently employees of a Subsidiary of Dilawri and whose services will be provided to the REIT pursuant to the Administration Agreement. The President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary of the REIT cannot be changed by Dilawri without the REIT's prior approval, but they can be removed, through termination of the Administration Agreement, in whole or in part, by the REIT in its discretion. In addition to fulfilling the role of President and Chief Executive Officer of the REIT, Mr. Lamb will work for Dilawri to, among other things, source and develop properties, including automotive dealerships, for which he will be paid customary

development fees by Dilawri. It is initially expected that Mr. Lamb and Mr. Kalra will each spend the majority of their time on services provided to the REIT. Management believes this arrangement is in the best interests of the REIT and the Unitholders as it allows the REIT to benefit from the services of an experienced President and Chief Executive Officer in a cost-efficient manner. Further, Mr. Lamb's oversight of Dilawri's development activities is beneficial to the REIT as it is expected to result in the identification and development of REIT-Suitable Properties that may be acquired by the REIT under the Strategic Alliance Agreement. Pursuant to the Administration Agreement, if the REIT elects to terminate the Administration Agreement in whole or in part (as described below) and wishes to directly employ the President and Chief Executive Officer, Dilawri will, to the extent reasonably practicable, facilitate the President and Chief Executive Officer's transition to an employee of the REIT.

See "Trustees and Management of the REIT — Trustees and Executive Officers" for an outline of the responsibilities of the REIT's President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary. Such activities are subject to the overriding supervision and direction of the Board.

The Administration Agreement will contain an acknowledgement that Dilawri may engage in other businesses that may be similar to or in competition with the REIT's affairs. In the event of a conflict, Dilawri will provide the REIT with written notice of the conflict and the REIT will be entitled to retain one or more third parties to perform the administrative services to which the conflict relates.

Termination

The term of the Administration Agreement will be for five years commencing on Closing and will be automatically renewed for further one-year terms, provided that the Administration Agreement or any of the services thereunder may be terminated by the REIT at any time during the term (except during the Forecast Period) upon 90 days' prior written notice to Dilawri, or in the event of a material breach or material default of Dilawri's obligations under the Administration Agreement or insolvency of Dilawri, in all cases without payment of any termination fees. Dilawri has the right to terminate the Administration Agreement upon not less than 180 days' prior written notice to the REIT once the REIT's fully-diluted market capitalization based on the volume weighted average price of the Units on the principal exchange or market on which the Units are listed or quoted for trading over a 20 business day period, exceeds \$500 million or in the event of a material breach or material default of the REIT's obligations under the Administration Agreement or insolvency of the REIT, in all cases without payment of any termination fees. Should Dilawri elect to terminate the Administration Agreement (other than in the event of a material breach or default by the REIT), Dilawri will continue to provide the services thereunder to the REIT beyond such 180 day period if necessary, and for so long as reasonably required by the REIT to facilitate either the transition of such services to another service provider or the internalization of such services by the REIT. For clarity, after the expiry of the Forecast Period, the REIT may terminate the Administration Agreement in part in respect of one or more particular services, in each case, upon 90 days' prior written notice, without payment of any termination fees. As part of any termination of the Administration Agreement, the REIT will be permitted to solicit employees of the Dilawri Group who provide services to the REIT under the Administration Agreement.

Management expects the scope of the services to be provided pursuant to the Administration Agreement to decrease over time as the REIT develops the capacity and financial wherewithal to undertake more of the services internally and transitions to directly employing its President and Chief Executive Officer, Chief Financial Officer and Corporate Secretary and other senior management.

Strategic Alliance Agreement

The Strategic Alliance Agreement will create various rights and obligations between the REIT and the Dilawri Group intended to establish a preferential and mutually beneficial business and operating relationship.

Termination

So long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT, the Strategic Alliance Agreement shall remain in full force and effect.

Survival of Certain Rights

Pursuant to the Strategic Alliance Agreement, however, Dilawri's right of first offer on properties that the REIT wishes to sell (as described below) will survive termination of the Strategic Alliance Agreement and remain in effect for so long as the REIT owns the applicable property.

Rights Granted

The Strategic Alliance Agreement will provide the REIT with important rights (and imposes important obligations on the Dilawri Group) that are expected to meaningfully contribute to the REIT's growth pipeline:

Rights with Respect to Acquired Properties and Owned Properties (including the Development Properties):

The REIT will have rights to purchase (i) any property in Canada or the United States acquired by a member of the Dilawri Group that Dilawri determines, acting reasonably, to be a REIT-Suitable Property, and (ii) any property owned by a member of the Dilawri Group that a member of the Dilawri Group develops, redevelops, refurbishes, or repositions into a property that Dilawri determines, acting reasonably, is a REIT-Suitable Property (including the Development Properties). Following Closing, if a member of the Dilawri Group acquires or develops, redevelops, refurbishes, or repositions a property and Dilawri determines, acting reasonably, such property to be a REIT-Suitable Property, it will provide the REIT with an offer to sell such property and information in respect of the property. Any such offer shall be made within 90 days of (i) the closing date of the acquisition of such REIT-Suitable Property by a member of the Dilawri Group, or (ii) Substantial Completion in the case of a property that a member of the Dilawri Group develops, redevelops, repositions or refurbishes into a REIT-Suitable Property (including the Development Properties), as the case may be (the "Acquisition ROFO"). In addition, the REIT will have a right of first opportunity (the "Sale ROFO") to acquire any property owned by a member of the Dilawri Group that Dilawri determines, acting reasonably, to be a REIT-Suitable Property prior to disposition to any third party (other than properties subject to any pre-existing rights of first opportunity or similar rights). Subject to the 180-day period during which Dilawri may proceed to sell an Acquisition ROFO Property to a third party after having offered such property to the REIT as noted below, the properties subject to the Sale ROFO include the Development Properties not acquired by the REIT and properties developed or acquired by the Dilawri Group that the REIT does not purchase pursuant to the Acquisition ROFO. If a member of the Dilawri Group wishes to sell (directly or indirectly by way of the sale or acquisition of securities) any such REIT-Suitable Property, it will provide the REIT with an offer to sell the property and information in respect of the property. Any such offer will set out, in reasonable detail, its material terms and conditions and any material information relating to the property that is in the control or possession of the Dilawri Group, including the proposed sale price and any unusual terms, including any vendor obligations or restrictions. If the property is or will be subject to a lease with a member of the Dilawri Group, the property specific information will include the proposed terms of any new or amended lease with the applicable member of the Dilawri Group (including any terms proposed to differ from the standard terms described under "Assets of the REIT — Description of the Material Terms of the Dilawri Leases"; provided, however, that leases in respect of the Development Properties will be on the terms described under "Assets of the REIT — Description of the Material Terms of the Dilawri Leases"). Dilawri will also provide the capital budget in respect of the property for the current year (and the ensuing year if available), a rent roll of all existing leases and offers to lease, historical financial information (for the current year and, to the extent available, the previous two years) and a *pro forma* operating budget for the ensuing two years, copies of the most recent third party appraisal or valuation and most recent environmental and structural inspection reports, and any additional relevant environmental and structural information, as well as information regarding any debt obligations pertaining to the property to be assumed by the REIT. The REIT will have up to 15 business days from the receipt of the offer to sell (or, as appropriate, after receipt of all requested information) to either accept Dilawri's offer by delivering a non-binding letter of intent, together with a refundable cash deposit equal to 10% of the sale price, or to deliver a counter offer to Dilawri. If the REIT does not provide an acceptance notice or a counter offer within that 15 business day period, it will be deemed to have rejected the offer. If the REIT delivers a counter offer, Dilawri will have 15 business days to respond, failing which it will be deemed to have rejected it. If Dilawri accepts the REIT's counter offer, the REIT must deliver an executed non-binding letter of intent and the refundable cash deposit.

Unless the REIT and Dilawri otherwise agree, the consideration payable by the REIT pursuant to such a transaction will be a combination of cash and Units (or units of the Partnership, if applicable) *pro rata* to the Dilawri Organization's interest in the REIT on a fully-diluted basis. The number of securities to be issued on closing of the purchase shall be determined by reference to the 20-day volume weighted average closing price of the Units on the principal exchange or market on which the Units are listed or quoted for trading on the date prior to the date on which a binding purchase agreement is entered into.

If the REIT accepts Dilawri's offer, it will have a 60-day due diligence period with respect to the property, including to obtain, as required, a phase I environmental site assessment, structural inspection report and an independent appraisal of the property. During such due diligence period, the REIT will arrange financing and the REIT and the applicable member of the Dilawri Group will enter into a binding purchase agreement, subject only to customary real estate conditions and the REIT being satisfied with its diligence investigations. The closing of the purchase of a property by the REIT pursuant to the Sale ROFO must be completed within 30 days of the expiry of the due diligence period. In the case of a REIT-Suitable Property being acquired by the REIT pursuant to the Acquisition ROFO, the closing of the purchase must be completed within 30 days of the later of (i) the expiry of the due diligence period, (ii) the closing date of the acquisition by a member of the Dilawri Group of such REIT-Suitable Property, or (iii) Substantial Completion of such property in the case of a property that a member of the Dilawri Group develops, redevelops, repositions or refurbishes into a REIT-Suitable Property (including the Development Properties), as the case may be.

If the REIT does not accept Dilawri's offer (or Dilawri does not accept the REIT's counter offer), or the applicable period for the REIT providing notice to Dilawri lapses, (i) in the case of a property offered to the REIT pursuant to the Acquisition ROFO, the applicable member of the Dilawri Group may sell the property within the following 180 days to any third party on terms not materially more favourable to the third party than those offered to the REIT or offered by the REIT in its counter offer, as applicable, without regard to the Sale ROFO, provided that any sale to a third party may only be for cash consideration, and (ii) in the case of a property offered to the REIT pursuant to the Sale ROFO, the applicable member of the Dilawri Group will be free to complete the sale of the property within the following 180 days to any third party on terms not materially more favourable to the third party than those offered to the REIT or offered by the REIT in its counter offer, as applicable, provided that any sale to a third party may only be for cash consideration. The Dilawri Group will comply with the Sale ROFO in respect of any sale of the applicable property after such 180-day period or any proposed sale of the applicable property on terms that are materially more favourable to a purchaser than those offered to or by the REIT, as applicable.

Neither the Acquisition ROFO nor Sale ROFO will be binding upon any third party purchaser of the property (where the applicable right of first offer was complied with by the Dilawri Group and the REIT elected to not acquire the property).

These rights of first offer in favour of the REIT will be subject to any prior-ranking pre-emptive right in respect of the property (such as rights of first offer or rights of first refusal) that the property is subject to at the relevant time (including rights that may be granted in the ordinary course of business or assumed in connection with acquisitions, including pre-existing rights that future-acquired properties may be subject to at the time of acquisition). In addition, the rights of first offer will be subject to certain exceptions, including sales required in order to comply with applicable laws or governmental directions, sales in connection with expropriations, and sales of non-material components to governmental authorities or adjacent landowners or third parties for public uses.

The Dilawri Group will not be required to provide the REIT with a right of first offer in connection with any property that is being transferred within the Dilawri Organization but any subsequent transfer outside the Dilawri Organization will need to comply with the Sale ROFO. The Dilawri Group will not be permitted to dispose of a Development Property prior to Substantial Completion without the prior approval of the REIT, acting reasonably.

The Strategic Alliance Agreement provides Dilawri with certain important rights (and imposes important obligations on the REIT), with respect to certain activities of the REIT:

Right of First Offer on Properties that the REIT Wishes to Sell: Dilawri will have the right of first offer to purchase any property owned by the REIT in which a member of the Dilawri Group is a tenant or which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement that the REIT seeks to sell or otherwise dispose of (directly or indirectly by way of the sale or acquisition of securities). This right of first offer does not apply to a sale of a property from one Subsidiary of the REIT to another. If the REIT wishes to sell a property it will provide Dilawri with an offer to sell the property and information in respect of the property. Any such offer will set out, in reasonable detail, its material terms and conditions and any material information relating to the property that is in the control or possession of the REIT or its Subsidiaries, including the proposed sale price and any unusual terms, property revenue, expense and capital budgets in respect of the property for the current year (and the ensuing year if available), a rent roll of all existing leases and offers to lease, copies of any recent third party appraisal or valuation and the most recent environmental and structural inspection reports, and any additional relevant environmental and structural information, as well as information regarding any debt obligations pertaining to the property to be assumed by Dilawri. The consideration payable by Dilawri must be cash.

Dilawri will have up to 15 business days from the receipt of the offer to sell (or, as appropriate, after receipt of all requested information) to either accept the REIT's offer by delivering an executed non-binding letter of intent, together with a refundable cash deposit equal to 10% of the sale price, or to deliver a counter offer to the REIT. If Dilawri does not provide a notice of acceptance or a counter offer within that 15 business day period, it will be deemed to have rejected the REIT's offer. If Dilawri delivers a counter offer, the REIT will have 15 business days to respond, failing which the REIT will be deemed not to have accepted it. If the REIT accepts Dilawri's counter offer, Dilawri must deliver an executed non-binding letter of intent and the refundable cash deposit.

If Dilawri accepts the REIT's offer, it will have a 60-day due diligence period with respect to the property, with closing to be completed within 30 days of the waiver or expiry of this period. During the due diligence period, the REIT and Dilawri will enter into a binding purchase agreement, subject only to customary real estate conditions and Dilawri being satisfied with its diligence investigations during such diligence period. If Dilawri notifies the REIT that it does not wish to acquire the property at the price offered to Dilawri, or the REIT does not accept Dilawri's counter offer, or the applicable period for Dilawri providing notice to the REIT lapses, the REIT will be free to complete the sale of the property within the following 180 days to any third party on terms not materially more favourable to the third party than those offered to Dilawri or offered by Dilawri to the REIT in its counter offer, as applicable, provided that any sale to a third party may only be for cash consideration. The REIT will comply with the foregoing in respect of any sale after such 180-day period or any proposed sale on terms that are materially more favourable to a purchaser than those offered to or by Dilawri, as applicable. The right of first offer is not binding upon any third party purchaser of the property (where the right of first offer was complied with by the REIT and Dilawri elected to not acquire the property, nor does it apply to the sale of all or substantially all of the assets of the REIT or Partnership and, for clarity, it shall not be triggered by virtue of a change of control of the REIT).

This right of first opportunity in favour of Dilawri will be subject to any prior ranking pre-emptive right (such as a right of first offer or first refusal) in respect of the property that the property is subject to at the relevant time (including rights that may be granted in the ordinary course of business or assumed in connection with acquisitions, including pre-existing rights that future-acquired properties may be subject to at the time of acquisition). In addition, the right of first offer will be subject to certain exceptions, including sales required in order to comply with applicable laws or governmental directives, or in connection with expropriations, or sales of non-material components to governmental authorities or adjacent landowners or third parties for public uses.

Non-Compete

Pursuant to the Strategic Alliance Agreement, without prior written approval of a majority of the REIT's Independent Trustees, Dilawri and its directors and executive officers will not be permitted during the term of

the Strategic Alliance Agreement, directly or indirectly, to: (i) create another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT; or (ii) materially engage (contractually or otherwise) with another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT, except in the normal course of business to lease or acquire property for use by Dilawri or its directors or executive officers, as applicable. Dilawri and its directors and executive officers will be permitted, however, to create another real estate investment trust or publicly-traded real estate business with investment criteria similar to that of the REIT: (A) upon the termination of the Administration Agreement, provided that in the case of termination by the REIT upon material default or material breach of Dilawri's obligations under the Administration Agreement or Dilawri's insolvency, 12 months have lapsed following the effective date of any such termination, and (B) if Dilawri: (i) acquires a business that owns a material amount of automotive dealership properties that Dilawri wishes to sell; and (ii) after offering such properties to the REIT, the REIT does not elect to purchase such properties pursuant to the Acquisition ROFO or Sale ROFO, as applicable. This non-compete restriction does not apply to investments by Dilawri (in up to five percent of the total equity of each individual investee) in securities of companies that are listed and posted for trading on a recognized stock exchange in Canada or the United States or traded in an over-the-counter market in Canada or the United States that are engaged in a real estate business with investment criteria similar to that of the REIT.

Non-Solicit

The REIT and Dilawri, on its behalf and on behalf of the Dilawri Group, will also agree that, during the term of the Strategic Alliance Agreement, neither will intentionally solicit any specific tenant of a property that is owned by the other (other than their respective Subsidiaries or Affiliates other than, in the case of Dilawri, the REIT) to vacate that property in favour of a property in which it has an ownership or operating interest.

In addition, for as long as the Strategic Alliance Agreement remains in effect, the Dilawri Group will not be permitted to intentionally solicit any employee of the REIT. This restriction does not prohibit any general advertisement or solicitation by Dilawri that is not specifically directed to such employee.

CAPITALIZATION OF THE REIT

The following table sets forth the REIT's *pro forma* consolidated capitalization as at June 1, 2015, both before and after giving effect to, among other things, the Offering and the Acquisition, but without giving effect to the exercise of the Over-Allotment Option.

	<u>As at June 1, 2015⁽¹⁾</u>	<u>As at June 1, 2015 after giving effect to the Offering and the Acquisition</u>
		(in thousands of dollars)
Indebtedness		
Class B LP Units	—	\$ 99,330 ⁽²⁾
Loan Facility 1	—	119,510
Loan Facility 2	—	60,215
Loan Facility 3	—	14,065
Unitholders' Equity		
Special Voting Units	—	— ⁽³⁾
Units	<u>\$10.00⁽⁴⁾</u>	<u>67,260⁽⁵⁾</u>
Total Capitalization	<u>\$10.00</u>	<u>\$360,380</u>

Notes:

- (1) The REIT was initially settled on June 1, 2015 with \$10.00 in cash.
- (2) The number of Class B LP Units authorized for issuance is unlimited. 9,933,253 Class B LP Units will be issued in connection with the Acquisition.
- (3) The number of Special Voting Units authorized for issuance is unlimited. 9,933,253 Special Voting Units will be issued with the 9,933,253 Class B LP Units that will be issued in connection with the Acquisition.
- (4) The number of Units authorized for issuance is unlimited. One Unit was issued in connection with the formation of the REIT which will be redeemed by the REIT immediately following Closing.
- (5) Net of costs of the Offering of \$7,740. 7,500,000 Units will be issued in the Offering.

FINANCIAL FORECAST

The following financial forecast was prepared by management, using assumptions with an effective date of July 1, 2015, and was approved by the Board on July 9, 2015. Pursuant to applicable securities laws, the REIT will be required to update the forecast during the Forecast Period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the REIT's annual or interim management's discussion and analysis for the relevant periods.

The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflects the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing will occur on July 1, 2015.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the Forecast Period will vary from the forecasted results and that such variations may be material. There is no representation that actual results achieved during the Forecast Period will be the same in whole or in part as those forecasted. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements" and "Risk Factors".

The financial forecast should be read in conjunction with the audited combined carve-out financial statements and unaudited combined carve-out financial statements of the Third Party Tenant Portfolio contained in this prospectus. See "Index to Financial Statements".

REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of Automotive Properties Real Estate Investment Trust

The accompanying financial forecast of Automotive Properties Real Estate Investment Trust (the “REIT”), consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending September 30, 2015, December 31, 2015, March 31, 2016 and June 30, 2016 and the twelve-month period ending June 30, 2016, has been prepared by management using assumptions with an effective date of July 1, 2015. We have examined the support provided by management for the assumptions, and the preparation and presentation of this financial forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by the Chartered Professional Accountants of Canada. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the financial forecast;
- this financial forecast reflects such assumptions; and
- the financial forecast complies with the presentation and disclosure standards for future oriented financial information established in Part 4A and 4B of National Instrument 51-102, Continuous Disclosure Obligations.

Since this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

(Signed) BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

July 10, 2015
Toronto, Ontario

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF FORECASTED NET INCOME
AND COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

	For the three month periods ending				Twelve month period ending
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Property revenue	\$7,458	\$7,458	\$7,475	\$7,475	\$29,866
Property costs	979	979	996	996	3,950
Net operating income	6,479	6,479	6,479	6,479	25,916
General and administrative expense	374	374	374	375	1,497
Interest and other financing charges:					
Interest	1,584	1,573	1,561	1,549	6,267
Class B LP Unit distributions	1,987	1,987	1,987	1,987	7,948
Income before undernoted	2,534	2,545	2,557	2,568	10,204
Change in fair value of investment properties . .	(480)	—	—	—	(480)
Net income and comprehensive income	<u>\$2,054</u>	<u>\$2,545</u>	<u>\$2,557</u>	<u>\$2,568</u>	<u>\$ 9,724</u>

See accompanying notes to Financial Forecast.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST
(in thousands of Canadian dollars except unit amounts and per unit amounts)

1. PURPOSE OF THE CONSOLIDATED FINANCIAL FORECAST

The consolidated financial forecast has been prepared by management of 893353 Alberta Inc. (“Dilawri”) on behalf of Automotive Properties Real Estate Investment Trust (the “REIT”) for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL FORECAST

The REIT is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust dated June 1, 2015 (the “Declaration of Trust”) where one unit of the REIT was issued for \$10.00 in cash. The REIT was established under the laws of the Province of Ontario. The principal, registered and head office of the REIT is located at 133 King St. East, Suite 300, Toronto, Ontario, M5C 1G6.

The REIT has been formed primarily to own income-producing commercial properties located in Canada. In connection with the completion of the Offering (as defined below), the REIT will indirectly acquire a portfolio of 26 properties, for use as automotive dealerships, an automotive repair facility, or complementary uses (collectively, the “Initial Properties”). On Closing (as defined below), the REIT will enter into leases with the applicable affiliates of Dilawri (collectively, the “Dilawri Tenants”) and as such the Dilawri Tenants will be the REIT’s only tenant at closing. Dilawri will indemnify the REIT in respect of any defaults by the Dilawri Tenants under their leases for the initial term of such leases.

The consolidated financial forecast consists of consolidated statements of forecasted net income and comprehensive income of the REIT for the three month periods ending September 30, 2015, December 31, 2015, March 31, 2016 and June 30, 2016 and the twelve month period ending June 30, 2016. The consolidated financial forecast has been prepared using assumptions with an effective date of July 1, 2015. The consolidated financial forecast reflects the assumptions described in Note 4. The REIT will hold its interest in the Initial Properties through a newly created limited partnership (the “Partnership”), formed under the laws of the Province of Ontario, which will be consolidated by the REIT.

The consolidated financial forecast has been prepared using assumptions that reflect the REIT’s intended course of action for the periods presented, given management’s judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the consolidated financial forecast periods and any significant differences will be disclosed. The actual results achieved during the consolidated financial forecast periods will vary from the forecasted results, and these variations may be material. Amounts are in thousands of Canadian dollars unless otherwise stated.

This consolidated financial forecast has been approved and authorized for issuance by the board of trustees of the REIT (the “Trustees”) on July 9, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial forecast has been prepared in accordance with the significant accounting policies described below which are the accounting policies that will be applied by the REIT and are consistent with the measurement and presentation principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

(a) Basis of consolidation

The consolidated financial forecast includes the forecasted accounts of the REIT and the other entities that the REIT controls in accordance with IFRS 10 — *Consolidated Financial Statements*. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. All forecasted intercompany transactions and balances have been eliminated on consolidation.

(b) Investment properties

Investment properties include properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost, including directly attributable acquisition costs. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Fair value is determined based on available market evidence, at each balance sheet date. Related fair value gains and losses are recorded in net income and comprehensive income in the period in which they arise.

Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net rental which the property can reasonably be expected to produce over the remaining economic life of improvements. In determining the appropriateness of the methodology applied the relative uncertainty of the timing and amount of expected net rental and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Property revenue includes basic rents earned from tenants under lease agreements and realty tax.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of basic rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant and is included as part of investment property on the consolidated balance sheet.

(d) Expenses

Property costs and general and administrative expenses are recognized in income in the period in which they are incurred. The indemnity fee referenced in Note 4(f) will be amortized over the respective terms of the leases with the Dilawri Tenants that have third party sub-tenants.

(e) Income taxes

The REIT intends to qualify as a “mutual fund trust” under the *Income Tax Act* (Canada). The Trustees intend to distribute all taxable income directly earned by the REIT to holders of units of the REIT (“Unitholders”) and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships (“SIFT”) provide that certain distributions from a SIFT will not be deductible in computing the SIFT’s taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Exception”). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT’s assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it will meet the REIT Exception and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statements of forecast net income and comprehensive income.

(f) Units and Class B LP Units

Units of the REIT (the “Units”) are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards 32—*Financial Instruments: Presentation* (“IAS 32”). The Class B limited partnership units of the Partnership (the “Class B LP Units”) will be economically equivalent to Units, will receive distributions equal to the distributions paid on Units and will be exchangeable at the holder’s option into Units. One Special Voting Unit (as defined below) in the REIT will also be issued to the holder for each Class B LP Unit issued (such Special Voting Unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of Unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached would be entitled). The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units have been classified as financial liabilities and are measured at FVTPL (as defined below). The fair value of the Class B LP Units is measured every period by reference to the traded value of the Units, with changes in measurement recorded in interest expense and other financing charges. Distributions on the Class B LP Units are recorded in interest expense and other financing charges in the consolidated statements of forecasted income and comprehensive income in the period in which they become payable.

(g) Class C LP Units

The Class C limited partnership units of the Partnership (the “Class C LP Units”) will be of fixed value of \$10.00 per unit and can be redeemed by the holders or by the REIT LP at any time for a fixed amount of \$10.00 per unit. As the Class C LP Units will be issued and redeemed on Closing, no distributions are to be incurred on the Class C LP Units.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The limited IAS 32 exception for presentation as equity does not extend to the Class C LP Units. As a result, the Class C LP Units will be classified as financial liabilities and are measured at FVTPL (as defined below). The fair value of the Class C LP Units are measured every period, with changes in measurement recorded in interest expense and other financing charges.

(h) Financial instruments

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss (“FVTPL”), (iv) available-for-sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of forecasted income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income.

The REIT has made the following classifications:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Trade payables and other liabilities	Other financial liabilities
Credit facilities payable	Other financial liabilities
Class B LP Units	FVTPL
Class C LP Units	FVTPL
Interest rate swaps	FVTPL

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest and amortization of finance fees that are incurred in connection with the arrangement of borrowings.

(i) Sources of estimation

The preparation of the consolidated financial forecast requires management to make assumptions and estimates that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The key assumptions used in this consolidated financial forecast relate to revenue and expenses as outlined in Note 4.

4. SIGNIFICANT ASSUMPTIONS

The assumptions used in the preparation of the consolidated financial forecast, although considered reasonable by management, require significant judgments to be made about future events, which may not materialize as forecast. It is not possible to forecast unanticipated events and circumstances.

(a) Initial public offering

The consolidated financial forecast assumes that on July 1, 2015, the REIT will raise gross proceeds of approximately \$75,000 pursuant to an initial public offering (the “Offering”) through the issuance of 7,500,000 Units at a price of \$10.00 per Unit (excluding any Units that may be issued pursuant to any over-allotment option).

For purposes of this consolidated financial forecast, it is assumed that the closing (the “Closing”) of the transactions contemplated by this financial forecast will also occur on July 1, 2015. However, the actual offering and closing dates may differ. In connection with the Closing, the REIT will indirectly acquire the Initial Properties from affiliates of Dilawri (collectively, the “Transferors”) for consideration as described in Note 4(b) below. The purchase price for the Initial Properties is assumed to be \$354,180 (as shown in Note 4(b) below) for purposes of this consolidated financial forecast and is supported by independent appraisals. The REIT expects to incur costs on the acquisition of the Initial Properties of \$3,400, which will be included in the determination of the carrying value of the Initial Properties upon their recognition.

(b) Acquisition of the Initial Properties

Through the Partnership, the REIT is assumed to enter into an agreement to acquire the Initial Properties from the Transferors in exchange for notes (subsequently repaid with cash from the Offering and financings from the Credit Facilities (as defined below)),

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

4. SIGNIFICANT ASSUMPTIONS (Continued)

Class C LP Units (subsequently redeemed with cash from the Offering and financings from the Credit Facilities) and Class B LP Units (some of which will be redeemed with cash from the Offering and financings from the Credit Facilities).

The Initial Properties will be accounted for as an asset acquisition in accordance with the REIT's policy as described in Note 3(b).

The identifiable net assets acquired based on preliminary allocations, are as follows:

Investment properties ⁽ⁱ⁾	\$357,580
--	-----------

The acquisition of the Initial Properties contemplates that the purchase price will consist of consideration and transaction costs as follows:

Cash ⁽ⁱⁱ⁾	64,460
Class B LP Units	99,330
Credit Facility financing	193,790
Total cost of the acquisition	<u>\$357,580</u>

(i) Initial Properties were recognized at \$357,580 which includes the purchase price of \$354,180 representing fair value at the time of acquisition and costs of the acquisition of \$3,400.

(ii) Represents proceeds from the Offering less issuance costs of \$7,740. In consideration of the applicable Dilawri Tenants leasing the entirety of the two Initial Properties with third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT will pay to such Dilawri Tenants an indemnify fee in the aggregate amount of \$1,000 on Closing. In addition, the REIT will pay Dilawri \$1,800 in respect of the deferred land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years.

(c) Class B LP Units and Class C LP Units

The consolidated financial forecast assumes that distributions will be declared by the REIT in respect of the Units on a monthly basis with an annual distribution equal to \$0.8 per Trust Unit, with a corresponding equal amount payable to holders of the Class B LP Units. Such amounts payable as distributions to holders of the Class B LP Units have been recorded in interest expense and other financing charges (see Note 3(f)). The consolidated financial forecast does not reflect any change in the fair value of the Class B LP Units as any such change cannot be forecasted. A \$1.00 per unit increase or decrease in the value of the traded price of Units will result in an approximately \$9,933 increase or decrease to net income, respectively.

The consolidated financial forecast assumes that no distributions will be payable on the Class C LP Units as those units are to be redeemed on Closing for an amount per Class C LP Unit equal to the per Class C LP Unit subscription price therefor.

(d) Property revenue

Forecast property revenue is based on rents from leases assumed to be entered into with affiliates of Dilawri (collectively, the "Dilawri Tenants") on Closing which will be structured as triple-net leases. The Initial Properties will be subject to leases that will have remaining lease terms ranging from 11 to 19 years, with an average remaining lease term of 15 years and an annual basic rent escalation of 1.5% in each year during the initial term and any renewal term. The appraiser undertaking the valuation of the investment properties as described in Note 3(b) determined the market rental rate of each Initial Property and that market rental rate is the initial annual basic rent payable under the Dilawri Leases.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

4. SIGNIFICANT ASSUMPTIONS (Continued)

Property revenue during the forecasted period is comprised of the following, all of which is attributable to the Dilawri Tenants:

	Three month periods ending				Twelve month period ending
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Basic rent	\$5,988	\$5,988	\$5,988	\$5,988	\$23,952
Straight-line adjustments	659	659	659	659	2,636
	<u>6,647</u>	<u>6,647</u>	<u>6,647</u>	<u>6,647</u>	<u>26,588</u>
Realty tax recoveries	811	811	828	828	3,278
Property revenue	<u>\$7,458</u>	<u>\$7,458</u>	<u>\$7,475</u>	<u>\$7,475</u>	<u>\$29,866</u>

Future minimum rental commitments of the Dilawri Tenants on non-cancellable operating leases are approximately as follows:

Within 1 year	\$ 23,950
After 1 year, but not more than 5 years	99,400
More than 5 years	<u>279,100</u>
Total	<u>\$402,450</u>

(e) Property costs

Property costs, which includes property taxes and land lease costs, have been forecasted with reference to the operating plans and budgets for the Initial Properties. The consolidated financial forecast reflects historical data adjusted for changes in costs due to inflation and anticipated changes in realty tax rates and property assessments. Property taxes, which are fully recoverable from the Dilawri Tenants under the Dilawri Leases, are forecast to be \$3,278 during the Forecast Period and land lease payments, which are not recoverable from the Dilawri Tenants under the Dilawri Leases, are forecast to be \$672 during the Forecast Period.

(f) General and administrative

General and administrative expenses include \$700 to be paid by the REIT to Dilawri pursuant to the administration agreement to be entered into on Closing between, among others, the REIT and Dilawri (the "Administration Agreement"). Pursuant to the Administration Agreement, Dilawri will provide, or cause to be provided, to the REIT, the services of the REIT's president and chief executive officer and chief financial officer and corporate secretary, as well as certain administrative and other support services and such other services as may be reasonably required from time to time. Dilawri has agreed to provide, or cause to be provided, these services to the REIT on a cost-recovery basis only. In this regard, the Administration Agreement will require the REIT to pay Dilawri a services fee sufficient to reimburse it for the expenses incurred by it in providing services under the Administration Agreement as long as the expenses are identified in the current annual budget or are otherwise approved by the REIT. Notwithstanding the foregoing, Dilawri has agreed to provide the above-noted services for a fixed fee equal to \$700 during the forecast period. Effective July 1, 2016, however, the cost-recovery basis described above will commence.

Also included in general and administrative expense in the financial forecast are costs for legal fees, trustee fees, transfer agent fees, audit fees, insurance costs and other public company costs. In addition, the indemnification fee of \$1,000 referenced in Note 4(c) is to be amortized over the lease term period resulting in \$72 of expenses for the forecast period.

(g) Interest and other finance charges

Interest and other finance charges are based on the expected terms of the financing arrangements (the "Credit Facilities") expected to be put in place on Closing and management's intentions as to the financings as follows:

- \$119,510 drawn on a non-revolving loan facility bearing interest at bankers' acceptance ("BA") rate plus 150 basis points (bps) or Canadian prime rate ("Prime") plus 25 bps, maturing 5 years from Closing repayable in quarterly blended payments based on a 20 year amortization. The REIT expects to enter into a floating-to-fixed interest rate swap for terms of 3 — 10 years on or about Closing which will result in a weighted average effective interest rate of 3.1% during the forecast period.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

4. SIGNIFICANT ASSUMPTIONS (Continued)

- \$60,215 drawn on a non-revolving loan facility bearing interest at BA rate plus 150 bps or Prime plus 25 bps, maturing 5 years from Closing repayable in monthly blended payments based on a 25 year amortization. The REIT expects to enter into a floating-to-fixed interest rate swap for terms of 3 — 10 years on or about Closing which will result in a weighted average effective interest rate of 3.3% during the forecast period.
- \$14,065 non-revolving loan facility bearing interest at 3.5% maturing 4 years from Closing repayable in monthly blended payments based on a 20 year amortization.

As part of the financings, the REIT will incur financing fees of \$330.

On Closing, the REIT expects to have a \$15,000 revolving credit facility bearing interest at Prime plus 25 bps maturing 3 years from Closing, and a \$7,500 revolving credit facility bearing interest at Prime plus 25 bps maturing 5 years from Closing, each with no initial drawn balance.

The Credit Facilities are to be secured by the Initial Properties.

A stand-by fee equal to 30 bps (assumed to be \$100 during the forecast period) will be charged on undrawn amounts of the revolving credit facilities.

The REIT plans to enter into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates on variable rate financings. Gains or losses arising from the change in the fair value of the interest rate derivative contracts will be recognized in the consolidated statements of net income and comprehensive income. The consolidated financial forecast does not reflect any change in the fair value of the derivatives as any such change is impacted by many variables that cannot be forecasted.

(h) Fair value adjustments on investment property

The purchase price of the Initial Properties includes an estimated portfolio premium of approximately \$480 and transaction costs related to the acquisition of approximately \$3,400. Subsequent to the acquisition of the Initial Properties, such amounts would not be included in the determination of the estimated fair value of the investment properties. Consequently, the consolidated financial forecast includes an adjustment to the fair value of investment properties of \$480, reflecting the difference between the appraised value of the Initial Properties without regard to any portfolio premium of approximately \$353,700 and the purchase price of \$354,180. The consolidated financial forecast does not reflect any other change in the fair value of the Initial Properties as any such change is impacted by many variables that cannot be forecasted. A 10 basis point decrease or increase in capitalization rates would result in an approximately \$2,600 increase or decrease in the fair value of investment properties, respectively.

(i) Units, Class B LP Units and Class C LP Units

As described in Note 4(a), the consolidated statements of forecasted net income and comprehensive income have been prepared assuming that the underwriters' over-allotment option has not been exercised. Immediately following Closing, Unitholders' equity of the REIT and Class B LP Units is expected to be as follows:

	Units	\$
Unitholders Equity ⁽¹⁾	7,500,000	67,260
Class B LP Units	9,933,253	99,330
Total	17,433,253	166,590

(1) Dollar amount is net of expected costs relating to the Offering of \$7,740.

The consolidated financial forecast assumes that no further issuances of Units, Class B LP Units or Class C LP Units will occur during the forecast period.

(j) Income taxes

The consolidated financial forecast assumes that the REIT will on Closing and throughout its 2015 and 2016 taxation years (i) meet the REIT Exception; and (ii) distribute all of its taxable income to Unitholders. Accordingly, no provision for current or future income taxes has been recorded in the consolidated statements of forecast net income and comprehensive income.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FORECAST (Continued)
(in thousands of Canadian dollars except unit amounts and per unit amounts)

4. SIGNIFICANT ASSUMPTIONS (Continued)

(k) Acquisitions, developments and sales of investment property

This consolidated financial forecast does not reflect any potential sales of properties, major redevelopments of properties or further acquisitions of properties, other than the acquisition of the Initial Properties discussed above. However, it is possible that the REIT will make purchases and sales of properties during the forecast period which will only be undertaken on a basis considered by management to be advantageous to the REIT and as approved by the Trustees.

5. COMMITMENTS AND CONTINGENCIES

In connection with the Offering, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the Trustees and the officers of the REIT and its subsidiaries.

The REIT will be entering into the Administration Agreement for various administrative services as described in Note 4(f). The Administration Agreement is for a 5 year period and will be automatically renewed for one year terms with a fixed services fee of \$700 during the forecast period.

The REIT, as lessee, is committed under long-term land leases that are classified as operating leases with expiry dates to 2033 with minimum annual rentals as follows:

Within 1 year	\$ 577
After 1 year, but not more than 5 years	2,362
More than 5 years	<u>9,821</u>
Total	<u>\$12,760</u>

FORECAST NON-IFRS RECONCILIATION

The calculation of NOI and reconciliations of FFO, AFFO and Cash NOI do not form part of the consolidated statements of forecasted net earnings and comprehensive income.

Set out below is a calculation of NOI and a reconciliation of the forecasted net income and comprehensive income to FFO, AFFO, AFFO per Unit and Cash NOI. NOI, FFO, AFFO, AFFO per Unit and Cash NOI are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, FFO, AFFO, AFFO per Unit and Cash NOI as computed by the REIT may differ from similar computations as reported by other real estate companies and accordingly, may not be comparable to NOI, FFO, AFFO, AFFO per Unit and Cash NOI as reported by other issuers. See “Additional IFRS and Non-IFRS Measures” and “Financial Forecast”.

(\$000s, except per Unit amounts)	For the three month periods ending				Twelve month period ending
	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	June 30, 2016
Calculation of NOI					
Property Revenue	\$7,458	\$7,458	\$7,475	\$7,475	\$29,866
Property Costs	979	979	996	996	3,950
NOI (including straight-line adjustments)	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$6,479</u>	<u>\$25,916</u>
Reconciliation of forecasted net income to FFO and AFFO					
Net income and comprehensive income	\$2,054	\$2,545	\$2,557	\$2,568	\$ 9,724
Adjustments:					
Change in fair value of investment properties	480	—	—	—	480
Distributions on Class B LP Units	1,987	1,987	1,987	1,987	7,948
FFO	<u>\$4,521</u>	<u>\$4,532</u>	<u>\$4,544</u>	<u>\$4,555</u>	<u>\$18,152</u>
Adjustments:					
Amortization of deferred financing costs . . .	16	16	16	16	64
Straight-line rent adjustment	(659)	(659)	(659)	(659)	(2,636)
Straight-line land lease adjustment	24	24	24	24	96
Structural reserve ⁽¹⁾	(63)	(63)	(63)	(63)	(251)
Amortization of indemnity fee ⁽²⁾	18	18	18	18	72
AFFO	<u>\$3,857</u>	<u>\$3,868</u>	<u>\$3,880</u>	<u>\$3,891</u>	<u>\$15,496</u>
AFFO per Unit⁽³⁾	0.22	0.22	0.22	0.22	0.89
NOI (including straight-line adjustments)	6,479	6,479	6,479	6,479	25,916
Adjustments:					
Straight-line rent adjustment	(659)	(659)	(659)	(659)	(2,636)
Straight-line land lease adjustment	24	24	24	24	96
Cash NOI	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$5,844</u>	<u>\$23,376</u>

Notes:

- (1) Structural reserve is based on management’s determination of a prudent reserve in the event of capital expenditures that are not the responsibility of the applicable Dilawri Tenant.
- (2) In consideration of the applicable Dilawri Tenants leasing the entirety of the Dixie Auto Mall and Markham Honda and Ford (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants), the REIT will pay to such Dilawri Tenants an indemnity fee in the aggregate amount of \$1 million on Closing. See “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”.
- (3) Calculated assuming all Class B LP Units were converted into Units at the beginning of the Forecast Period.

TRUSTEES AND MANAGEMENT OF THE REIT

Trustees and Executive Officers

At Closing, the Board will consist of five Trustees, the majority of whom are considered to be independent under Canadian securities laws and all of whom are resident Canadians. All Trustee meetings will be held in Canada. The Trustees will be elected by Voting Unitholders at each annual meeting of Voting Unitholders, and all Trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The Declaration of Trust provides Dilawri with certain nomination rights in respect of the election of Trustees by Voting Unitholders to the Board. See “Declaration of Trust and Description of REIT Units”. Subject to Dilawri’s Trustee nomination rights, the nominees for election as Trustees will be determined by the Governance, Compensation and Nominating Committee in accordance with the provisions of the Declaration of Trust and the charter of the Governance, Compensation and Nominating Committee. In respect of Trustee nominees submitted by Dilawri pursuant to its nomination rights, the Governance, Compensation and Nominating Committee will review such proposed nominations and, together with such Trustee nominations solely determined by the Governance, Compensation and Nominating Committee, information relating to such nominees will be included in the proxy-related materials to be made available to Voting Unitholders prior to each annual meeting. In the event that the Governance, Compensation and Nominating Committee does not approve of a proposed Trustee nominee submitted by Dilawri pursuant to its nomination rights, Dilawri will be entitled to submit an alternative proposed Trustee nominee that is acceptable to the Governance, Compensation and Nominating Committee.

The following table sets forth information regarding the Trustees and executive officers of the REIT at Closing.

Name, Province or State and Country of Residence	Position/Title	Independent	Committees	Principal Occupation
Kapil Dilawri <i>Ontario, Canada</i>	Chair of the Board	No ⁽¹⁾	N/A	Co-Founder of the Dilawri Group and Vice President and Secretary of Dilawri
Janet Graham ⁽²⁾ <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee (Chair) Governance, Compensation and Nominating Committee	Managing Director IQ Alliance Incorporated
Stuart Lazier ⁽²⁾ <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee (Chair)	Partner, Co-Founder and Chief Executive Officer Fiera Properties Limited
James Matthews <i>Ontario, Canada</i>	Trustee	No ⁽³⁾	N/A	Chief Financial Officer of Dilawri
John Morrison ⁽²⁾ <i>Ontario, Canada</i>	Lead Independent Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	President and Chief Executive Officer Choice Properties Real Estate Investment Trust
Milton Lamb <i>Ontario, Canada</i>	President and Chief Executive Officer	N/A	N/A	President and Chief Executive Officer of the REIT
Andrew Kalra ⁽⁴⁾ <i>Ontario, Canada</i>	Chief Financial Officer and Corporate Secretary	N/A	N/A	Chief Financial Officer and Corporate Secretary of the REIT

Notes:

- (1) Mr. Dilawri is considered a non-Independent Trustee as he is an executive officer of Dilawri. Mr. Dilawri is a Dilawri nominee.
- (2) Will be appointed as a Trustee at Closing and will not be liable as a Trustee under this prospectus.
- (3) Mr. Matthews is considered a non-Independent Trustee as he is an executive officer of Dilawri. Mr. Matthews is a Dilawri nominee.
- (4) Mr. Kalra is currently a Trustee of the REIT, but will resign effective on Closing.

Immediately after Closing, the Trustees and executive officers of the REIT, as a group, will beneficially own, or control or direct, directly or indirectly, 102,000 Units, representing approximately 0.59% of the issued and outstanding Units (on a fully-diluted basis) upon completion of the Offering and the Acquisition (or approximately 0.55% of the issued and outstanding Units on a fully-diluted basis if the Over-Allotment Option is exercised in full). As Mr. Dilawri will not own, control or direct the Class B LP Units owned, controlled or directed by Dilawri, the foregoing does not include the 9,933,253 Class B LP Units owned, controlled or directed by Dilawri.

The mandate of the Board, substantially in the form set out under Appendix A to this prospectus, is to provide governance and stewardship to the REIT and its business. The mandate will set out the Board's responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management and delegating management authority to the President and Chief Executive Officer; (v) approving related party transactions; (vi) reviewing and approving the business and investment objectives to be met by management; (vii) assessing the performance of and overseeing management; (viii) reviewing the REIT's debt strategy; (ix) identifying and managing risk exposure; (x) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (xi) succession planning; (xii) establishing committees of the Board, where required or prudent, and defining their mandate; (xiii) maintaining records and providing reports to Unitholders; (xiv) ensuring effective communication with Unitholders, other stakeholders and the public; (xv) determining the amount and timing of distributions to Unitholders; and (xvi) monitoring the social responsibility, integrity and ethics of the REIT.

The Board will adopt a written position description for the Chair of the Board and, if applicable, Lead Independent Trustee, which will set out the Chair's and, if applicable, Lead Independent Trustee's, key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and unitholder meetings, Trustee development and communicating with unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The activities of the executive officers are subject to the overriding supervision and direction of the Trustees. The responsibilities of the executive officers of the REIT (including executive officers provided pursuant to the Administration Agreement) will include: (i) providing the Board with information and advice relating to the operation of the REIT's properties, acquisitions, dispositions, developments and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period, as approved by the Board, and implementing such plans and monitoring the financial performance of the REIT and the Partnership; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions, as approved by the Board; (iv) maintaining the books and financial records of the REIT; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes, as approved by the Board; (vi) preparing reports and other information required to be sent to Unitholders and other disclosure documents, as approved by the Board; (vii) calculating all distributions, as approved by the Board; (viii) communicating with Unitholders and other persons, including investment dealers, lenders, investors, and professionals; (ix) administering or supervising the administration, on behalf of the Board, of the payment of distributions by the REIT; and (x) ensuring the REIT is in compliance with internal policies and regulatory and legal requirements.

The Board will also adopt a written position description for the President and Chief Executive Officer which will set out the key responsibilities of the President and Chief Executive Officer. The primary functions of the President and Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with Unitholders and regulators. The President and Chief Executive Officer's mandate will be considered by the Board for approval at least annually.

The REIT will adopt a written code of conduct (the “**Code of Conduct**”) that applies to all Trustees, officers, and management of the REIT and its Subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct will address conflicts of interest, protecting the REIT’s assets, confidentiality, fair dealing with securityholders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT’s best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on SEDAR.

Other than Trustees appointed prior to or at Closing, which Trustees (other than Mr. Kalra, who will resign on Closing) will hold office for a term expiring at the close of the next annual meeting of Voting Unitholders or until a successor is appointed, Trustees will be elected at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Other than the nominees which may be nominated by Dilawri pursuant to its nomination rights as described under “Declaration of Trust and Description of REIT Units”, nominees will be nominated by the Governance, Compensation and Nominating Committee, in each case for election by Voting Unitholders as Trustees in accordance with the provisions of the Declaration of Trust. All nominees who are nominated, whether by Dilawri or the Governance, Compensation and Nominating Committee, will be included in the proxy-related materials to be sent to Voting Unitholders prior to each annual meeting of Voting Unitholders.

The REIT does not impose term limits on its Trustees as it takes the view that term limits are an arbitrary mechanism for removing Trustees which can result in valuable, experienced Trustees being forced to leave the Board solely because of length of service. Instead, the REIT believes that Trustees should be assessed based on their ability to continue to make a meaningful contribution. The REIT’s annual performance review of Trustees will assess the strengths and weaknesses of Trustees and, in the REIT’s view, is a more meaningful way to evaluate the performance of Trustees and to make determinations about whether a Trustee should be removed due to under-performance.

Biographical Information Regarding the Trustees and Executive Officers

Kapil Dilawri (50) — Mr. Dilawri is a co-founder of the Dilawri Group and currently serves as the Vice President and Secretary of Dilawri. Over the last 30 years Mr. Dilawri has been instrumental in growing the Dilawri Group from a single dealership in Regina to the largest automotive dealership group in Canada. Mr. Dilawri remains active in strategic initiatives and business operations of the Dilawri Group.

In 2002, Mr. Dilawri co-founded the Dilawri Foundation, a charitable organization committed to giving back to Canada by supporting medical research, hospitals, children and their families.

Janet Graham (60) — Ms. Graham has been a Managing Director of IQ Alliance Incorporated, a Toronto-based real estate advisory services firm, since August 2002. Prior to joining IQ Alliance Incorporated, Ms. Graham was an independent consultant for a number of years delivering real estate related financial advisory services to major corporate clients. Prior to March 1996, Ms. Graham held senior positions at a Canadian chartered bank and its affiliated investment bank for 15 years specializing in corporate finance and corporate lending to real estate and other companies.

Ms. Graham is a member of the Board of Trustees and Chair of the Audit Committee of Milestone Apartments Real Estate Investment Trust (a publicly-traded Canadian real estate investment trust) and a member of the Board of Directors and Chair of the Audit Committee of Sienna Senior Living Inc. (a publicly-traded owner and operator of long-term care facilities). Ms. Graham is a former member of the Board of Directors and Chair of the Audit Committee of Toronto Waterfront Revitalization Corporation (a corporation without share capital) and a former member of the Board of Directors and member of the Audit Committee of Altus Group Limited (a publicly-traded Canadian company) and a former member of the Board of Trustees and Chair of the Audit and Special Committees of Partners Real Estate Investment Trust (formerly Charter Real Estate Investment Trust), a publicly-traded Canadian real estate investment trust. She is also a former member

of the Board of Trustees and member of the Audit Committee of IPC US Real Estate Investment Trust (a publicly-traded Canadian real estate investment trust) and a former member of the Board of Directors and member of the Audit Committee of Crystal River Capital, Inc. (a public Maryland corporation).

Ms. Graham holds a Bachelor of Applied Science from Guelph University, a Master of Business Administration from York University and holds a CPA, CA Designation.

Stuart Lazier (64) — Mr. Lazier, who has more than 30 years of experience as a leader in real estate management and investment, is a partner, co-founder and the Chief Executive Officer of Fiera Properties Limited. Mr. Lazier was the Managing Partner of Canada's leading independent real estate management services company, Enterprise Property Group, for 14 years. He merged this company with O&Y Properties to form O&Y Enterprise, managing over 110 million square feet and assets of more than \$20 billion. He resigned in 2001, seeking to apply his vast experience to the investment side of the business. Between 2001 and 2009, Mr. Lazier co-founded KingSett Capital, now one of Canada's leading real estate fund managers. In addition to assisting with KingSett's strategic leadership, Mr. Lazier was responsible for the company's operations, leasing, and portfolio value optimization. He was also a member of the Investment and Advisory Boards overseeing three growth funds with 60 investments valued at \$3 billion managed on behalf of institutional investors. Mr. Lazier then worked with Fiera Capital to launch a new real estate investment platform on December 1, 2011 that would combine the capital market strengths of Fiera Capital with the talents and experience of a best-in-class real estate investment team to bring Fiera investors new and innovative real estate investment products.

Mr. Lazier has served his community as board member and Chair of Covenant House Toronto, Chair of the Real Estate Committee for the Toronto United Way, Vice Chair of the Board of Governors at Upper Canada College and Chairman of the Build Toronto Board of Directors. He is currently a director of a number of other private companies and non-profit organizations. Mr. Lazier holds an MBA from the Richard Ivey School of Business at the University of Western Ontario.

James Matthews (53) — Mr. Matthews currently serves as the Chief Financial Officer of Dilawri and since his appointment in this role on January 1, 2007, Mr. Matthews has also served in the capacity of Chief Financial Officer of the other members of the Dilawri Group and has been a member of the Management Board of the Dilawri Group. Mr. Matthews has been integral to the Dilawri Group's expansion since his appointment in 2007. During his tenure, Mr. Matthews has taken a lead role in all aspects of acquisition transactions, including business operations, developments and redevelopments, and had primary responsibility for all financing activities. Prior to his work with the Dilawri Group, Mr. Matthews' experience varied over a broad range of industries, including pharmaceuticals as Chief Financial Officer of W.K. Buckley Limited, consumer products as VP Finance with KIK Custom Products Inc., and telecom as Regional Controller with the cablevision arm of Rogers Communications Inc. Mr. Matthews holds a Bachelor of Administration in Finance and Economics from the University of Western Ontario and a CPA, CA designation.

John R. Morrison (58) — Mr. Morrison currently serves as the President and Chief Executive Officer of Choice Properties Real Estate Investment Trust and has over 35 years' experience in the commercial real estate industry, primarily in the retail real estate asset class. Mr. Morrison was President and Chief Executive Officer of Primaris Retail Real Estate Investment Trust from 2009 to 2013. Prior to serving in that role, Mr. Morrison was President, Real Estate Management, at Oxford Properties Group, where he was responsible for the performance of its domestic real estate portfolio. Mr. Morrison is a past Trustee of the International Council of Shopping Centres, currently serves on a number of committees and is Divisional Vice President for Canada. He is also former Vice Chairman of the Urban Land Institute Toronto District Council. Mr. Morrison is an Institute-certified Director of the Institute of Corporate Directors and is currently Chairman of the Ryerson University Real Estate Advisory Committee.

Milton Lamb (46) — Mr. Lamb is a recognized industry leader with over 24 years of experience in the Canadian commercial real estate market. Over this time, Mr. Lamb has worked with the largest global real estate service companies including CBRE, Jones Lang Wootton (now known as JLL) and most recently with Colliers International as Senior Vice President, National Investment Services, from 2007 until his recent departure in May 2015 to join a subsidiary of Dilawri. While at Colliers International, Mr. Lamb was Chair of

the National Investment Services from 2008 to 2013 and represented Canada on Colliers Global Investment Services and Colliers Investment Services Group (USA) from 2008 until his recent departure.

Over his career, Mr. Lamb's direct knowledge of Toronto and the Canadian real estate markets has allowed him to successfully sell or complete joint ventures worth over \$2.5 billion, including over 4 million square feet of development projects. Some of his career highlights include: leading the sale of Honest Ed's/Mirvish Village (Short Listed NAIOP REX 2013 Investment Deal of the Year), sale of Dixie 401 Auto Mall on behalf of ING Real Estate Canada to the Dilawri Group, the sale of Vintage Towers, Calgary on behalf of Credit Suisse Global Real Estate to Allied Properties Real Estate Investment Trust and a joint venture between the Asset Management Private Markets arm of The Manufacturers Life Insurance Company and Allianz Real Estate of America to co-invest in up to \$1 billion of US real estate assets including Allianz Real Estate of America's initial acquisition of a majority interest in 1100 New York Avenue, Washington DC and 191 North Wacker Drive, Chicago. In addition, Mr. Lamb is a registered real estate broker and sole proprietor of Bream Realty Limited registered with the Real Estate Council of Ontario. Mr. Lamb is actively involved with the commercial real estate industry as a director of NAIOP Toronto, mentor for NAIOP Developing Leaders, Co-Chair of Government Relations for NAIOP Toronto and as a speaker for industry events including ExpoReal (Munich) and Global Real Estate Market (Toronto).

Andrew Kalra (46) — Mr. Kalra currently serves as the Vice President, Finance of Dilawri and has done so since joining Dilawri in 2014. Mr. Kalra has over 20 years of experience in finance, including over 13 years of experience in the automotive industry. Prior to joining the Dilawri Group, Mr. Kalra served as the Senior Director of Finance and Business Strategy at Mazda Canada Inc. from 2002 until his departure in 2014. Prior to April 2002, Mr. Kalra held senior financial positions in public companies at Nortel Networks Inc. and Walt Disney Canada, as well as at a Canadian chartered accounting firm. Mr. Kalra holds a Bachelor of Commerce (Finance, Accounting and Economics) from the University of Toronto in Toronto, Ontario and a CPA, CA designation.

The services of Milton Lamb as the President and Chief Executive Officer of the REIT and Andrew Kalra as the Chief Financial Officer and Corporate Secretary of the REIT are being provided to the REIT by a Subsidiary of Dilawri pursuant to the Administration Agreement. Mr. Lamb is a new employee of such Subsidiary, who has been recruited by Dilawri specifically to serve as President and Chief Executive Officer of the REIT due to his extensive experience in the commercial real estate sector. In addition to fulfilling the role of President and Chief Executive Officer of the REIT, Mr. Lamb will also work for Dilawri to, among other things, source and develop properties, including automotive dealerships, for which he will be paid customary development fees by Dilawri. It is initially expected that Mr. Lamb and Mr. Kalra will each spend the majority of their time on services provided to the REIT. See “— Conflicts of Interest”. The President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary of the REIT cannot be changed by Dilawri without the REIT's prior approval, but they can be removed, through termination of the Administration Agreement, in whole or in part, by the REIT in its discretion. See “Arrangements with Dilawri — Administration Agreement”.

Penalties or Sanctions

None of the Trustees or executive officers of the REIT, and to the best of its knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the Trustees or executive officers of the REIT, and to the best of its knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to

bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

None of the Trustees or executive officers of the REIT, and to the best of its knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the Trustee or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the Trustee or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Conflicts of Interest

The Declaration of Trust contains provisions, similar to those contained in the CBCA, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to: (i) his or her direct remuneration as a Trustee, officer, employee or agent of the REIT; or (ii) indemnity of himself or herself as a Trustee or the purchase or maintenance of liability insurance.

All decisions of the Board will require the approval of a majority of the Trustees, except for the following matters which shall also require the approval of a majority of the Independent Trustees who are disinterested Independent Trustees in accordance with the Declaration of Trust:

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in respect of a property under the terms of the Strategic Alliance Agreement or otherwise in which Dilawri or an Affiliate of Dilawri or any Related Party of the REIT has any direct or indirect interest;
- (b) a material change to any agreement with Dilawri or an Affiliate of Dilawri or a Related Party of the REIT or any approval, consent, waiver or other decision of Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees or distributions payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case, with (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or in other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or in other similar capacity; or

- (e) decisions relating to any claims by or against one or more parties to any agreement with Dilawri or an Affiliate of Dilawri or any Related Party of the REIT.

As it is contemplated that the Chair of the Board will not initially be an Independent Trustee, Mr. Morrison will be appointed as “Lead Independent Trustee” in order to ensure appropriate leadership for the Independent Trustees. The Lead Independent Trustee will (i) ensure that appropriate structures and procedures are in place so that the Board may function independently of management of the REIT; and (ii) lead the process by which the Independent Trustees seek to ensure that the Board represents and protects the interests of all Unitholders.

It is anticipated that the Independent Trustees will hold in-camera meetings, with members of management not in attendance, as part of regularly scheduled Board meetings. The Chair of the Board will conduct the in-camera meetings without the presence of management and the Lead Independent Trustee will conduct in-camera sessions without the presence of management or the non-Independent Trustees (including the Chair of the Board).

Dilawri’s continuing business may lead to conflicts of interest between Dilawri and the REIT. In addition, the ongoing employment relationships between a Subsidiary of Dilawri and each of Milton Lamb (President and Chief Executive Officer of the REIT) and Andrew Kalra (Chief Financial Officer and Corporate Secretary of the REIT), and the development and other services to be performed by Mr. Lamb for Dilawri may lead to conflicts of interest between such persons and the REIT. See “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri — Potential Conflicts of Interest with Dilawri”.

The role of the Board is to provide governance and stewardship to the REIT, and it has broad responsibilities in this regard, including, among other things, overseeing and appropriately managing potential conflicts of interest pertaining to management, including those concerning Dilawri, the REIT’s executive officers and the Administration Agreement. See “Appendix A — Board Mandate”. Specifically, the Governance, Compensation and Nominating Committee will be responsible for overseeing the Administration Agreement and the duties of the President and Chief Executive Officer of the REIT to ensure the appropriate supervision and management of any potential conflicts of interest between the President and Chief Executive Officer, the REIT and Dilawri.

Committees of the Board

The Board will establish two committees: the Audit Committee and the Governance, Compensation and Nominating Committee. Pursuant to the Declaration of Trust, all members of the Audit Committee will be persons determined by the Board to be Independent Trustees, except for temporary periods in limited circumstances in accordance with National Instrument 52-110 — *Audit Committees* (“NI 52-110”). Further, pursuant to the Declaration of Trust a majority of the members of the Governance, Compensation and Nominating Committee will be persons determined by the Board to be Independent Trustees and a majority of each committee will be residents of Canada. At Closing, all members of the Audit Committee and the Governance, Compensation and Nominating Committee will be resident Canadians and persons determined by the Board to be Independent Trustees. The Board does not initially intend to establish a separate investment committee; instead, all potential acquisitions by the REIT will be considered by the Board as a whole.

Audit Committee

Pursuant to the Declaration of Trust, the Audit Committee will consist of at least three Trustees, all of whom are persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of NI 52-110 and a majority of whom will be residents of Canada. At Closing, the Audit Committee will be comprised of Ms. Graham, who will act as chair of this committee, Mr. Lazier and Mr. Morrison, all of whom have been determined to be Independent Trustees and are residents of Canada. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix B to this prospectus, which sets out the Audit Committee's responsibilities. It is expected that the Audit Committee's responsibilities will include: (i) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT's annual information form and management's discussion and analysis; (iv) assessing the REIT's financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; (vii) reviewing any significant transactions outside the REIT's ordinary course of business and any legal matters that may significantly affect the REIT's financial statements; (viii) overseeing the work and confirming the independence of the external auditors; (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management; and (x) overseeing the duties of the Chief Financial Officer of the REIT to ensure the appropriate supervision and management of any potential conflicts of interest between the Chief Financial Officer, the REIT and Dilawri.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

Governance, Compensation and Nominating Committee

Pursuant to the Declaration of Trust, the Governance, Compensation and Nominating Committee will be comprised of at least three Trustees, a majority of whom are persons determined by the REIT to be Independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the corporate governance, compensation and nominating policies of the REIT. The Governance, Compensation and Nominating Committee will be comprised of Mr. Lazier, who will act as chair of this committee, Ms. Graham and Mr. Morrison, all of whom have been determined to be Independent Trustees and are residents of Canada.

The Board will adopt a written charter for the Governance, Compensation and Nominating Committee setting out its responsibilities for: (i) regularly assessing the effectiveness of the Board, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT, other than the candidates nominated by Dilawri; (iii) organizing an orientation and education program for new Trustees; (iv) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board; (vi) considering questions of management succession; (vii) administering any Unit purchase plan of the REIT and any compensation incentive programs; (viii) assessing the performance of management of the REIT; (ix) reviewing and approving the compensation paid by the REIT, if any, to the officers of the REIT; (x) overseeing the Administration Agreement and the duties of the President and Chief Executive Officer of the REIT to ensure the appropriate supervision and management of any potential conflicts of interest between the REIT's President and Chief Executive Officer, the REIT and Dilawri; and (xi) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to Trustees and officers of the REIT.

Following Closing, it is expected that the Governance, Compensation and Nominating Committee will put in place an orientation program for new Trustees under which a new Trustee will meet with the Chair of the Board, Lead Independent Trustee (if applicable) and members of the executive management team of the REIT. It is anticipated that a new Trustee will be provided with comprehensive orientation and education as to the nature and operation of the REIT and its business, the role of the Board and its committees, and the contribution that an individual Trustee is expected to make. The Governance, Compensation and Nominating Committee will be responsible for coordinating development programs for continuing Trustees to enable the Trustees to maintain or enhance their skills and abilities as Trustees as well as ensuring that their knowledge and understanding of the REIT and its business remains current.

The Trustees believe that the members of the Governance, Compensation and Nominating Committee individually and collectively have the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the Governance, Compensation and Nominating

Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and/or on the boards of other publicly-traded companies, including real estate investment trusts.

Trustees' and Officers' Liability Insurance

The REIT intends to carry Trustees' and officers' liability insurance. Under this insurance coverage, the REIT will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of the Trustees and officers contained in the Declaration of Trust, subject to a deductible for each loss, which will be paid by the REIT. Individual Trustees and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by the REIT. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts. In addition, the REIT will enter into indemnity agreements with each of the Trustees and executive officers.

Diversity

The Governance, Compensation and Nominating Committee believes that having a diverse Board offers a depth of perspective and enhances Board operations. The Governance, Compensation and Nominating Committee will identify candidates to the Board of the REIT that possess skills with the greatest ability to strengthen the Board and the REIT.

The Governance, Compensation and Nominating Committee does not specifically define diversity, but values diversity of experience, perspective, education, race, gender and national origin, all of which will be considered as part of its overall annual evaluation of trustee nominees for election or re-election. Gender is of particular importance to the REIT in ensuring diversity within the Board. Recommendations concerning trustee nominees will, foremost, be based on merit and performance, but diversity will be taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board level.

The REIT intends to recruit and select board candidates that represent both gender diversity and business understanding and experience. However, the Board does not support fixed percentages for any selection criteria, as the composition of the Board is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important to determining the value which an individual could bring to the Board.

The REIT does not have a formal policy on the representation of women on the Board. The Governance, Compensation and Nominating Committee will take gender into consideration as part of its overall recruitment and selection process in respect of the Board. However, the Board does not believe that quotas or strict rules set forth in a formal policy necessarily result in the identification or selection of the best candidates. As such, the REIT does not see any meaningful value in adopting a formal policy in this respect at this time as it does not believe that it would further enhance gender diversity beyond the recruitment and selection process to be carried out by the Governance, Compensation and Nominating Committee. At Closing, there will be one woman on the Board, representing 20% of the Board's five Trustees.

The REIT has an external organization structure which includes the provision of senior management functions by employees of a Subsidiary of Dilawri pursuant to the Administration Agreement. As a result, the REIT does not have any executive officers who are directly employed by the REIT. The REIT does not exert any control over Dilawri's hiring practices and policies. Neither the President and Chief Executive Officer, nor the Chief Financial Officer and Corporate Secretary, both of whom are employed by a Subsidiary of Dilawri, are women. Given its external structure, the REIT has not adopted a policy relating to the level of diversity and representation of women in executive officer positions. However, similar to the approach regarding the Board, the Governance, Compensation and Nominating Committee believes that having a diverse senior management and executive team offers a depth of perspective and enhances management operations. If and when the REIT transitions to a fully or partially internal structure and is in a position to directly hire and employ any of its executive officers, the REIT will follow a balanced approach in identifying the factors to be considered when determining the make-up of its executive team and expects to recruit and select candidates that represent, among other factors, both gender diversity and business understanding and experience. The REIT will also

consider other factors including experience, leadership capabilities, innovative thinking and strategic agility. As there are currently no direct employees of the REIT, the REIT has not adopted a target regarding the number of women in executive officer positions.

The Board is mindful of the benefit of diversity on the Board and management of the REIT and the need to maximize the effectiveness of the Board and management and their respective decision-making abilities. Accordingly, in searches for new trustees and executive officers, the Governance, Compensation and Nominating Committee will consider the level of female representation and diversity on the Board and management and this will be one of several factors used in its search process. This will be achieved through monitoring the level of female representation on the Board and in senior management positions and, where appropriate, recruiting qualified female candidates as part of the REIT's overall recruitment and selection process to fill Board or, if the REIT transitions to the direct employment of management personnel, senior management positions, as the need arises, through vacancies, growth or otherwise. Where a qualified female candidate can offer the REIT a unique skill set or perspective (whether by virtue of such candidate's gender or otherwise), the Governance, Compensation and Nominating Committee anticipates that it would typically select such a female candidate over a male candidate. Where the Governance, Compensation and Nominating Committee believes that a male candidate and a female candidate each offer the REIT substantially the same skill set and perspective, such Committee anticipates that it will consider numerous other factors beyond gender and the overall level of female representation in deciding the candidate to whom the offer will be made.

REMUNERATION OF TRUSTEES

Trustees' Compensation

The Trustees' compensation program is designed to attract and retain the most qualified individuals to serve on the Board. The Board, through the Governance, Compensation and Nominating Committee, will be responsible for reviewing and approving any changes to the Trustees' compensation arrangements. In consideration for serving on the Board, each Trustee that is not an employee of the REIT or Dilawri or one of their respective Affiliates will be compensated as indicated below:

<u>Type of Fee</u>	<u>Amount</u>
Trustee Annual Retainer	\$25,000/year
Chair or, if applicable, Lead Independent Trustee Additional Retainer	\$10,000/year
Audit Committee Chair Additional Retainer	\$10,000/year
Audit Committee Member Additional Retainer ⁽¹⁾	\$5,000/year
Governance, Compensation and Nominating Committee Chair Additional Retainer	\$7,500/year
Governance, Compensation and Nominating Committee Member Additional Retainer ⁽¹⁾	\$5,000/year
Board Meeting Attendance Fee for Trustees	\$1,500/meeting ⁽²⁾

Notes:

(1) Other than the chair of the applicable committee.

(2) This is reduced to \$750/meeting if the Independent Trustee attends the meeting by phone.

The Trustees will also be reimbursed for their reasonable out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees will be entitled to receive remuneration for services rendered to the REIT in any other capacity, except in respect of their service as directors of any of the REIT's Subsidiaries. Trustees who are members of the Dilawri Organization, employees of Dilawri or its Affiliates and Trustees who are officers of the REIT will not be entitled to receive any remuneration for their services in acting as Trustees, but will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in acting as Trustees.

The REIT may, following Closing, consider the adoption of one or more deferred unit plans for Trustees intended to align the interests of Trustees with those of the REIT and its Unitholders.

Trustee Unit Ownership Guidelines

In conjunction with the Board's consideration of deferred unit plans for Trustees and equity incentive plans for the REIT's NEOs (see "Executive Compensation — Incentive Compensation Plans"), the Board will consider adopting unit ownership guidelines (the "**Unit Ownership Guidelines**") which, if adopted, would apply to Trustees and NEOs of the REIT and would establish minimum eligible equity-based security ownership levels for Trustees and NEOs. The purpose of the Unit Ownership Guidelines, if adopted, would be to, among other things, ensure that the interests of Trustees and NEOs are more closely aligned with those of the Unitholders and to demonstrate that Trustees and NEOs are financially committed to the REIT through personal unit ownership.

Trustees' Hedging Policy

The REIT's insider trading policy will prohibit all Trustees of the REIT from selling "short" or selling "call options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such Trustees as compensation or of any other securities of the REIT held directly or indirectly by such person.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of the REIT's expected executive compensation program. The REIT's two NEOs, the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary, are currently employed by a Subsidiary of Dilawri and will provide services to the REIT pursuant to the Administration Agreement on a cost-recovery basis only. From time to time, Dilawri may provide the REIT with additional personnel pursuant to the terms of the Administration Agreement, but no such person is expected to qualify as a NEO. See "Arrangements with Dilawri — Administration Agreement". Any variability in cash compensation to be paid by such Dilawri Subsidiary to the NEOs will not impact the REIT's financial obligations during the Forecast Period.

The REIT will not have any employment agreements and will not pay any cash compensation to any individuals that may serve as officers, including the NEOs. Rather, as employees of such Dilawri Subsidiary, those individuals will be compensated by it. A portion of the compensation paid by such Dilawri Subsidiary to the President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary will be attributable to services expected to be provided to the REIT.

Principal Elements of Compensation

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to the services provided to the REIT, and supplements the more detailed information concerning executive compensation that appears in the "Summary Compensation Table".

Except for the recruitment bonus referred to below, the compensation of the NEOs will initially consist of base salary only. The applicable Dilawri Subsidiary's process for determining executive compensation is relatively straightforward, involving evaluation of executive officers. There is no specific formula for determining the amount of the base salary, nor is there a formal approach applied for determining how one element of compensation fits into the overall compensation objectives in respect of the REIT's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by such Dilawri Subsidiary.

Except for the recruitment bonus referred to below, base salaries are currently the only principal element of compensation of NEOs and are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to Dilawri's success, position and responsibilities, and competitive industry pay practices for other corporations of comparable size. Neither Dilawri nor its applicable Subsidiary engage compensation consultants for the purposes of performing benchmarking or apply specific

criteria for the selection of comparable businesses. Increases in base salary are at the sole discretion of such Dilawri Subsidiary.

At the time of hire, the applicable Dilawri Subsidiary agreed to loan Mr. Lamb the sum of \$1,000,000 to be used by Mr. Lamb to purchase an equivalent value of Units in the Offering at the Offering Price. The loan will be an interest-bearing loan secured by the Units purchased by Mr. Lamb from the proceeds of such loan on a declining balance basis and will be repayable on demand if Mr. Lamb ceases to be employed by a member of the Dilawri Group or the REIT. The loan is forgivable in equal instalments in each year of the 4-year term of the loan.

Incentive Compensation Plans

The Board may, following Closing, consider the adoption of one or more forms of equity incentive plans intended to align the interests of certain parties with those of the REIT and its Unitholders. Such plans could involve the issuance of securities of the REIT and could include as participants, the executive officers of the REIT and personnel providing services to the REIT pursuant to the Administration Agreement. Any such equity compensation arrangements will be in accordance with applicable laws, including the requirements of any securities exchange. The aggregate number of Units that may be reserved for issuance under all of the REIT's equity incentive plans or similar plans adopted for the benefit of insiders of the REIT and service providers to the REIT will be less than 10% of the outstanding number of Units (on a fully-diluted basis).

Compensation Risk and Hedging Policy

The Compensation, Governance and Nominating Committee will consider the implications of the risks associated with the REIT's compensation policies and practices as part of its responsibility to ensure that the compensation for the Trustees and, to the extent feasible given that the NEOs are employees of a Subsidiary of Dilawri, the NEOs, align the interests of the Trustees and the NEOs with Unitholders and the REIT as a whole. The REIT's insider trading policy will prohibit all officers of the REIT from selling "short" or selling "call options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such officers as compensation or of any other securities of the REIT held directly or indirectly by such person.

Summary Compensation Table

The following table sets out information concerning the expected compensation to be paid to the NEOs in fiscal 2015.

<u>Name and principal position</u>	<u>Year</u>	<u>Salary⁽¹⁾⁽²⁾⁽³⁾</u>	<u>Unit-based awards⁽³⁾</u>	<u>Non-equity incentive plan compensation⁽³⁾</u>	<u>All other compensation</u>	<u>Total compensation</u>
Milton Lamb, President and Chief Executive Officer	2015	\$350,000	—	—	\$200,000 ⁽⁴⁾	\$550,000
Andrew Kalra, Chief Financial Officer and Corporate Secretary	2015	\$150,000	—	—	—	\$150,000

Notes:

- (1) Mr. Lamb and Mr. Kalra will act in a variety of capacities for the Dilawri Group and accordingly, the total compensation they are expected to receive is not disclosed in this table, since total compensation will not be solely attributable to the services that they will provide to the REIT. The allocation of the total compensation disclosed in this table was determined by Dilawri solely for the purposes of this table, based on the services expected to be provided by Mr. Lamb and Mr. Kalra to the REIT.
- (2) Annualized base salary.
- (3) Except for the recruitment bonus referred to in note (4), below, only base salary will be payable by the applicable Subsidiary of Dilawri to the NEOs and any other compensation, if any, will be determined by the Trustees, in their discretion, subsequent to the date of this prospectus.

- (4) At the time of hire, the applicable Subsidiary of Dilawri agreed to loan Mr. Lamb the sum of \$1,000,000 to be used by Mr. Lamb to purchase an equivalent value of Units in the Offering at the Offering Price. The loan will be an interest-bearing loan secured by the Units purchased by Mr. Lamb from the proceeds of such loan on a declining balance basis and will be repayable on demand if Mr. Lamb ceases to be employed by a member of the Dilawri Group or the REIT. The loan is forgivable in equal instalments in each year of the 4-year term of the loan. The amount reflected in the table represents the forgiveness of 20% of the loan which will occur on Closing following the purchase by Mr. Lamb of the required Units.

Executive Unit Ownership Guidelines

If adopted, the Unit Ownership Guidelines will establish minimum eligible equity-based security ownership levels for NEOs, including the President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary. See “Trustee Remuneration — Trustee Unit Ownership Guidelines”.

Indebtedness of Directors, Executive Officers and Employees

As at the date hereof, there was no indebtedness (other than “routine indebtedness” under applicable Canadian securities laws) owing to the REIT or any of its Subsidiaries by any directors, executive officers, employees or former directors, executive officers or employees of the REIT or any of its Subsidiaries.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT and its Subsidiaries after Closing may be invested only in accordance with the following restrictions:

- (a) the REIT will invest primarily, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing real property (or a cluster or portfolio of income producing properties) the primary purpose of which is for use as an automotive dealership, an automotive repair facility or related ancillary uses, in each case, located in Canada or the United States, and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make or hold any investment, take any action or omit to take any action or permit a Subsidiary to make or hold any investment or take any action or omit to take any action that would, at any time, result in the REIT:
 - (i) not qualifying as a “mutual fund trust” or “unit trust”, both within the meaning of the Tax Act, or the Units not qualifying as qualified investments for Exempt Plans;
 - (ii) not qualifying as a “real estate investment trust” within the meaning of the Tax Act if, as a consequence of the REIT not so qualifying, the REIT or any of its Subsidiaries would be liable to pay a tax imposed under either paragraph 122(1)(b) or subsection 197(2) of the Tax Act; or
 - (iii) being liable to pay tax under Part XII.2 of the Tax Act;
- (c) other than the Initial Properties and other than leases with the Dilawri Group, the REIT shall not invest in any interest in a single real property (which, for greater certainty, shall not include a portfolio of properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment and excluding investment by any joint venture partner) will exceed 20% of GBV at the time the investment is made;
- (d) the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited), unlimited liability companies and limited liability companies;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or territory of Canada, deposits with a savings

institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "Acquired Issuer"), the investment is made for the purpose of pursuing the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;

- (f) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 5% of GBV;
- (h) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
 - (i) the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the REIT; and
 - (ii) the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 15% of GBV; and
- (i) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of the GBV of the REIT in investments which do not comply with one or more of paragraphs (a), (e), (g) and (h).

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

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT and its Subsidiaries are to be conducted in accordance with the following policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 — *Investment Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;
- (b) (i) any written instrument creating or including an obligation on the REIT to grant a mortgage, and (ii) to the extent the Trustees determine it to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which, in the judgment of the Trustees, creates a material obligation of the REIT, shall, in each case, contain a provision or be subject

to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

- (c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under development after giving effect to the proposed investment in the construction or development, will not exceed 15% of GBV;
- (d) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or by any other persons in such manner as the Trustees consider appropriate, taking into account the advice of legal counsel; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT or such person as the Trustees consider appropriate, shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (e) the REIT shall not incur or assume any Indebtedness if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 60% of GBV (or 65% of GBV including convertible Indebtedness);
- (f) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted by the REIT's investment guidelines; (ii) has been approved by the Trustees; and (iii) (A) would not disqualify the REIT as a "mutual fund trust" within the meaning of the Tax Act, and (B) would not result in the REIT losing any status under the Tax Act that is otherwise beneficial to the REIT and its Unitholders;
- (g) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (h) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the Trustees (or, in the case of an acquisition from a related party of the REIT, the Independent Trustees); and
- (i) the REIT shall either (i) obtain a phase I environmental site assessment, or (ii) be entitled to rely on a phase I environmental site assessment dated no earlier than six months prior to receipt by the REIT, of each real property to be acquired by it and, if the phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant.

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

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “Investment Guidelines” and the operating policies contained in sub-paragraphs (a), (e), (f), (h), and (i) set out under the heading “Operating Policies” may be amended only with the approval of not less than two-thirds of the votes cast by Voting Unitholders of the REIT at a meeting of Voting Unitholders called for such purposes (or a written resolution signed by the Voting Unitholders representing at least two-thirds of the outstanding Voting Units). The remaining operating policies may be amended with the approval of a majority of the votes cast by the Voting Unitholders at a meeting of Voting Unitholders called for such purposes (or a written resolution signed by Voting Unitholders representing at least a majority of the outstanding Voting Units).

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

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of Ontario. Although the REIT is expected to qualify on Closing as a “mutual fund trust” as defined in the Tax Act, the REIT will not be a “mutual fund” as defined by applicable securities legislation. The REIT’s fiscal year end is December 31.

Authorized Capital and Outstanding Securities

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units, namely “trust units” and “special voting units”. Special Voting Units are only issued in tandem with the issuance of Class B LP Units and other securities exchangeable for trust units of the REIT. As at the date hereof, the REIT has a total of one Unit outstanding and no Special Voting Units outstanding.

The REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on nor does it intend to carry on the business of a trust company.

Units

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All Units rank among themselves equally and rateably without discrimination, preference or priority. Each Unit entitles the holder thereof to receive notice of, to attend and to one vote at all meetings of Voting Unitholders or in respect of any written resolution of Voting Unitholders.

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Trustees. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Trustees in their sole discretion may determine. Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Dilawri as set out in the Exchange Agreement, or as otherwise agreed to by the REIT pursuant to a binding written agreement.

Special Voting Units

Special Voting Units are only issued in tandem with Class B LP Units and other securities exchangeable for trust units of the REIT and are not transferable separately from the securities to which they relate and, upon any valid transfer of such securities, such Special Voting Units will automatically be transferred to the transferee of such securities. As Class B LP Units and other securities exchangeable for trust units of the REIT are exchanged for Units or redeemed or purchased for cancellation by the Partnership, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to receive notice of, to attend, and to vote, at all meetings of Voting Unitholders or in respect of any resolution in writing of Voting Unitholders, with the number of votes being equal to the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached. Except for the right to attend and vote at meetings of Voting Unitholders or in respect of written resolutions of Voting Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in the REIT, or to any interest or share in the REIT, any of its distributions (whether of net income, net realized capital gains or other amounts) or in any of its net assets in the event of the termination or winding-up of the REIT.

Issuance of Units

Subject to the pre-emptive rights of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement contained in the Exchange Agreement and exercisable by Dilawri, Units or rights to acquire Units or other securities may be created, issued and sold at such times, to such persons, for such consideration and on such terms and conditions as the Trustees determine, including pursuant to a rights plan, distribution reinvestment plan, purchase plan or any incentive option or other compensation plan. Units will be issued only when fully paid in money, property or past services, and they will not be subject to future calls or assessments, provided that Units may be issued and sold on an installment basis and the REIT may take security over any such Units so issued. Where the Trustees determine that the REIT does not have available cash in an amount sufficient to pay the full amount of any distribution, the payment may, at the option of the Trustees, include or consist entirely of the issuance of additional Units having a fair market value determined by the Trustees equal to the difference between the amount of the distribution and the amount of cash that has been determined by the Trustees to be available for the payment of such distribution. These additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The Declaration of Trust also provides that unless the Trustees determine otherwise, and subject to all necessary regulatory approvals, immediately after any *pro rata* distribution of additional Units to all Unitholders as described above, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution of such additional Units. In such circumstances, each certificate representing a number of Units prior to the distribution of additional Units will be deemed to represent the same number of Units after the distribution of such additional Units and the consolidation. If tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will not result in such Unitholder holding the same number of Units. Each such Unitholder will be required to surrender the certificates, if any, representing that Unitholder's original Units in exchange for a certificate representing that Unitholder's post consolidation Units.

The Trustees may refuse to allow the issuance of or to register the transfer of Units where such issuance or transfer would, in their opinion, adversely affect the treatment of the REIT under applicable Canadian tax laws. See “— Limitations on Non-Resident Ownership of Units”.

Repurchase of Units

The REIT may, from time to time, purchase all or a portion of the Units for cancellation at a price per Unit and on a basis determined by the Trustees in accordance with applicable securities laws and stock exchange rules.

Limitations on Non-Resident Ownership of Units

In order for the REIT to maintain its status as a mutual fund trust under the Tax Act, it must not be established or maintained primarily for the benefit of non-resident persons. Accordingly, the Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the Units on either a basic or fully-diluted basis and the REIT has informed its transfer agent and registrar of this restriction. The Trustees may require a registered holder of Units to provide them with a declaration as to the jurisdictions in which beneficial owners of Units registered in such holder's name are resident and as to whether such beneficial owner is Non-Resident (and, in the case of a partnership, whether the partnership is Non-Resident). If the Trustees become aware, as a result of such declarations as to beneficial ownership or as a result of any other investigations, that the beneficial owners of more than 49% of the Units on either a basic or fully-diluted basis are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and will not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident and does not hold such Units for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units on either a basic or fully-diluted basis are held by Non-Residents, the Trustees may send or cause to be sent a notice to such Non-Resident Unitholders chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such persons sell or cause to be sold such Units and, in the interim, will suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders will cease to be holders of the relevant Units and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Units. Notwithstanding the foregoing, the Trustees may determine not to take any of the actions described above if the Trustees have been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the REIT as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the REIT as a mutual fund trust for purposes of the Tax Act.

Nomination of Trustees

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which are intended to: (i) facilitate orderly and efficient annual general or, where the need arises, special meetings; (ii) ensure that all Voting Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Voting Unitholders to register an informed vote. Except as otherwise provided below with respect to Dilawri, only persons who are nominated by Voting Unitholders in accordance with the Advance Notice Provision will be eligible for election as Trustees. Nominations of persons for election to the Board may be made for any annual meeting of Voting Unitholders, or for any special meeting of Voting Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (a) by or at the direction of the Trustees, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more Voting Unitholders pursuant to a requisition of the Voting Unitholders made in accordance with the Declaration of Trust; or (c) by any person (a "**Nominating Unitholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Voting Units carrying the right to vote at such meeting or who beneficially owns Voting Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees. To be timely, a Nominating Unitholder's notice to the Trustees must be made: (a) in the case of an annual meeting of Voting Unitholders, not less than 30 days prior to the date of the annual meeting of Voting Unitholders; provided, however, that in the event that the annual meeting of Voting Unitholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") that is the earlier of the date that a notice of meeting is filed

for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of Voting Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Voting Unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth the following information, all of which the REIT believes to be necessary information to be included in a dissident proxy circular, or is necessary to enable the Board and Voting Unitholders to determine trustee nominee qualifications, relevant experience, Unit holdings or voting interest in the REIT or independence, all in the same manner as would be required for management or Dilawri nominees: (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units or Special Voting Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Voting Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws; and (b) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Voting Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws. The REIT may require any proposed nominee to furnish such other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an Independent Trustee or that could be material to a reasonable Voting Unitholder's understanding of the independence, or lack thereof, of such proposed nominee. Such information, if received, will generally be summarized in the REIT's proxy circular.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Trustees may, in their sole discretion, waive any or all requirements in the Advance Notice Provision.

The Declaration of Trust provides Dilawri, so long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, direct, or control, in the aggregate, an effective interest of 33% or higher in the REIT (on a fully-diluted basis), with the exclusive right to nominate two Trustees for election by Unitholders; provided that, so long as the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, control or direct, in the aggregate, at least a 10%, but less than 33%, effective interest in the REIT (on a fully-diluted basis), Dilawri shall have the right to nominate one Trustee. Should the size of the Board be increased or decreased, Dilawri's nomination rights shall be increased or decreased proportionately (rounding up or down to the nearest whole number, with 0.5 being rounded up). One of the nominees of Dilawri, if any and if he or she so wishes, shall have the right to be appointed the chair of the Board. Pursuant to the Declaration of Trust, the President and Chief Executive Officer may be nominated to serve as a Trustee, so long as the majority of Trustees are Independent Trustees. The Advance Notice Provision does not apply to Dilawri in respect of its nomination of Trustees pursuant to the foregoing right.

Redemption Right

A Unitholder may at any time demand redemption of some or all of its Units by delivering to the REIT a duly completed and properly executed notice requiring redemption in a form satisfactory to the Trustees, together with written instructions as to the number of Units to be redeemed. Upon receipt of the redemption

notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the “**Redemption Price**”) equal to the lesser of:

- (a) 90% of the Market Price (as defined below) of a Unit calculated as of the date on which the Units were surrendered for redemption (the “**Redemption Date**”); and
- (b) 100% of the Closing Market Price (as defined below) on the Redemption Date.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the Closing Market Prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;
- (b) an amount equal to the closing price of a Unit on the principal market or exchange on the specified date if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

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

exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

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

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

Trustees

The Declaration of Trust provides that the REIT will have a minimum of three and a maximum of twelve Trustees, the majority of whom must be resident Canadians. The number of Trustees may be increased or decreased within such limits from time to time by the Voting Unitholders by ordinary resolution or by the Trustees, provided that the Trustees may not, between meetings of the Voting Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the previous annual meeting of Voting Unitholders. Subject to Dilawri’s nomination right, a vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees or by the Voting Unitholders at a meeting of the Voting Unitholders. If at any time a majority of Trustees are Non-Residents because of the death, resignation, adjudicated incompetence, removal or change in circumstances of any Trustee who was a resident Canadian, the remaining Trustees, whether or not they constitute a quorum, will appoint a sufficient number of resident Canadian Trustees to comply with the requirement that a majority of Trustees will be at all times resident Canadians.

In addition, a majority of the Trustees must at all times be Independent Trustees. If at any time a majority of Trustees are not Independent Trustees because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement will not be applicable for a period of 60 days after such occurrence, during which time, subject to Dilawri’s nomination

right, the remaining Trustees shall appoint a sufficient number of Independent Trustees to comply with this requirement.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have, without further authorization and free from any control or direction on the part of the Voting Unitholders, full, absolute and exclusive power, control and authority over the assets and affairs of the REIT to the same extent as if the Trustees were the sole and absolute beneficial owners of the assets of the REIT, to do all acts and things as in their sole and absolute judgment and discretion are necessary or incidental to, or desirable for, carrying out any of the purposes or conducting the affairs of the REIT. All meetings of the Trustees (and any committees) shall take place in Canada and a quorum for each such meeting shall be not less than 50% of the Trustees then in office (or on such committee, as applicable). The Chair of the Board (or committee) shall not have a casting vote.

Trustees are appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting and are eligible for re-election. The Declaration of Trust provides that a Trustee may resign at any time upon written notice to the Lead Independent Trustee or, if there is no Lead Independent Trustee, to the chair or, if there is no chair, to the President and Chief Executive Officer of the REIT or, if there is no President and Chief Executive Officer, to the Unitholders. A Trustee may be removed at any time with or without cause by an ordinary resolution of the Voting Unitholders at a meeting of Voting Unitholders or by the written consent of Voting Unitholders holding in the aggregate not less than a majority of the outstanding Voting Units or with cause by a resolution passed by at least two-thirds of the other Trustees.

The REIT will have a majority voting policy, requiring that each Trustee nominee receive the support of a majority of the total number of votes cast by the Voting Unitholders or submit his or her resignation to the Board for consideration promptly after a meeting of the Unitholders. The Board will have 90 days to accept the resignation and the policy will provide that absent exceptional circumstances, any such resignation shall be accepted. The Board's decision to accept or reject the resignation offer will be publicly disclosed. The policy will not apply in circumstances involving contested Trustee elections.

The Declaration of Trust provides that the Trustees will act honestly and in good faith with a view to the best interests of the REIT and the Voting Unitholders and, in connection with that duty, will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Committees

The Declaration of Trust requires that the Trustees appoint a Governance, Compensation and Nominating Committee and an Audit Committee. In addition, the Trustees may create such additional committees as they, in their discretion, determine to be necessary or desirable for the purposes of properly governing the affairs of the REIT.

Meetings of Voting Unitholders

The Declaration of Trust provides that meetings of Voting Unitholders will be called and held annually for the election of Trustees and the appointment of auditors for the ensuing year, the presentation of the consolidated financial statements of the REIT for the immediately preceding fiscal year, and the transaction of such other business as the Trustees may determine or as may be properly brought before the meeting.

A meeting of Voting Unitholders may be convened by the Trustees at any time and for any purpose and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Voting Unitholders may attend and vote at all meetings of Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two or more persons present in person or represented by proxy and representing in total at least 25% of the votes attached to all outstanding units will constitute a quorum for the transaction of business at all meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders similar to those required under the CBCA.

Amendments to the Declaration of Trust and Other Extraordinary Matters

The Declaration of Trust, except where specifically provided otherwise, may be amended only with the approval of a majority of the votes cast by the Voting Unitholders at a meeting called for that purpose or the written approval of the Voting Unitholders holding a majority of the outstanding Voting Units. Notwithstanding the foregoing, certain amendments and certain extraordinary matters will require the approval of at least two-thirds of the votes cast by the Voting Unitholders at a meeting of Voting Unitholders called for that purpose or the written approval of Voting Unitholders holding more than two-thirds of the outstanding Voting Units, including:

- (i) any amendments to the amendment provisions of the Declaration of Trust;
- (ii) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;
- (iii) the change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units, including, without limitation,
 - the removal or change of rights to distributions;
 - the removal of or change to conversion privileges, redemption privileges, options, voting, transfer or pre-emptive rights; or
 - the reduction or removal of a distribution preference or liquidation preference;
- (iv) the creation of new rights or privileges attaching to certain of the Units or Special Voting Units;
- (v) any change to the existing constraints on the issue, transfer or ownership of the Units or Special Voting Units, except as provided in the Declaration of Trust;
- (vi) the sale of the REIT's property as an entirety or substantially as an entirety (other than as part of an internal reorganization approved by the Trustees);
- (vii) the combination, amalgamation or arrangement of the REIT or any of its Subsidiaries with any other entity that is not the REIT or a Subsidiary of the REIT (other than as part of an internal reorganization as approved by the Trustees);
- (viii) a material change to the Limited Partnership Agreement; and
- (ix) certain amendments to the investment guidelines and operating policies of the REIT.

A majority of the Trustees may, however, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments for the purpose of:

- (i) ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees, the REIT or the distribution of the Units or Special Voting Units;
- (ii) providing additional protection or added benefits which are, in the opinion of the Trustees, necessary to maintain the rights of the Voting Unitholders set out in the Declaration of Trust;
- (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (iv) making amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest errors, which amendments are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (v) making amendments which are, in the opinion of the Trustees, necessary or desirable as a result of changes in taxation or other laws or accounting standards from time to time which may affect the REIT or the Voting Unitholders to ensure the Units qualify as equity for purposes of IFRS;
- (vi) making amendments which, in the opinion of the Trustees are necessary or desirable to enable the REIT to implement equity incentive plans (including a Unit option or purchase plan), a DRIP or to issue Units for which the purchase price is payable in installments;

- (vii) that are deemed necessary or advisable to ensure that the REIT has not been established nor maintained primarily for the benefit of persons who are not resident Canadians; or
- (viii) for any purpose which, in the opinion of the Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

In no event will the Trustees amend the Declaration of Trust if such amendment would amend Voting Unitholders' voting rights, cause the REIT to fail to qualify as a "mutual fund trust", "real estate investment trust" or "unit trust" under the Tax Act or cause the REIT or a Subsidiary of the REIT to be subject to tax under paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act.

Notwithstanding the foregoing, provided that the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement own, direct or control at least 10% of the Units (on a fully-diluted basis), no amendment, waiver or modification to the Declaration of Trust that would adversely affect the nomination rights of Dilawri, or other rights specifically granted therein to the Dilawri Organization and the Transferors subject to the Voting Trust Agreement, shall be effective without the prior written consent of Dilawri, in its discretion.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units and not less than 90% of the Units (including Units issuable on the exchange of any exchangeable securities, including Class B LP Units, but excluding Units held at the date of the take-over bid by or on behalf of the offeror or associates or Affiliates of the offeror or those acting jointly or in concert with them) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by holders who did not accept the take-over bid on the terms on which the offeror acquired Units from holders who accepted the take-over bid.

Information and Reports

Prior to each meeting of Voting Unitholders, the Trustees will make available to the Voting Unitholders (along with notice of the meeting) information similar to that required to be provided to shareholders of a corporation governed by the CBCA and as required by applicable securities laws and stock exchange requirements. Voting Unitholders will only be entitled to information from Trustees similar to that required to be provided to shareholders of a corporation governed by the CBCA and as required by applicable securities laws and stock exchange rules. The Trustees are entitled to enter into confidentiality and non-disclosure agreements from time-to-time in respect of the affairs of the REIT which have the effect of constraining access to information in the possession or power of possession of the Trustees.

Rights of Unitholders

The rights of the Unitholders and the attributes of the Units are established and governed by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist, some of which are described below.

Many of the provisions of the CBCA respecting the governance and management of a corporation are incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and the auditors of the REIT. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees, the procedures at such meetings and the right of the Voting Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which approval by the Voting Unitholders is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Subsidiaries of the REIT. These approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or are listed on the TSX.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS, or the CDS participant through which the Unitholder holds such Units. A Unitholder participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial Unitholder to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

THE PARTNERSHIP

General

The Partnership is a limited partnership formed under the laws of the Province of Ontario and will be governed by the Limited Partnership Agreement. The Partnership will acquire at Closing, directly or indirectly, beneficial ownership of all of the Initial Properties and following Closing will own, operate and lease real estate assets and property and engage in all activities ancillary and incidental thereto. All investments by the REIT will be made by the Partnership or a Subsidiary of the Partnership. Upon Closing, the general partner of the Partnership will be a corporation incorporated under the laws of the Province of Ontario that is wholly-owned by the REIT (the "**General Partner**") and the limited partners of the Partnership will initially be the REIT (which will initially own all of the Class A LP Units) and the Transferors (which will initially own all of the Class B LP Units) (collectively, the "**Limited Partners**" and, individually, a "**Limited Partner**"). The board of directors of the General Partner will be made up of the same members as the Board.

Partnership Units

Immediately following Closing, the Partnership will have outstanding Class A LP Units, all of which will be held by the REIT and 9,933,253 Class B LP Units, all of which will initially be held by the Transferors (all of which will be held by the Dilawri Organization). The General Partner will have a general partner interest in the Partnership (the "**GP Interest**") but no certificate will be issued to evidence same. Immediately following Closing, it is expected that the Class A LP Units will represent approximately 43.0% of the limited partnership interest in the Partnership and the Class B LP Units will represent approximately 57.0% of the limited partnership interest in the Partnership.

The Class B LP Units will, in all material respects, be economically equivalent to the Units on a per unit basis, subject to certain anti-dilution adjustments. The Class B LP Units will be exchangeable on a one-for-one basis (subject to certain anti-dilution adjustments) for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" or "real estate investment trust" under the Tax Act or cause or create significant risk that the REIT would be subject to tax under paragraph 122(1)(b) of the Tax Act and subject to satisfaction of conditions set out therein.

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

Operation

The business and affairs of the Partnership will be managed and controlled by the General Partner which will be bound by the investment guidelines and operating policies applicable to the REIT. The Limited Partners will not be entitled to take part in the management or control of the business or affairs of the Partnership. Except as provided below, the Partnership will reimburse the General Partner for all direct costs and expenses incurred by the General Partner in the performance of its duties as the general partner of the Partnership.

The composition of the General Partner's board of directors will be identical to the Board.

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

Duties and Responsibilities of the General Partner

The General Partner will be the general partner of the Partnership and will manage and control the operations and affairs of the Partnership and make all decisions regarding the business and activities of the Partnership.

Distributions

The Partnership will distribute to the General Partner and to the holders of its Class A LP Units and Class B LP Units their respective portions of distributable cash as set out below.

Distributions will be made forthwith after the General Partner determines the distributable cash of the Partnership and determines the amount of all costs and expenses incurred by it in the performance of its duties under the Limited Partnership Agreement as general partner (the "**Reimbursement Distribution Amount**"), which determination shall be made no later than the 10th day of each calendar month.

Distributable cash will represent, in general, all of the Partnership's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in the Partnership) and that is determined by the General Partner not to be required in connection with the business of the Partnership. The distributable cash of the Partnership will be distributed in the following order and priority: (a) the Reimbursement Distribution Amount to the General Partner; (b) an amount to the holder of Class A LP Units sufficient to allow the REIT to pay its expenses (including, without limitation, any fees or commissions payable to agents or underwriters in connection with the sale of securities by the REIT, listing fees of applicable stock exchanges and fees of the REIT's auditors) on a timely basis (the "**Class A LP Preferred Distribution**"); (c) an amount to the General Partner equal to 0.001% of the balance of the distributable cash of the Partnership; and (d) an amount equal to the remaining balance of the distributable cash of the Partnership to the holders of Class A LP Units and Class B LP Units in accordance with their *pro rata* entitlements as holders of Class A LP Units and Class B LP Units. Holders of Class B LP Units will be entitled to receive distributions

on each such unit equal to the amount of the distribution declared by the REIT on each Unit. The record date and, subject to the following paragraph, the payment date for any distribution declared on the Class B LP Units will be the same as those for the Units.

In lieu of receiving all or a portion (the “**Selected Amount**”) of a distribution declared by the Partnership from time to time, the holders of Class A LP Units and Class B LP Units may elect to defer receipt of the distribution of the Selected Amount until the first business day following the end of the fiscal year in which such distribution would otherwise have been made. In the event that such an election is made by a holder of Class A LP Units or Class B LP Units, such a holder will be loaned an amount from the Partnership, on the date of such election, equal to the Selected Amount. Each such loan will not bear interest and will be due and payable in full on the first business day following the end of the fiscal year during which the loan was made.

A holder of Class B LP Units will have the right to elect to reinvest all distributions payable on its Class B LP Units on the same economic terms as participants in the DRIP, if a DRIP is implemented by the REIT. In such event, a holder of Class B LP Units may reinvest such distributions in Class B LP Units, Units or a combination thereof. If a holder of Class B LP Units elects to reinvest its distributions, such holder will receive a bonus distribution equal to any bonus distribution that may be payable pursuant to the DRIP, if any, which bonus distribution will be reinvested in the Class B LP Units or Units, as the case may be, that the holder elects to receive.

Allocation of Partnership Net Income

The net income of the Partnership, determined in accordance with the provisions of the Tax Act, will generally be allocated at the end of each fiscal year in the following manner:

- (a) first, to the holder of Class A LP Units in an amount equal to its Class A LP Preferred Distribution;
- (b) second, to the General Partner in an amount equal to the aggregate of (i) the Reimbursement Distribution Amount, and (ii) the distributions paid on the GP Unit; and
- (c) the balance, among the holders of Class A LP Units and Class B LP Units based on their proportionate share of distributions received or receivable for such fiscal year.

Transfer of LP Units

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

In addition to the above restrictions, the Limited Partnership Agreement will also provide that no holder of Class B LP Units will be permitted to transfer such Class B LP Units, other than for Units in accordance with the terms of the Exchange Agreement or the Limited Partnership Agreement without the consent of the General Partner, unless the transfer is to an Affiliate or, in the case of the Dilawri Organization, another member of the Dilawri Organization, or officers or employees of the Dilawri Group provided (a) the transfer contains similar restrictions on transfer, (b) no more than 3%, in the aggregate, of that number of Class B LP Units owned, controlled or directed by the Dilawri Organization and any Transferors that are subject to the Voting Trust Agreement as of Closing may be transferred to officers or employees of the Dilawri Group in their capacity as such, and (c) transfers to officers or employees of the Dilawri Group in their capacity as such contain

an agreement to be bound by the Lock-up Period (if applicable) and an obligation for such officers or employees to resell the Class B LP Units to the Dilawri Organization (or, if the Dilawri Organization is no longer a holder of Class B LP Units, the Partnership) at such time as they no longer provide services to the Dilawri Group.

Notwithstanding the above, no holder of Class B LP Units will be permitted to transfer such Class B LP Units, other than for Units in accordance with the terms of the Exchange Agreement or the Limited Partnership Agreement unless: (i) such transfer would not require the transferee to make an offer to Unitholders to acquire Units on the same terms and conditions under applicable securities laws if such Class B LP Units, and all other outstanding Class B LP Units, were converted into Units at the then-current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer or (ii) the offeror acquiring such Class B LP Units makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and acquires such Class B LP Units along with a proportionate number of Units actually tendered to such identical offer.

Amendments to the Limited Partnership Agreement

Following Closing, the Limited Partnership Agreement may be amended with the prior consent of the holders of at least 66 $\frac{2}{3}$ % of the Class A LP Units voted on the amendment at a duly constituted meeting of holders of Class A LP Units or by a written resolution of partners holding at least 66 $\frac{2}{3}$ % of the Class A LP Units entitled to vote at a duly constituted meeting of holders of Class A LP Units, except for certain amendments which require unanimous approval of holders of limited partnership units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of partnership units; and (iii) changing the Partnership from a limited partnership to a general partnership. The General Partner may also make amendments to the Limited Partnership Agreement without the approval or consent of the Limited Partners to reflect, among other things: (i) a change in the name of the Partnership or the location of the principal place of business or registered office of the Partnership; (ii) the admission, substitution, withdrawal or removal of Limited Partners in accordance with the Limited Partnership Agreement; (iii) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under applicable laws; (iv) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to enable the Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Limited Partnership Agreement which may be defective or inconsistent with any other provision contained in the Limited Partnership Agreement or which should be made to make the Limited Partnership Agreement consistent with the disclosure set out in this prospectus. Notwithstanding the foregoing, no amendment, waiver or modification to the Limited Partnership Agreement that (i) would adversely affect the holders of Class B LP Units in a manner different than holders of Class A LP Units, or (ii) affect or alter the rights of the Dilawri Organization and the Transferors that are subject to the Voting Trust Agreement specifically granted in the Partnership Agreement, shall be effective against them without the prior written consent of Dilawri, in its discretion.

In addition, the Declaration of Trust provides that the REIT will not agree to or approve any material amendment to the Limited Partnership Agreement without the approval of at least two-thirds of the votes cast at a meeting of the Voting Unitholders of the REIT called for such purpose (or by written resolution in lieu thereof).

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make monthly cash distributions to Unitholders and, through the Partnership, holders of Class B LP Units, initially equal to, on an annual basis, approximately 90% of the REIT's estimated AFFO for the

Forecast Period. Management of the REIT believes that the 90% payout ratio initially set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their sole discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions, including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual 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 distribution policy of the REIT, where the REIT's cash is insufficient 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. See "Declaration of Trust and Description of REIT Units — Issuance of Units" and "Certain Canadian Federal Income Tax Considerations".

The first distribution will be for the period from Closing to August 31, 2015 and will be made on September 15, 2015 in the amount of \$0.086 per Unit (assuming that Closing occurs on July 22, 2015). The REIT intends to make subsequent monthly distributions in the estimated amount of \$0.067 per Unit thereafter.

The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and will be subject to various factors, including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. See "Risk Factors".

The General Partner, on behalf of the Partnership, will make monthly cash distributions to holders of Class A LP Units and holders of Class B LP Units by reference to the monthly cash distributions payable by the REIT to Unitholders. Distributions to be made on the Class B LP Units will be equal to the distributions that the holders of Class B LP Units would have received if they were holding Units instead of Class B LP Units. See "The Partnership — Distributions" and "Risk Factors".

UNITHOLDERS' RIGHTS PLAN

The REIT will establish the Rights Plan on Closing. The purposes of the Rights Plan are as follows: (i) to ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the Units or other acquisition of control of the REIT; (ii) to provide the Trustees with adequate time to explore and develop alternatives to any unsolicited take-over bid, in order to maximize Unitholder value; and (iii) to ensure, to the extent possible, the equal treatment of Unitholders in connection with any unsolicited take-over bid.

The Rights Plan will utilize the mechanism of a "**Permitted Bid**" (as described below) to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and holders of Equivalent Securities, if any, by way of take-over bid circular and must be open for at least 60 days after the bid is made. If more than 50% of the Units held by Independent Unitholders are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units and associated Equivalent Securities, if any. The take-over bid must then be extended for a further period of at least 10 business days on the same terms to allow those Unitholders who did not initially tender their Units and associated Equivalent Securities, if any, to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least 10 business days after the expiry of the initial tender period. The Rights Plan is designed to make it impractical for any person to acquire more than 20% of the outstanding Voting Units without the approval of

the Trustees except pursuant to the Permitted Bid procedures or pursuant to certain other exempt transactions outlined below.

Management believes that the Rights Plan, taken as a whole, should not be an unreasonable obstacle to a serious bidder willing to make a *bona fide* and financially fair offer open to all Voting Unitholders. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons. See “— Portfolio Managers” below.

The Rights Plan will be subject to re-confirmation by Voting Unitholders and Independent Unitholders every three years and terminate upon the termination of the first annual meeting of the Voting Unitholders following the third anniversary date of Closing, unless terminated earlier.

Issue of Rights

On Closing, one Right will be issued and attached to each outstanding Voting Unit. One Right will also attach to any subsequently issued Voting Units. The Rights are not exercisable prior to the Separation Time.

Rights Exercise Privilege

The Rights will separate from the Voting Units to which they are attached and will become exercisable (the “**Separation Time**”) at the close of business on the 10th business day after the earlier of (A) the date of the first public announcement by the REIT or an Acquiring Person of facts indicating that a person has become an Acquiring Person, and (B) the date of the commencement of, or first public announcement of, the intent of any person (other than the REIT or any Subsidiary of the REIT) to commence, a take-over bid (other than a Permitted Bid or Competing Permitted Bid), or the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such, or, in either case, such later date as may be determined by the Trustees.

The acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the Voting Units, other than by way of a Permitted Bid in certain circumstances, is referred to as a “**Flip-in Event**”. Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the date of the first public announcement by the REIT or by an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. Ten business days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of \$200, on payment of \$100 (*i.e.*, at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Voting Units, reported earnings per Unit on a fully-diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Acquiring Person

An “**Acquiring Person**” is any person who is or becomes the beneficial owner of 20% or more of the outstanding Voting Units. An Acquiring Person does not, however, include: (a) the REIT or any Subsidiary of the REIT; (b) any person who owns, directly or indirectly, 20% or more of the Voting Units on Closing (a “**Grandfathered Person**”), provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Closing, other than pursuant to certain exempt transactions, (i) cease to beneficially own 10% or more of the outstanding Voting Units or (ii) become the owner, directly or indirectly, of Units that increases its percentage ownership interest in the REIT to an amount that exceeds its percentage ownership interest in the REIT on Closing plus an additional 1.0%; or (c) any person who becomes the beneficial owner of 20% or more of the Voting Units as a result of certain exempt transactions.

Exempt transactions include: (a) specified acquisitions or redemptions of Voting Units (including pursuant to a DRIP or similar arrangements of the Partnership, arrangements with Dilawri entered into on Closing and redemptions of Units); (b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or (c) acquisitions of Voting Units in exchange for additional properties being acquired by the REIT.

Certificates and Transferability

Prior to the Separation Time, Rights will not be evidenced by certificates. Rights will not be transferable separately from the attached Voting Units. From and after the Separation Time, registration of interests in and transfer of the Rights will be made only electronically through the NCI system, subject to certain exceptions. See “Declaration of Trust and Description of REIT Units — Non-Certificated Inventory System”.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following: (a) the take-over bid must be made by way of a take-over bid circular; (b) the take-over bid must be made to all Voting Unitholders and holders of exchangeable securities attached to Special Voting Units (“**Equivalent Securities**”, which includes Class B LP Units), if any, other than the bidder, its Affiliates, and persons acting jointly or in concert with the bidder, and must provide that Equivalent Securities and associated Special Voting Units can be tendered through delivering the outstanding shares of single purpose holding companies holding only Equivalent Securities and associated Special Voting Units and that has no, and has never had any, other assets or liabilities; (c) the take-over bid must not permit Voting Units and Equivalent Securities tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days from the date of the bid and then only if, at such time, more than 50% of the Voting Units held by Voting Unitholders other than the bidder, Grandfathered Persons, their respective Affiliates and persons acting jointly or in concert with the bidder or a Grandfathered Person (the “**Independent Unitholders**”) have been tendered pursuant to the take-over bid and not withdrawn; and (d) if more than 50% of the Voting Units held by Independent Unitholders are tendered to the takeover bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Voting Units and Equivalent Securities for at least an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “**Competing Permitted Bid**”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days (or such minimum period prescribed by law in the Province of Ontario), it may expire on the same date as the earliest date for take-up specified in a Permitted Bid.

Waiver and Redemption

The Trustees, acting in good faith, may determine, with the prior consent of the Voting Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event, to redeem all, but not less than all, of the outstanding Rights at a redemption price of \$0.00001 per Right, subject to appropriate anti-dilution adjustments.

The Trustees, acting in good faith, may determine, with the prior consent of the Voting Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event that may occur by reason of an acquisition of Voting Units otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all holders of record of Voting Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event.

The Trustees, acting in good faith, may determine, at any time prior to the occurrence of a Flip-in Event that may occur by reason of a take-over bid made by take-over bid circular sent to all holders of record of Voting Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event, provided that if the Trustees do so, they shall be deemed to have waived the application of the Flip-in Event provisions to any other Flip-in Event occurring by reason of any take-over bid made by take-over bid circular to all holders of record of Voting Units and Equivalent Securities which is made prior to the expiry of any take-over bid (as the same may be extended from time to time) in respect of which such waiver is, or is deemed to have been, granted.

Redemption of Rights on Withdrawal or Termination of Bid

Where a take-over bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, provided that the provisions of the Rights Plan are deemed

to continue to apply as if the Separation Time had not occurred, the Trustees, acting in good faith, may elect to redeem all the outstanding Rights at the applicable redemption price. Upon such redemption, the REIT is deemed to have issued replacement Rights to all holders of its then outstanding Voting Units.

Waiver of Inadvertent Flip-in Event

The Trustees, acting in good faith, may, prior to the close of business on the tenth business day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that such person reduces its beneficial ownership of Voting Units such that it is not an Acquiring Person within 14 days of the determination of the Trustees.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid for the Voting Units or other acquisition of control of the REIT either alone or jointly with others.

Supplement and Amendments

The Trustees may, prior to the time for re-confirmation of the Rights Plan, supplement, amend, vary, rescind or delete any of the provisions of the plan in order to make any changes which the Trustees, acting in good faith, deem necessary or desirable, without the approval of any holders of Rights or Voting Units, only if such supplement, amendment, variation, rescission or deletion would not materially adversely affect the interests of holders of Rights. Any such change must be submitted for approval by Voting Unitholders at the next meeting of Voting Unitholders or, if made after the Separation Time, any such change must be submitted for approval by the holders of Rights at a meeting to be called by a date immediately following the next meeting of Voting Unitholders, and will only continue in effect if such approval is obtained. The Trustees may also supplement or amend the Rights Plan to correct any clerical or typographical error or as required to maintain the validity of the Rights Plan as a result of change in applicable legislation, rules or regulations.

Notwithstanding any provision of the Rights Plan, certain amendments made by the REIT to the Rights Plan by supplement or otherwise shall be subject to the receipt of prior approval of any governmental or regulatory authority having jurisdiction over the REIT.

Eligibility for Investment

The issue of Rights will not affect the status under the Tax Act of the Units as “qualified investments” (as defined in the Tax Act) for Exempt Plans.

Regulatory Approvals

Any obligation of the REIT or action or event contemplated by the Rights Plan will be subject to the receipt of any requisite approval or consent from any applicable governmental or regulatory authority having jurisdiction over the REIT.

General

Until a Right is exercised, the holder thereof, as such, will have no rights as a Voting Unitholder.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires Units pursuant to this prospectus and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length with the REIT and the Underwriters and is not affiliated with the REIT or the Underwriters, acquires and holds their Units as capital property, and is not exempt from tax under Part I of the Tax Act (in this section of the prospectus, referred to as a "**Holder**"). Generally, the Units will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units and any other "Canadian security" as defined in the Tax Act owned by such Holder in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution" for purposes of the "mark-to-market rules"; (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment", (iv) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules in the Tax Act, or (v) that has or will enter into a "derivative forward agreement" with respect to any Units, as each of those terms is defined in the Tax Act. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money to acquire Units under this offering.

This summary is based on certain representations as to factual matters made in a certificate signed by an officer of the REIT (the "**Officer's Certificate**") and in a certificate signed by TDSI (the "**Underwriter's Certificate**"), which certificates are provided to counsel. In particular, this summary assumes that the representations made in the Underwriter's Certificate and the Officer's Certificate are true and correct, including the representations that the REIT has and will at all times comply with the Declaration of Trust, that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a "mutual fund trust" within the meaning of the Tax Act from the time of its establishment, and that the REIT does and will continue to qualify as a "mutual fund trust" within the meaning of the Tax Act while the Units remain outstanding.

This summary is based on the current provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by CRA prior to the date hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or changes in CRA's administrative policies and assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies or assessing practices.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a Holder's particular status and circumstances, including the province or territory in which the Holder resides or carries on business. This summary is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder. Prospective unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units in their particular circumstances.

For the purposes of this summary, a reference to the REIT is a reference to Automotive Properties Real Estate Investment Trust only and is not a reference to any subsidiary entity.

Status of the REIT

Qualification as a “Mutual Fund Trust”

This summary assumes the REIT will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. Based on the representations as to factual matters set out in the Officer’s Certificate, the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering, and will continue to qualify as a mutual fund trust at all times thereafter. **If the REIT were not to qualify as a mutual fund trust at all times, certain of the income tax considerations described below would, in some respects, be materially and adversely different.**

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons. This summary assumes that the REIT was not established and is not maintained primarily for the benefit of non-resident persons and counsel is of the view that this assumption is reasonable in light of the restrictions on ownership of Units by Non-Residents which are contained in the Declaration of Trust.

Qualification as a “Real Estate Investment Trust”

SIFT Rules

The Tax Act contains rules (the “**SIFT Rules**”) which tax certain publicly- traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a “SIFT trust” or “SIFT partnership” (each defined in the Tax Act) and its investors. A SIFT trust includes a Canadian resident trust where investments in the trust are listed or traded on a stock exchange or other public market, and the trust holds one or more “non-portfolio properties” (as defined in the Tax Act). “Non-portfolio properties” include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT trust cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT trust) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax designed to emulate the combined federal and provincial corporate tax rates. Generally, distributions that are paid as returns of capital will not attract this tax.

As discussed below, the SIFT Rules do not apply in respect of a taxation year to a trust that qualifies as a “real estate investment trust” for the year (the “**REIT Exception**”). If the REIT does not satisfy the REIT Exception throughout the year, the SIFT Rules will apply to the REIT for that year. No assurances can be given that adverse consequences to the REIT and/or Unitholders will not arise as a consequence of the application of the SIFT Rules to the REIT.

Distributions of a SIFT trust’s income that are not deductible to the SIFT trust will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual’s income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a holder that is a corporation generally will be deductible in computing the corporation’s taxable income, and generally will qualify as “eligible dividends” for purposes of computing a Canadian resident corporation’s “general rate income pool” or “low rate income pool” (each as defined in the Tax Act). Certain corporations, including

“private corporations” or “subject corporations” (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

The following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception:

- (a) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are “qualified REIT properties” (as described below) held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust’s “gross REIT revenue” (as described below) for the taxation year must be derived from one or more of the following: “rent from real or immovable properties” (as described below), interest, dispositions of “real or immovable properties” that are capital properties (as described below), dividends, royalties and dispositions of “eligible resale properties” (as described below);
- (c) not less than 75% of the trust’s gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (d) at no time in the taxation year can the total fair market value of, stated generally, properties made up of real or immovable properties that are capital properties, eligible resale properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers’ acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the “equity value” of the trust at that time; and
- (e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT Rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the SIFT Rules:

- (a) “**eligible resale property**” means real or immovable property (other than capital property) of an entity,
 - (i) that is contiguous to a particular real or immovable property that is capital property or eligible resale property held by the entity or another entity affiliated with the entity, and
 - (ii) the holding of which is ancillary to the holding of the particular property;
- (b) “**gross REIT revenue**”, of an entity for a taxation year, means the amount, if any, by which the total of all amounts received or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the taxation year;
- (c) “**qualified REIT property**” of a trust at any time means, generally, a property held by the trust that is at that time:
 - (i) a real or immovable property that is capital property, an eligible resale property, money and certain indebtedness held by the trust;
 - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable

- properties that are capital properties of the trust or of an entity of which the trust holds a share or interest;
- (iii) a security of a subject entity if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust and (B) property described in (iv) below; and
 - (iv) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property, other than an equity of an entity, a mortgage, hypothecary claim, mezzanine loan or similar obligation;
- (d) “**real or immovable property**” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance (“CCA”) Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property and a lease or leasehold interest in respect of land or such depreciable property;
- (e) “**rent from real or immovable properties**” includes rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and
- (f) “**subject entity**” means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The REIT Exception contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year. As currently structured, management believes that the REIT should qualify for the REIT Exception. There is no assurance that the REIT will qualify for the REIT Exception in any particular year. The REIT has not obtained, nor sought, an advance tax ruling from the CRA in respect of the non-application to the REIT of the SIFT Rules, including the availability of the REIT Exception. There can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to comply with the REIT Exception. The Declaration of Trust provides that the REIT shall use its reasonable best efforts not to be a SIFT trust, in the circumstances and on the basis set forth in the Declaration of Trust. Counsel will not review the REIT’s compliance with the conditions for the REIT Exception.

The balance of this summary assumes that the REIT has and will continue to qualify for the REIT Exception at all times. Should the REIT cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described in this summary — in particular, non-deductible distribution amounts, as previously described, could be taxable to the REIT (with the result that the amount of cash available for distribution by the REIT would be reduced) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

Taxation of the REIT

The REIT will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains and its allocated share of income of the Partnership for its fiscal period ending on or before the year-end of the REIT, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the

Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Trust is the calendar year.

The REIT will generally not be subject to tax on any amounts received as distributions from the Partnership. Generally, distributions to the REIT in excess of its allocated share of the income of the Partnership for a fiscal year will result in a reduction of the adjusted cost base of the REIT's Class A LP Units in the Partnership by the amount of such excess. If, as a result, the REIT's adjusted cost base at the end of a taxation year of its Class A LP Units in the Partnership would otherwise be a negative amount, the REIT would be deemed to realize a capital gain equal to the negative adjusted cost base and the REIT's adjusted cost base at the beginning of the next taxation year of its Class A LP Units in the Partnership would then be reset to zero.

In computing its income for purposes of the Tax Act, the REIT may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. Generally, the REIT may also deduct on a five-year straight-line basis (subject to pro-ration for short taxation years) reasonable expenses incurred by it in the course of issuing Units. Counsel has been advised that in computing its taxable income, except as the Trustees otherwise determine, the REIT shall claim the maximum of CCA and other discretionary deductions available to the REIT under the Tax Act.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the REIT (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the REIT, but excluding income and capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the REIT to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the REIT, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where income of the REIT in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the REIT payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its income.

Losses incurred by the REIT (including losses allocated to the REIT by the Partnership and capable of being deducted by the REIT) cannot be allocated to Unitholders, but may be deducted by the REIT in future years in accordance with the detailed rules and limitations in the Tax Act.

The REIT will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income (including taxable capital gains) realized by the REIT as a result of that redemption may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder, and will be deductible by the Trust in computing its income.

Counsel has been advised that the REIT intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the REIT will not be liable in that year for any non-refundable tax under Part I of the Tax Act (after taking into account losses or capital losses that may be carried forward from prior years).

Taxation of the Partnership

The Partnership is expected to qualify as an "excluded subsidiary entity" at all relevant times and, as a result, will not be subject to tax under the Tax Act (including under the SIFT Rules). Generally, each partner of the Partnership, including the REIT, is required to include in computing the partner's income, the partner's share of the income (or loss) of the Partnership for the Partnership's fiscal year ending in, or coincidentally with, the partner's taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of the Partnership will be computed for each fiscal year as if the Partnership

was a separate person resident in Canada. In computing the income or loss of the Partnership, deductions may generally be claimed in respect of its administrative and other expenses (including interest in respect of the debt of the Partnership, if any) incurred for the purpose of earning income from business or property to the extent the outlays are not capital in nature and do not exceed a reasonable amount. Certain properties will be acquired by the Partnership on a tax deferred basis, such that the tax cost of these properties will be less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions resulting from the recapture of previously claimed CCA on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values.

For the purpose of claiming CCA, the undepreciated capital cost (“UCC”) of such properties acquired by the Partnership from the Dilawri Group, will be equal to the amounts jointly elected by the Partnership and the Dilawri Group on the tax-deferred acquisition of such property. The UCC of such property will be less than the fair market value of such property. As a result, the CCA that the Partnership may claim in respect of such properties will be less than it would have been if such properties had been acquired with a tax cost basis equal to their fair values.

The income or loss of the Partnership for a fiscal year will be allocated to the partners of the Partnership, including the REIT, on the basis of their respective share of such income or loss as provided in the Limited Partnership Agreement, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of the Partnership for a fiscal year will result in a reduction of the adjusted cost base of the partner’s units in the Partnership by the amount of such excess, as described above.

Taxation of Holders

A Holder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the REIT for a taxation year, including net realized taxable capital gains, that is paid or payable to the Holder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or be treated as a loss of, the Holder.

The after-tax return to a Holder from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. The composition for tax purposes of distributions by the REIT may change over time, thus affecting the after-tax return to such Holder.

Provided that appropriate designations are made by the REIT, such portion of the net taxable capital gains and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as are paid or payable, or deemed to be paid or payable, to a Holder, will effectively retain their character and be treated as such in the hands of the Holder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Holders out of the net taxable capital gains of the REIT, such designated amounts will be deemed for tax purposes to be received by Holders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. See the discussion in “Taxation of Capital Gains and Capital Losses” below. To the extent that amounts are designated as having been paid to Holders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Holders that are “private corporations” or “subject corporations” (as such terms are defined in the Tax Act). Holders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a taxation year will not be included in computing the Holder’s income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Holder in that year will generally not be included in the Holder’s income for the taxation year. However, where such an amount is paid or payable to a Holder (other than as proceeds of

disposition or deemed disposition of Units or any part thereof), the Holder will generally be required to reduce the adjusted cost base of the Holder's Units by that amount (except to the extent it represents the Holder's share of the non-taxable portion of the net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Holder). To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Holder and the adjusted cost base of the Unit to the Holder will immediately thereafter be nil. Refer to the discussion of "Taxation of Capital Gains and Capital Losses" below.

Purchases of Units by Unitholders

Since the REIT will make monthly distributions, a purchaser of a Unit may become taxable on a portion of the net income or capital gains of the REIT accrued or realized by the REIT in a month before the time the Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the Unit was purchased. A similar result may apply on an annual basis in respect of a portion of income or capital gains accrued or realized by the REIT in a year before the time the Unit was purchased but which is paid or made payable to Unitholders at year end and after the time the Unit was purchased.

Disposition of Units

In general, a disposition or deemed disposition of a Unit will give rise to a capital gain (or a capital loss) equal to the amount by which the Holder's proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit to the Holder and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the REIT that is otherwise required to be included in the Holder's income, including any capital gain or income realized by the REIT in connection with a redemption which has been designated by the REIT to the redeeming Holder. Refer to the discussion of "Taxation of Capital Gains and Capital Losses" below.

The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, subject to certain adjustments. The cost to Holder of additional Units received in lieu of a cash distribution of income (including net capital gains) will generally be equal to the amount of the distribution. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before the acquisition.

Where Units are redeemed by the distribution by the REIT of Subsidiary Notes or other property of the REIT, the proceeds of disposition to the redeeming Holder will be equal to the fair market value of the notes or other property of the REIT so distributed less any income or capital gain realized by the REIT in connection with such redemption to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Where income or capital gain realized by the REIT upon or in connection with an *in specie* distribution of property on a redemption of Units has been designated by the REIT to the redeeming Holder, the Holder will be required to include in the Holder's income such income or the taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the REIT to a Holder upon redemption of Units will be equal to the fair market value of that property at the time of distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

The consolidation of Units of the REIT will not result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Taxation of Capital Gains and Capital Losses

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by a Holder on a disposition of a Unit and the amount of any net taxable capital gains designated by the REIT in respect of a Holder will generally be included in the Holder's income for the year. One-half of the amount of any capital loss (an "**allowable capital loss**") sustained by the Holder on the disposition of a Unit must generally be deducted by

such Holder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the Holder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

The amount of any capital loss otherwise realized by a Holder that is a corporation or a trust (other than a mutual fund trust) on the disposition of a Unit may be reduced by the amount of dividends received by the REIT and previously designated by the REIT to the Holder except to the extent that a loss on a previous disposition of a Unit has been reduced by such amounts. Similar rules may apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units. Holders to whom these rules may be relevant should consult their own tax advisors.

Special Tax on Certain Corporations

A Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6½% on its “aggregate investment income” (as defined in the Tax Act), including taxable capital gains realized in respect of a Unit.

Alternative Minimum Tax

In general terms, net income of the REIT paid or payable to a Holder who is an individual (other than certain trusts) that is designated as taxable dividends or as net taxable capital gains and capital gains realized on the disposition of Units by such Holder may increase the Holder’s liability for alternative minimum tax.

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement, the REIT has agreed to sell and the Underwriters have severally agreed to purchase on Closing an aggregate of 7,500,000 Units at a purchase price of \$10.00 per Unit payable in cash to the REIT against delivery of the Units for aggregate gross proceeds of \$75,000,000. The Closing is expected to occur on July 22, 2015 or such other date as the REIT and the Lead Underwriters may agree, but in any event not later than August 5, 2015. The obligations of the Underwriters under the Underwriting Agreement are several and conditional and may be terminated at their discretion on the occurrence of certain stated events, including in the event the Units cannot be profitably marketed, upon the occurrence of certain stated material changes with respect to the REIT and its Subsidiaries (taken as a whole) and certain stated events seriously adversely affecting the financial markets in Canada or the business, operations, or affairs of the REIT and its Subsidiaries (taken as a whole). The Underwriters are, however, severally obligated to take up and pay for all of the Units that they have agreed to purchase if any of the Units are purchased under the Underwriting Agreement.

The TSX has conditionally approved the listing of the Units under the symbol “APR.UN”. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before September 28, 2015.

There is currently no market through which the Units may be sold. The Offering Price of the Units was established by negotiation among the REIT, Dilawri and the Underwriters and has been determined, in part, based on the forecasted net earnings and the resulting calculation of AFFO for the Forecast Period. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to \$0.60 per Unit. Subscriptions for Units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the price specified on the cover page of this prospectus, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Underwriters to the REIT.

The REIT has granted to the Underwriters the Over-Allotment Option, which is exercisable in whole or in part and at any one time up to 30 days after Closing to purchase up to an additional 1,125,000 Units at the Offering Price, solely to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The REIT and Dilawri have agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the Underwriters may be required to make in respect thereof. These obligations will survive for such maximum period of time as the Underwriters may be entitled to commence an action with respect to a misrepresentation under applicable securities laws and indefinitely in the case of fraud or fraudulent misrepresentation. There is no cap on liability under the Underwriting Agreement; however, the Contribution Agreement Cap will be reduced by the amount of any claims made under the Underwriting Agreement. See "Acquisition of the Initial Properties — Contribution Agreement".

During a period ending 180 days from Closing, the REIT will not offer, sell or issue for sale or resale any Units or financial instruments or securities convertible into, or exercisable or exchangeable for, Units, or agree to, or announce, any such offer, sale or issuance, except pursuant to the Over-Allotment Option or the Rights Plan, without the prior written consent of the Lead Underwriters, on behalf of the Underwriters, which consent may not be unreasonably withheld or delayed.

In addition, Dilawri has agreed with the Underwriters not to, directly or indirectly, or to cause any of the Dilawri Organization or the Transferors that are subject to the Voting Trust Agreement to, directly or indirectly, offer, sell or otherwise dispose of, or agree to, or announce, any such offer, sale or disposition without the prior written consent of the Lead Underwriters, on behalf of the Underwriters, and the Independent Trustees, which consents may not be unreasonably withheld or delayed, of any Class B LP Units acquired pursuant to the Acquisition (and any Units received on exchange of such Class B LP Units) by the Dilawri Organization or any other Transferor that is subject to the Voting Trust Agreement, for a period of 18 months following Closing, subject to certain exceptions, including transfers to Affiliates, officers, employees and personal trusts and the beneficiaries thereof (provided that such transferee agrees to be subject to the remaining Lock-up Period at the time of transfer and no more than 3% of such securities held by them collectively may be transferred to officers and directors or employees of the Dilawri Group in their capacity as such), pledging Class B LP Units as security for existing *bona fide* loans from third parties that are outstanding as of Closing and all replacements, refinancings and renewals thereof (provided they are not "margin loans"), and in the event of a take-over bid for the REIT or other similar arrangement involving the REIT or its assets.

The Units have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each Underwriter has agreed that it will not offer or sell Units within the United States, except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the Units that they have acquired pursuant to the Underwriting Agreement through their U.S. broker dealers in the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in accordance with Rule 144A under the U.S. Securities Act and exemptions from registration under applicable state securities laws. The Underwriting Agreement also provides that the Underwriters may offer and sell the Units outside the United States in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units from the REIT through the Over-Allotment Option. If, following Closing, the market price of the Units decreases, the short position created by the over-allocation position in Units may be filled through purchases in the market, creating upward pressure on the price of the Units. If, following Closing, the market price of Units increases, the over-allocation position in Units may be filled through the exercise of the Over-Allotment Option in respect of Units at the Offering Price.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters’ over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

Relationship Between the REIT and Certain of the Underwriters

SCI, BMONB and RBCDS are affiliates of Canadian chartered banks that are expected to provide the REIT with Loan Facility 1, Loan Facility 2 and Loan Facility 3, respectively, at Closing. See “Debt Strategy and Indebtedness — Composition of Indebtedness”. Consequently, the REIT may be considered a “connected issuer” of each of SCI, BMONB and RBCDS, under applicable Canadian securities laws. The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the REIT, Dilawri and the Underwriters. The Canadian chartered banks of which such Underwriters are affiliates did not have any involvement in such decision or determination although such Canadian chartered banks have been advised of the Offering and the terms thereof. As a consequence of the Offering, each of such Underwriters will receive its proportionate share of the Underwriters’ fee.

PRIOR ISSUANCES

During the twelve-month period prior to the date of this prospectus, the REIT issued one Unit for a price of \$10.00 on June 1, 2015 in connection with the establishment of the REIT. This Unit will be repurchased by the REIT on Closing for a price of \$10.00.

ESCROWED SECURITIES

The following securities of the REIT will be held in escrow in accordance with National Instrument 46-201 — *Escrow for Initial Public Offerings*:

<u>Designation of Class</u>	<u>Number of Securities Held in Escrow</u>	<u>Percentage of Class</u>
Units	100,000 ⁽¹⁾	1.33%
Class B LP Units	9,933,253 ⁽¹⁾	100%

Note:

- (1) It is expected that the number of units held in escrow (the “**Escrowed Units**”), including any Class B LP Units that will be issued to Dilawri and each of the Transferors, on the Closing Date will be held in escrow pursuant to an escrow agreement (the “**Escrow Agreement**”) to be entered into between the REIT, each holder of Escrowed Units and Computershare Investor Services Inc., as escrow agent. Pursuant to the terms of the Escrow Agreement, $\frac{1}{4}$ of the Escrowed Units will be released on the date that the Units are listed on the TSX (the “**Listing Date**”). $\frac{1}{2}$ of the remaining Escrowed Units will be released six months after the Listing Date. $\frac{1}{2}$ of the remaining Escrowed Units will be released 12 months after the Listing Date, and the remaining Escrowed Units will be released 18 months after the Listing Date.

USE OF PROCEEDS

The net proceeds of the Offering will be approximately \$67.3 million, after deducting the REIT’s estimated expenses of the Offering and the Underwriters’ fee. The REIT will use approximately \$64.5 million of the proceeds of the Offering and \$193.8 million from drawdowns under the Credit Facilities to indirectly redeem the redeemable partnership units issued to certain Transferors in connection with the Acquisition, redeem some of the Class B LP Units issued to certain Transferors and repay the Transferor Notes. Of the above-noted figures, approximately \$245.2 million will be dispersed, directly or indirectly, to the members or the Dilawri Group. The REIT will, directly or indirectly, use the remaining portion of the proceeds of the Offering to pay fees and expenses incurred by it and Dilawri in connection with the Offering and the Acquisition, and to provide a small amount of working capital for the REIT. See “Acquisition of the Initial Properties” and “Capitalization of the REIT”.

The proceeds received by the REIT on the exercise of the Over-Allotment Option, to the extent exercised, will be used by the REIT to repay debt and provide additional working capital for the REIT. See “Plan of Distribution”.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business to be conducted by the REIT and the tenants of the properties, many of which are beyond the control of the REIT. Described below are certain risks that could materially adversely affect the REIT, its operations, cash flows and ability to make cash distributions. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT’s future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the REIT. Prospective purchasers of Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the REIT's Relationship with Dilawri

Significant Ownership by the Dilawri Organization

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT on a fully-diluted basis through ownership, direction or control of all of the Class B LP Units (or an approximate 53.5% effective interest in the REIT on a fully-diluted basis if the Over-Allotment Option is exercised in full). Each Class B LP Unit will have attached to it, a Special Voting Unit of the REIT, providing for voting rights in the REIT.

In addition, the Declaration of Trust grants Dilawri the right to nominate certain Trustees of the REIT based on the Dilawri Organization's direct and indirect interest in the REIT. See "Declaration of Trust and Description of REIT Units — Nomination of Trustees". For so long as the Dilawri Organization maintains a significant effective interest in the REIT, the Dilawri Organization will have the ability to exercise certain influence with respect to the affairs of the REIT and significantly affect the outcome of the votes of Voting Unitholders, and may have the ability to prevent certain fundamental transactions. As a result, the Dilawri Organization will have the ability to influence many matters affecting the REIT.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where the Dilawri Organization did not have the ability to influence or determine matters affecting the REIT. Additionally, the Dilawri Organization's significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price. Further, the Dilawri Organization's significant effective interest in the REIT may discourage competing bids if Dilawri or another member of the Dilawri Organization bids for the REIT.

Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). If the Dilawri Organization exchanges some or all of its Class B LP Units for Units and subsequently sells such Units in the public market (following the expiration of the contractual hold period of 18 months following Closing), the market price of the Units may decrease. Moreover, despite the fact that Dilawri has advised the REIT that the Dilawri Organization's current intention is to retain a significant interest in the REIT for the foreseeable future, the perception in the public market that these sales will occur could also produce such an effect.

The Dilawri Group as Key Tenant

At Closing, the REIT will derive all of its annual base minimum rent from the Dilawri Group. Consequently, revenues will be dependent on the ability of the Dilawri Group to meet its rent obligations and the REIT's ability to collect rent from the Dilawri Group. If the Dilawri Group were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the REIT's financial condition and results of operations and its ability to make cash distributions to Unitholders.

The REIT will enter into leases with the applicable members of the Dilawri Group in respect of each Initial Property, including the Third Party Tenant Portfolio. Under such leases, Dilawri will provide an indemnity for the lease obligations of each other member of the Dilawri Group. Consequently, the Dilawri Group will be the REIT's only tenant at Closing and its most significant tenant for the foreseeable future, with members of the Dilawri Group occupying 87% of the REIT's GLA on Closing and third parties occupying the remainder pursuant to sublease arrangements with the Dilawri Group. The rent from the portions of the Initial Properties occupied by the Dilawri Group will represent approximately 88% of the REIT's Cash NOI over the Forecast Period, with the portions of the Initial Properties occupied by third party tenants pursuant to sublease arrangements accounting for the remainder. On Closing, the initial terms of the Dilawri Leases will range from 11 to 19 years, with a Cash NOI weighted average lease term of 15 years. Therefore, the REIT's net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Dilawri or the Dilawri Group, as the REIT's largest tenant.

Acquisition of Future Properties from the Dilawri Group

The REIT's ability to expand its asset base and increase AFFO per Unit through acquisitions will be significantly affected by the REIT's ability to leverage its relationship with the Dilawri Group to access opportunities to acquire additional properties that satisfy the REIT's investment criteria, including pursuant to the Strategic Alliance Agreement. Dilawri has agreed to offer to sell to the REIT the Development Properties upon Substantial Completion thereof. As the REIT's acceptance of such offer will be conditional on market conditions and the REIT's due diligence, there can be no assurance that the REIT will approve such opportunities and acquire any or all of the Development Properties or do so on terms favourable to the REIT. In addition, there can be no assurance that the right of first offer granted to the REIT by Dilawri to acquire the Dilawri Group's interests in other properties will be exercised or that the Dilawri Group will dispose of interests in its properties. The inability of the REIT to expand its asset base by virtue of its relationship with the Dilawri Group or pursuant to the rights of first offer may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to Unitholders.

Sale Provisions Under the Strategic Alliance Agreement

Pursuant to the Strategic Alliance Agreement, the REIT has granted a right of first offer in favour of Dilawri in the event that the REIT intends to sell or otherwise to dispose of any of its properties in which a member of the Dilawri Group is a tenant or, where a member of the Dilawri Group is not a tenant, which the REIT acquired from a member of the Dilawri Group or pursuant to the Strategic Alliance Agreement. In the event that the REIT desires to sell or otherwise dispose of a property, the existence of this right of first offer in favour of Dilawri could limit the number of purchasers of such property, make it more difficult to sell such property and/or decrease the potential purchase price that could be obtained for such property, which, in turn, could have a material adverse effect on the REIT. This right survives termination of the Strategic Alliance Agreement.

Potential Conflicts of Interest with Dilawri

Other than pursuant to the Strategic Alliance Agreement, Dilawri will not be limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable properties to be used as automotive dealerships.

Dilawri's continuing business may lead to conflicts of interest between Dilawri and the REIT. In addition, the ongoing employment relationships between the applicable Dilawri Subsidiary and each of Milton Lamb (President and Chief Executive Officer of the REIT) and Andrew Kalra (Chief Financial Officer and Corporate Secretary of the REIT), and the development and other services to be performed by Mr. Lamb, and the services provided by Mr. Kalra, respectively, for Dilawri may lead to conflicts of interest between such persons and the REIT. The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT will enter into with the Dilawri Group on Closing may be amended upon agreement between the parties, subject to applicable law and approval of the Independent Trustees. Because of the Dilawri Organization's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant effective Unitholder. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of the REIT.

Assumption of Liabilities

The REIT will assume liabilities arising out of or related to the business, operations or assets acquired by the REIT and will agree to indemnify the vendors of the Initial Properties for, among other matters, such liabilities. The REIT may assume unknown liabilities that could be significant. The allocation of value for assets and liabilities between the vendors of the Initial Properties and the REIT may not reflect the allocation that would have been reached between the REIT and a party that was not in a position to exercise significant influence over it. See "Acquisition of the Initial Properties" and "Arrangements with Dilawri".

Risks Associated with the Administration Agreement

The REIT will rely on Dilawri with respect to the provision of certain services, as described under “Arrangements with Dilawri — Administration Agreement”. This means that the REIT’s day-to-day operational matters and management, including the roles of the REIT’s President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary, will be dependent upon Dilawri’s ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Dilawri, or if Dilawri fails to perform its obligations under the Administration Agreement, the REIT may experience a material adverse impact on its business operations. The REIT may be unable to duplicate the quality and depth of the services available to it by handling such services internally or by retaining another service provider. Further, if the REIT were to lose the services provided by Dilawri, the REIT may be forced to commence a search and to hire a new President and Chief Executive Officer or Chief Financial Officer and Corporate Secretary. Any such process may prove lengthy and expensive and the REIT may not be able to find a suitable replacement for some time due to the intense competition for skilled employees and where such a replacement is found it may be at a higher cost to the REIT. The inability to find a suitable replacement, or to find a suitable replacement at a comparable cost, could have a material adverse effect on the REIT’s business operations. Prospective investors should not purchase any Units unless they are prepared to rely on Dilawri, as the initial servicer.

The Administration Agreement may be terminated in certain circumstances and is only renewable on certain conditions. Accordingly, there can be no assurance that the REIT will continue to have the benefit of Dilawri’s services, including the provision of the REIT’s President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary. The services provided by Dilawri pursuant to the Administration Agreement are provided on a cost-recovery basis. Therefore, if Dilawri should cease for whatever reason to provide such services, the cost of obtaining substitute services will likely be greater, and this may adversely affect the REIT’s ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT’s cash flows, operating results and financial condition and its ability to make distributions to Unitholders.

Limited Recourse Against the Transferors in Respect of the Initial Properties

Purchasers under this prospectus will not have a direct statutory right or any other rights against the Transferors, the vendors of the Initial Properties, and their respective securityholders. Pursuant to the Contribution Agreement, the Transferors will make certain representations and warranties to the REIT. The sole remedy of the REIT against the Transferors or any of their respective securityholders will be through the REIT bringing an action for a breach of the representations and warranties contained in the Contribution Agreement. The Contribution Agreement will also include indemnities by Dilawri in favour of the REIT and the Partnership in respect of, among other things, any claims caused by or arising directly or indirectly by reason of a breach of representations and warranties by a Transferor or a breach by Dilawri of its representation and warranty relating to the information in this prospectus (see “Acquisition of the Initial Properties — Contribution Agreement”). Dilawri has also provided an indemnity for the lease obligations of each applicable member of the Dilawri Group, subject to certain conditions. Dilawri will be released from its indemnity obligations under a lease at the expiry of the initial term of the lease. See “Assets of the REIT — Description of the Material Terms of the Dilawri Leases”. While the REIT and the Partnership are indemnified for breaches of representations and warranties contained in the Contribution Agreement, recourse for such breaches may be limited due to qualifications related to knowledge of the vendor, contractual and time limits on recourse under applicable laws, and the ability of the vendors to satisfy third-party claims. There can be no assurance of recovery by the REIT from the Dilawri Group or the applicable other Transferors for any breach of the representations and warranties to be made under the Contribution Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. No member of the Dilawri Group or a Transferor has provided any security for its obligations and is not required to maintain any cash for this purpose. The inability to recover fully any significant liabilities incurred with respect to breaches of representations and warranties under the Contribution Agreement may have adverse effects on the REIT’s financial position. In addition, the Transferors have not made any representation to the REIT, and are not making any representation to investors in the Offering, as to the disclosure in the prospectus constituting full, true and plain disclosure of all material facts related to the Initial Properties, or that the prospectus does not contain a misrepresentation with respect to such Initial

Properties. Accordingly, (even though Dilawri has made such representation and will have corresponding liability to the REIT, in addition to its liability in its capacity as promoter of the REIT) the Transferors will not have any liability to investors in the Offering if the disclosure in the prospectus relating to the Initial Properties does not meet such standard or contains a misrepresentation. See “Acquisition of the Initial Properties — Contribution Agreement”, “Purchasers’ Statutory Rights” and “Promoter”.

Risk Factors Related to the Real Estate Industry and the Business of the REIT

Real Property Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT’s portfolio, including the Initial Properties. The marketability and value of the REIT’s portfolio, including the Initial Properties, will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of real estate assets; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT’s income from such investments.

The Initial Properties generate income through rent payments made by the Dilawri Group as the REIT’s sole tenant. The REIT depends on tenants who lease its properties, including the Initial Properties, to pay rent, maintain its properties and meet their other lease obligations. All of the Initial Properties rely on the Dilawri Group under a triple-net lease, which subjects the REIT to additional risk related to the financial strength of the Dilawri Group relative to multi-tenant properties. Furthermore, as the Dilawri Group will head lease all of the premises currently leased to third party tenants, the Dilawri Group, not the REIT, will have control over the re-leasing of such premises. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the Initial Properties. The REIT’s cash flows and financial position would be materially adversely affected if its tenants (and especially the Dilawri Group) were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT’s properties was not able to be leased on economically favourable lease terms.

The REIT also depends on the tenant to keep the property adequately insured. If the tenant does not have enough insurance and there is a loss, the REIT could incur all or some of the cost to repair or replace the property. In addition, if the tenant fails to pay real estate taxes when due, the REIT may be required to pay these taxes. If a tenant fails to pay rent or perform any other obligation under the lease, the tenant could be in default under the lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Any such process may be

costly, time consuming and could divert the attention of management from the day-to-day-business of the REIT. Further, the REIT may be unsuccessful collecting the money that is owed by a defaulting tenant. In addition, the Dilawri Leases may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

The above list of ways in which the REIT depends on its tenants is not exhaustive. Other actions by the REIT's tenants could have an adverse effect on its cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Asset Class and Manufacturer Diversification

The REIT's investments will not be widely diversified by asset class. Substantially all of the REIT's investments, including the Initial Properties, will be in automotive dealership properties. A lack of asset class diversification increases risk because automotive dealership properties are subject to their own set of risks, such as the risks associated with automotive manufacturers. See “— Risk Factors Related to the Automotive Dealership Industry”. Furthermore, Honda and Acura dealerships collectively represent over 30% of the gross automotive dealership rent payable to the REIT during the Forecast Period and over 30% of the REIT's GLA at Closing. Because Acura is a division of Honda, any material adverse changes to the business of this one manufacturer may adversely affect the ability of the Dilawri Group to meet its rent obligations, which in turn may have a material adverse effect on the REIT.

Geographic Concentration

The Initial Properties are all located in Canada, in the provinces of Ontario, Saskatchewan, Alberta and British Columbia. As a result, the market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environments of Ontario, Saskatchewan, Alberta and British Columbia. Adverse changes in the economic condition or regulatory environment of Ontario, Saskatchewan, Alberta or British Columbia may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make cash distributions to Unitholders. See “Assets of the REIT — Composition of the Initial Properties — Geographic Breakdown”.

Competition

The REIT will compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the properties of the REIT's competitors may be newer or better located than the Initial Properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations and its ability to make cash distributions to Unitholders.

Capital Expenditures and Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. In order to retain desirable rentable space and to generate adequate revenue over the long-term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which the

REIT may not be able to fully recover from its tenants. As a result, the REIT will bear the economic cost of such structural defects and/or taxes not recoverable from tenants which may adversely impact the REIT's financial condition and results from operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of the REIT's properties is located or similar properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from, and the value of, the REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to Unitholders.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of real property in Canada, the REIT will be subject to various Canadian federal, provincial, territorial and municipal laws relating to environmental matters. In the event that the REIT acquires properties in the United States, it will also be subject to various U.S. federal, state and other environmental laws. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. These laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air. Certain of the Initial Properties contain or might contain materials containing asbestos. The costs of investigation, removal and remediation of such substances, materials and/or contamination from the Initial Properties may be substantial and could materially adversely affect the REIT's financial condition and results of operations. The presence of such substances, materials and/or contamination or the failure to remediate them may also materially adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in significant claims against the REIT by public or private parties.

The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of

hazardous materials or contamination can materially adversely affect the value of a property and the REIT's ability to lease or sell such property.

All of the Initial Properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, automotive repair and/or service operations are currently located at each of the Initial Properties.

The REIT's operating policy is to obtain, or be able to rely on, a phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have phase II environmental site assessment work completed where recommended in a phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of such properties, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. See "Assessments and Valuations of the Initial Properties — Environmental Site Assessments".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease or eliminate the amount of cash available for distribution to Unitholders. In addition, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition, may have a material adverse effect on the REIT's financial condition and results of operation and decrease or eliminate the amount of cash available for distribution to Unitholders.

Financing Risks

The REIT expects to have outstanding Indebtedness immediately following Closing of approximately \$193.8 million. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent that the REIT incurs variable rate indebtedness (such as under the Revolving Credit Facilities), this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders. The Credit Facilities will also contain covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the REIT's ability to make distributions to Unitholders may be limited or suspended. In particular, Loan Facility 1 will limit distributions by the REIT to an amount not to exceed 95% of its consolidated funds from operations and Loan Facility 2 will limit distributions by the REIT to an amount not to exceed 100% of its consolidated adjusted funds from operations. Such maximum payout ratios could limit the amount of distributions payable by the REIT from time to time. In addition, the Credit Facilities will contain restrictions concerning the change of control of the REIT and the Partnership (and/or requiring the REIT to remain publicly-traded) which may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price. Loan

Facility 1 will also contain a limit on the amount the REIT can spend in any year on capital improvements to its properties. Although the REIT does not anticipate spending significant sums on capital improvements given that the Dilawri Leases are “triple net” leases, such a limit could impact the REIT’s ability to expand or otherwise make substantial structural improvements to its properties.

Degree of Leverage

The REIT’s ratio of Indebtedness to GBV is expected to be approximately 54% immediately following Closing. The REIT’s degree of leverage could have important consequences to Unitholders, including: (i) the REIT’s ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general and (ii) a portion of the REIT’s cash flow will be dedicated to the payment of the principal of and interest on, its Indebtedness, thereby reducing the amount of funds available for distributions to Unitholders. Under the Declaration of Trust, the maximum amount of Indebtedness cannot exceed 60% of GBV (or 65% including convertible Indebtedness).

Interest Rate Risk

The REIT will require extensive financial resources to complete the Acquisition and to implement its future growth strategy. When concluding financing agreements or extending such agreements, the REIT will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the REIT’s desired AFFO and that do not restrict its ability to make distributions to Unitholders. In addition to the Revolving Credit Facilities, the REIT may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, resulting in a decrease in or the elimination of distributions to Unitholders, which could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the Units.

The REIT expects to implement hedging programs in respect of Non-Revolving Facility 1 and Non-Revolving Facility 2 in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders. However, to the extent that the REIT fails to adequately manage its variable interest rate risks, its financial results, and its ability to pay distributions to Unitholders and interest payments under the Credit Facilities and any other variable rate financings, may be materially adversely affected. Increases in interest rates generally cause a decrease in demand for real property. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could have a material adverse effect on the REIT’s ability to sell any of its properties.

Acquisitions and Associated Undisclosed Defects and Obligations

The REIT’s business plan contemplates, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing the properties. The REIT intends to make acquisitions and dispositions of properties in accordance with its external growth strategy. If the REIT is unable to manage its growth effectively, it could materially adversely impact the REIT’s financial position and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will be maintained or increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible

to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's management team from existing business operations; (h) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that are acquired may decline during the REIT's ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If the REIT cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make cash distributions to Unitholders could be materially and adversely affected.

Lack of Operating History

The Initial Properties that the REIT is acquiring on Closing have been assets of the Dilawri Group for a number of years. Prior to the date of Closing, however, the REIT will not have conducted any business activities. The REIT may be less successful in implementing its business strategy than a more seasoned real estate entity. As a result, the REIT may experience significant fluctuations in its operating results and rate of growth, which may vary from those projected by management. In addition, the forward-looking statements contained in this prospectus about expected future operating results or the assumptions reflected in the historical combined carve-out financial statements for the Third Party Tenant Portfolio included elsewhere in this prospectus and under the heading "Financial Forecast" are subject to uncertainties that are due, in part, to the REIT's lack of an operating history. No assurance can be given that the REIT will be successful in implementing its business strategy or that it will achieve expected future operating results which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management will endeavour to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be regularly reviewed and if deemed necessary improvements will be implemented.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT expects to have access to the Revolving Credit Facilities, there can be no assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to Unitholders.

Potential Conflicts of Interest

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. Pursuant to the Declaration of Trust, all decisions to be made by the Board which involve the REIT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Voting Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as certain Trustees will be affiliated with the Dilawri Organization and may be nominated by Dilawri in certain circumstances in the future. There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the REIT.

Appraisal

The REIT retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties. See "Assessments and Valuations of the Initial Properties — Independent Valuations". Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of this prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisal will be attainable. In addition, the Appraisal was given as at an effective date of January 1, 2015 and is therefore not current to the date of this prospectus or the Closing Date. As prices in the real estate market fluctuate over time in response to numerous factors, the values of the Initial Properties reflected in the Appraisal may be an unreliable indication of its current market value.

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.

General Insured and Uninsured Risks

The Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry general liability, umbrella liability and/or excess liability insurance with limits which are typically obtained for similar real

estate properties and otherwise acceptable to the Board that names the REIT as an additional insured. For property risks, the Dilawri Leases require Dilawri (or the applicable member of the Dilawri Group) to carry “All Risks” property insurance, including but not limited to, flood, earthquake and loss of rental income insurance (with at least a 12 month indemnity period) that names the REIT as an additional insured. The REIT also intends to carry customary insurance covering its Trustees and officers as well as the prospectus liability insurance described under “Acquisition of the Initial Properties — Contribution Agreement”. There are, however, certain types of risks (generally of a catastrophic nature, such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. The REIT does not expect to carry title insurance on the Initial Properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

While the REIT, as an additional insured on Dilawri’s policies, will have insurance to cover a substantial portion of the cost of natural disasters, such insurance includes customary deductible amounts and certain items may not be covered by insurance. Future natural disasters may materially adversely affect the REIT’s operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When Dilawri’s current insurance policies expire, it may encounter difficulty in obtaining or renewing property or casualty insurance at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. If Dilawri or the REIT is unable to obtain adequate insurance for certain risks, it could result in an event of default under the Dilawri Leases and/or could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if Dilawri or the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make cash distributions to Unitholders.

Financial Forecast

The forecasted results contained in this prospectus were prepared using assumptions that reflect management’s intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the Forecast Period may vary significantly from the forecasted results and those variations may be material. There is no representation by the REIT, Dilawri or the Underwriters that actual results achieved during the Forecast Period will be the same, in whole or in part, as those forecasted herein. See “Forward-Looking Statements”.

Based on the Appraisal, the estimated aggregate market value of the Initial Properties on a “as completed basis” as at January 1, 2015 was \$353.7 million prior to application of any portfolio premium. To determine the full value of the Initial Properties, in the context of a publicly-traded portfolio, the Appraiser added a 3% to 5% portfolio premium to the aggregate values of the Initial Properties which, in the Appraiser’s professional experience, given the size and nature of the portfolio and current market condition, is warranted. Therefore, based on the Appraisal, the resulting full value of the Initial Properties on an “as completed” basis was between approximately \$364.3 million and \$371.3 million as at January 1, 2015. The REIT will indirectly acquire freehold and leasehold interests in the Initial Properties from the Transferors pursuant to the Contribution Agreement for an aggregate purchase price of approximately \$354.2 million, plus an amount equal to the estimated deferred land transfer taxes realized by the REIT in the Acquisition (estimated by management to be approximately \$1.8 million). Consequently, as reflected in the Financial Forecast, the REIT will pay a \$0.48 million portfolio

premium to the Transferors in respect of its Acquisition of the Initial Properties which amount is reflected as a change in the value of investment properties in the Financial Forecast. Notwithstanding the payment of this portfolio premium by investors, the premium will not be repaid by the REIT as the REIT's only intention is to make distributions to holders of Units and Class B LP Units in accordance with its distribution policy. See "Financial Forecast" and "Distribution Policy".

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could materially adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the REIT's operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Trustees. The inability to attract and retain qualified and experienced personnel or the loss of the services of any key personnel could have a material adverse effect on the REIT and materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. The REIT does not have key person insurance on any of its executive officers. Further, pursuant to the Administration Agreement, the roles and responsibilities of the REIT's President and Chief Executive Officer and Chief Financial Officer and Corporate Secretary will be performed by employees of a Subsidiary of Dilawri. Therefore, Dilawri's inability to attract and retain qualified and experienced personnel or the loss of the services of any such key personnel could have a material adverse effect on the REIT, its financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

New Markets

If the opportunity arises, the REIT may explore acquisitions of properties in new markets, such as the United States. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could materially adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could materially adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and its ability to satisfy debt service obligations and to make distributions to Unitholders.

Property Development, Redevelopment and Renovation Risks

Although the REIT may engage in development, redevelopment or major renovation activities with respect to its properties, it does not expect to do so in the near term. However, if it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely

affecting the REIT's cash flow and liquidity; (h) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, the trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations.

Derivative Risks

The REIT expects to have swap facilities in place as part of Loan Facility 1 and Loan Facility 2. The REIT may also use other derivative instruments, including futures, forwards, options and additional swaps, to manage the interest rate risks inherent in its operations and Credit Facilities. There can be no assurance that any hedging activities of the REIT will be effective. Further, these activities, although intended to mitigate price volatility, would expose the REIT to other risks. For example, the REIT would be subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there would be a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have a material adverse effect on the REIT's ability to use derivative instruments to effectively hedge the interest rate risks inherent in its operations.

Joint Venture Arrangements

The REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore may have a limited ability to protect its position therein, such joint venture arrangements are expected to contain terms and conditions which are commercially reasonable. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third party co-venturers.

Land Leases

Two of the Initial Properties are subject to land leases. To the extent that the properties in which the REIT has or will have an interest are located on leased land, including these Initial Properties, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which

could adversely impact the REIT's financial condition and operating results and decrease the amount of cash available for distribution.

Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and, as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the United States, that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Investments in Debt Instruments

Under the Declaration of Trust, the REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investments in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Third Party Approvals

While all consents of a material nature are expected to be obtained on or prior to Closing, certain consents or approvals deemed expedient in connection with the Acquisition may not have been obtained at the time of Closing and the consents obtained may be subject to conditions that are required to be fulfilled following Closing. Additionally, third parties may request certain consents or approvals that were not considered to be necessary in connection with the Offering or Acquisition. To the extent that such approvals are not obtained or conditions relating thereto are not fulfilled, third parties may claim for breach of contract or other damages. While management believes the risks related to third party approvals are minimal, should any such claim be successful, an adverse impact could result to the REIT's financial condition and operating results, decreasing the amount of cash available for distribution.

Risk Factors Related to the Automotive Dealership Industry

Automotive Dealership Tenant Risks

All of the REIT's annual base minimum rent on Closing will be received from the Dilawri Group. Further, the REIT's external growth strategy is intended to primarily target acquisitions of automotive dealership properties. Therefore, the REIT will be affected and may be harmed by changes in the automotive dealership industry and the automotive production market.

An automotive dealership tenant's ability to pay rent and perform its other obligations under a lease will be dependent to a significant extent on its relationship with the automotive manufacturer. The automotive dealership tenants or their related dealership groups generally operate dealerships that sell the products of more than one manufacturer. The sales mix of makes and models of motor vehicles tends to change periodically; therefore, current sales of the makes or models of one manufacturer may not reflect the level of future sales of that manufacturer's products. A reduction in supply, particularly of certain models, could lower motor vehicle sales, which in turn could negatively impact service and parts sales. Other factors which can affect sales include the manufacturer's financial condition, marketing and incentive programs and expenditures; ability and desire to finance the sale of vehicles or provide warranties to consumers on vehicles sold; vehicle design; production capabilities and management of the manufacturer; strikes and other labour actions by unions; negative publicity; product recalls; or litigation. The automotive dealership tenant may be unable to pay rent or meet other lease obligations if a dealership's motor vehicle supply is reduced. Further, the REIT depends on its tenants to maintain good relationships with automotive manufacturers and to comply with their franchise agreements. Manufacturers exercise a certain degree of control over dealerships, and the franchise agreements between the dealership groups and the manufacturers provide for termination or non-renewal for a variety of causes. The REIT has no rights under the franchise agreements. If a manufacturer terminates or declines to renew one or more franchise agreements or negotiates terms for renewal that are better for the manufacturer, the tenant may be unable to pay rent and perform its other obligations under its lease with the REIT. These factors, as well as other events involving the automotive dealership tenant/manufacturer relationship, could adversely affect the REIT's cash flows, financial condition or results of operations and its ability to make cash distributions to Unitholders.

Furthermore, the business of the REIT's automotive dealership tenants is heavily dependent on consumer demand and preferences. Such tenants' revenues will be materially and adversely affected if there is a severe or sustained downturn in overall levels of consumer spending. Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand. These cycles are often dependent on general economic conditions and consumer confidence, as well as the level of discretionary personal income and credit availability. A sustained downturn in the sale of vehicles could have a material adverse effect on the REIT's automotive dealership tenants which, in turn, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to Unitholders.

Competitive Environment

The automotive dealership industry in Canada is highly competitive. If Dilawri or another automotive dealership tenant is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. The REIT's automotive dealership tenants are subject to competitive pressures from new entrants into the marketplace, from the expansion or renovation of existing competitors and from new sales channels such as the Internet. The inability of these tenants to effectively predict market activity or compete effectively with their current or future competitors or new sales channels could result in, among other things, reduced market share and lower pricing in response to competitors' pricing activities. Failure by any automotive dealership tenant, particularly the Dilawri Group, to sustain its competitive position could negatively affect its financial performance which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to Unitholders.

Economic Environment

Economic factors that impact motor vehicle consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors include high levels of

unemployment and household debt, increased interest rates, inflation, foreign exchange rates and commodity prices (including gasoline) and access to consumer credit. Any of these factors could negatively affect the automotive dealership tenants' revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of the automotive dealership tenants, including the Dilawri Group, which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make cash distributions to Unitholders.

Risk Factors Related to the Offering and Structure of the REIT

Reliance on the Partnership

The REIT is dependent on the business of the Partnership for NOI. The cash distributions made to Unitholders are dependent on the ability of the Partnership to make distributions in respect of the limited partnership units of the Partnership. The ability of the Partnership to make distributions or make other payments or advances to the REIT will depend on the Partnership's results of operations and may be restricted by, among other things, applicable tax and other laws and regulations and may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership, and any other agreements governing the Partnership. If the Partnership is unable to make distributions or other payments or advances to the REIT, such failure could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make cash distributions to Unitholders.

Return on Investment and Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors, including financial performance, obligations under the Credit Facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. The Units are equity securities of the REIT and are not traditional fixed income securities. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and there is no promise to return the initial purchase price of a Unit on a certain date in the future, and reductions in, or suspensions of, cash distributions may occur at any time that would reduce the yield based on the Offering Price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution and AFFO targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Certain Canadian Federal Income Tax Considerations". Therefore, the rate of return over a defined period for a Unitholder may not be comparable to the rate of return on a fixed income security that provides a "return on capital" over the same period.

Tax-Related Risk Factors

Mutual Fund Trust Status — The REIT intends to comply with the requirements under the Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

Non-Resident Ownership — Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of non-resident persons, except in limited circumstances. Accordingly, the Declaration of Trust provides that Non-Residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully-diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the Units. See "Declaration of Trust and Description of REIT Units — Limitations on Non-Resident Ownership of Units".

The restriction on the issuance of Units by the REIT to Non-Residents may adversely affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the Non-Resident ownership restriction could adversely impact the liquidity of the Units and the market price at which Units can be sold.

REIT Exception — Unless the REIT Exception applies to the REIT, the SIFT Rules may have an adverse impact on the taxation of the REIT and on the taxation of distributions to Unitholders. Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2015 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the SIFT Rules in 2015 or in future years.

Should the REIT cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described under the heading "Certain Canadian Federal Income Tax Considerations" — in particular, non-deductible distribution amounts, as described therein, could be taxable to the REIT (with the result that the amount of cash available for distribution by the REIT would be reduced which could negatively impact the value of a Unit) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital.

Tax Basis of the Initial Properties — The Initial Properties will be acquired by the Partnership on a tax deferred basis, such that the tax cost of these properties will be less than their fair market value. If one or more of such properties are disposed of, the gain realized by the Partnership for tax purposes (including any income inclusions arising from the recapture of previously claimed CCA on depreciable property) will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to their fair market values. For the purpose of claiming CCA, the UCC of such properties acquired by the Partnership from the Dilawri Group, will be equal to the amounts jointly elected by the Partnership and the Dilawri Group on the tax-deferred acquisition of such property. The UCC of such property will be less than the fair market value of such property. As a result, the CCA that the Partnership may claim in respect of such properties will be less than it would have been if such properties had been acquired with a tax cost basis equal to their fair values. See "Certain Canadian Federal Income Tax Considerations — Taxation of the Partnership".

Loss Restriction Event — The Tax Act contains "loss restriction event" ("LRE") rules that may apply to certain trusts, including the REIT. In general, the REIT will experience an LRE each time any person, together with all other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires Units having a fair market value that is greater than 50% of the fair market value of all the outstanding Units. If an LRE occurs, then among other things (i) the REIT will be deemed to have a year-end for tax purposes, (ii) any undistributed net income and net realized capital gains of the REIT at such year-end will be distributed to Unitholders, and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE. See "Certain Canadian Federal Income Tax Considerations — Taxation of Holders" for the tax consequences of a distribution to Unitholders.

Change in Law — There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the REIT of the Unitholders. Any such changes could have a negative effect on the value of the Units.

Potential Volatility of Unit Prices

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT;

(iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets. Another factor that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could materially adversely affect the market price of the Units.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the REIT's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which Unitholders liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or market which the Trustees believe, in their sole discretion, provides fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are then listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are then listed.

Subsidiary Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Subsidiary Notes so distributed do not currently qualify as qualified investments for Exempt Plans.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency of the REIT is uncertain.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity or to reduce distributions to Unitholders in order to accommodate such items. The terms of the certain indebtedness of the REIT from time to time may prohibit payments or distributions from the REIT in certain circumstances.

Dilution

The number of Units that the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of Unitholders may be diluted thereby. The issuance of additional Units may have a dilutive effect on the interests of Unitholders.

Absence of a Prior Public Market

There is currently no public market for the Units. The Offering Price of the Units offered hereunder has been determined by negotiation between the REIT, Dilawri and the Underwriters. The REIT cannot predict at what price the Units will trade upon Closing and there can be no assurance that an active trading market will develop after Closing or, if developed, that such a market will be sustained at the price level of the Offering. In addition, if an active public market does not develop or is not maintained, investors may have difficulty selling their Units.

Structural Subordination of Units

In the event of a bankruptcy, liquidation or reorganization of the Partnership, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of the Partnership before any assets are made available for distribution to the REIT or Unitholders. Upon Closing, the Units will be effectively subordinated to the debt and other obligations of the Partnership. See “Debt Strategy and Indebtedness”. The Partnership will generate all of the REIT’s cash available for distribution to Unitholders and hold substantially all of the REIT’s assets.

Limited Control

Unitholders will have limited control over changes in the REIT’s policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions to Unitholders. The Board may amend or revise these and other policies without a vote of Voting Unitholders. Pursuant to the Declaration of Trust, Voting Unitholders have a right to vote only on limited matters. The Trustees’ broad discretion in setting policies and Unitholders’ inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide Unitholders in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a Unitholder could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Historical Financial Information

The historical financial information relating to the Third Party Tenant Portfolio included in this prospectus has been derived from Dilawri’s historical accounting records. The REIT believes that the assumptions underlying such combined carve-out financial statements are reasonable. However, such combined carve-out

financial statements do not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT owned the Third Party Tenant Portfolio during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future. Moreover, the Third Party Tenant Portfolio is expected to represent less than 12% of the REIT's Cash NOI during the Forecast Period. Accordingly, the historical financial information relating to the Third Party Tenant Portfolio included in this prospectus is not representative of the REIT's overall portfolio of the Initial Properties and purchasers should exercise significant caution in relying upon such historical carve-out financial statements when making an investment decision in respect of the Units. See "About This Prospectus".

Expense allocations used to prepare the historical financial information relating to the Third Party Tenant Portfolio were based on what Dilawri considered to be reasonable allocations of the costs incurred in respect of the Third Party Tenant Portfolio. The REIT has not made adjustments to such historical financial information to reflect differences that will exist or changes that may occur in its legal structure, cost structure, financing and operations as a result of the ownership and operation of the Third Party Tenant Portfolio by the REIT.

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's and Dilawri's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT and Dilawri will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT and/or Dilawri is unable to accomplish any such necessary objectives in a timely and effective fashion, the REIT's ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a reduction in the trading price of the Units.

Management does not expect that the REIT's and Dilawri's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

MATERIAL CONTRACTS

The following are the only material agreements of the REIT that will be in effect on Closing (other than certain agreements entered into in the ordinary course of business):

- (a) the Declaration of Trust (see "Declaration of Trust and Description of Trust Units");
- (b) the Exchange Agreement (see "Retained Interest — Exchange Rights");
- (c) the Limited Partnership Agreement (see "The Partnership");
- (d) the Contribution Agreement (see "Acquisition of the Initial Properties — Contribution Agreement");
- (e) the Administration Agreement (see "Arrangements with Dilawri — Administration Agreement");
- (f) the Unitholders' Rights Plan (see "Unitholders' Rights Plan");

- (g) the Strategic Alliance Agreement (see “Arrangements with Dilawri — Strategic Alliance Agreement”);
- (h) the Underwriting Agreement (see “Plan of Distribution”);
- (i) Loan Facility 1 (see “Debt Strategy and Indebtedness — Composition of Indebtedness”);
- (j) Loan Facility 2 (see “Debt Strategy and Indebtedness — Composition of Indebtedness”); and
- (k) the Escrow Agreement (see “Escrowed Securities”).

Copies of the foregoing documents will be available following Closing on SEDAR.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

On Closing, the REIT will indirectly acquire the Initial Properties from the Transferors and the Dilawri Group will enter into certain agreements with the REIT and the Partnership. In addition, the Dilawri Organization will have a significant effective interest in the REIT following Closing and the executive officers of the REIT are employees of a Dilawri Subsidiary. See “Acquisition of the Initial Properties”, “Arrangements with Dilawri”, “Trustees and Management of the REIT”, “Plan of Distribution”, “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri” and “Promoter”.

PROMOTER

Dilawri has taken the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation. The number of Units (and percentage outstanding) that will be owned, directed, or controlled by Dilawri on Closing is set forth below under “Principal Unitholder”. See “Use of Proceeds”, “Acquisition of the Initial Properties”, “Arrangements with Dilawri” and “Retained Interest”, together with certain other sections of this prospectus including “Trustees and Management of the REIT”, “Plan of Distribution”, “Risk Factors — Risk Factors Related to the REIT’s Relationship with Dilawri” and “Interests of Management and Others in Material Transactions”.

PRINCIPAL UNITHOLDER

On Closing, it is expected that Dilawri will have an approximate 57.0% effective interest in the REIT on a fully-diluted basis through the ownership, direction or control of all of the issued and outstanding Class B LP Units (or an approximate 53.5% effective interest in the REIT on a fully-diluted basis if the Over-Allotment Option is exercised in full). On Closing, Dilawri will also hold, direct or control 9,933,253 Special Voting Units. See “Acquisition of the Initial Properties”, “Retained Interest” and “Plan of Distribution”. To the knowledge of the Trustees and management of the REIT, no person or company other than Dilawri will own, direct or control, directly or indirectly, more than 10% of the Units or Special Voting Units on Closing.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE THIRD PARTY TENANT PORTFOLIO

Overview

The following Management’s Discussion and Analysis (“**MD&A**”) discusses the financial condition and results of operations relating to the Third Party Tenant Portfolio. The Third Party Tenant Portfolio represents a component of two real estate assets (Dixie Auto Mall and Markham Honda and Ford) owned indirectly by Dilawri with third party income producing components and does not include the components of the real estate assets being used by Dilawri in its automotive dealership business that are also intended to be indirectly acquired by the REIT in conjunction with the Closing. This MD&A is given as of the date of this prospectus.

The combined carve-out financial statements and accompanying notes for the interim periods ended March 31, 2015 and March 31, 2014 and the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012 of the Third Party Tenant Portfolio are prepared in accordance with IFRS and are reported in thousands of Canadian dollars, except where otherwise indicated. This MD&A of Financial Condition and Results of Operations of the Third Party Tenant Portfolio section should be read in conjunction with the combined carve-out financial statements.

The financial statements discussed in the MD&A have been prepared on a combined carve-out basis from the combined financial statements of Dilawri that present the financial position, financial performance and cash flows of the Third Party Tenant Portfolio for the periods presented, had it been accounted for on a stand-alone basis.

The objective of this MD&A is to provide a prospective purchaser of securities of the REIT with analysis of the historical assets, liabilities, revenues and operating expenses of the Third Party Tenant Portfolio for the above-mentioned periods. This MD&A does not include the components of the real estate assets being used by Dilawri in its automotive dealership business that are also intended to be acquired by the REIT on Closing. Less emphasis has been placed on analyzing the impact of current and deferred income taxes as the Third Party Tenant Portfolio is not a taxable legal entity, however current and deferred income taxes have been provided for in the combined carve-out financial statements as the assets of the Third Party Tenant Portfolio have been carved out of entities that are taxable entities.

Selected Financial and Operating Information

The following table highlights selected financial and operating information for the Third Party Tenant Portfolio for the periods presented:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Number of properties	2	2	2
Fair value of investment properties	\$39,364	\$39,364	\$36,620
Net operating income	\$ 630	\$ 2,319	\$ 2,206

Under IFRS, certain expenses and income must be recognized that are not necessarily reflective of the underlying operating performance of the Third Party Tenant Portfolio. Certain non-IFRS financial measures exclude the impact of certain items and are used internally when analyzing underlying operating performance.

These non-IFRS financial measures are also helpful in assessing underlying operating performance on a consistent basis. Net operating income is a non-IFRS measure used by management and represents rental revenue from the properties less property operating costs as presented in the combined carve-out statements of operations and comprehensive income. Management believes net operating income is useful in assessing the Third Party Tenant Portfolio's underlying operating performance and in making decisions regarding the ongoing operations. This measure does not have standardized meaning prescribed by IFRS and therefore it may not be comparable to similarly titled measures presented by other businesses, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. See "Additional IFRS and Non-IFRS Measures" elsewhere in this prospectus.

Financial Statement Analysis

The following table highlights selected financial information for the Third Party Tenant Portfolio as at December 31, 2014, December 31, 2013, and March 31, 2015, and the results of operations for the years ended December 31, 2014, December 31, 2013 and for the three months ended March 31, 2015. This information has

been compiled from the combined carve-out financial statements and notes thereto and should be read in conjunction with those combined carve-out financial statements and notes included elsewhere in this prospectus.

	As at March 31, 2015	December 31, 2014	December 31, 2013
Financial Condition			
Investment properties	\$39,364	\$39,364	\$36,620
Long term debt	24,872	25,126	24,724

	Three Months March 31, 2015	December 31, 2014	Years December 31, 2013	December 31, 2012
Results of Operations				
Rental revenue	\$782	\$2,832	\$2,722	\$2,680
Property costs	152	513	516	479
Net operating	630	2,319	2,206	2,201
Financing expense	256	1,027	974	831
Change in fair value of investment properties	10	2,870	3,278	3,094
Income taxes	101	981	1,076	1,051
Net income and comprehensive income	<u>\$283</u>	<u>\$3,181</u>	<u>\$3,434</u>	<u>\$3,413</u>

Financial Condition

Investment properties

The fair value of the investment properties was determined by undertaking an income approach whereby a capitalization rate is applied to the net rental which the property can reasonably be expected to produce over the remaining economic life of improvements. In determining the appropriateness of the methodology applied, the relative uncertainty of the timing and amount of expected net rental income and the impact such uncertainty would have in arriving at a reliable estimate of fair value was considered.

As at March 31, 2015 and December 31, 2014, the investment properties were valued using a weighted average capitalization rate of 6.5% applied to net rental income (December 31, 2013 6.75%).

The fair value of investment properties has increased from December 31, 2013 to December 31, 2014 primarily due to higher net rental income and declining capitalization rates.

Long-Term Debt

Long-term debt as at December 31, 2014 increased 1.6% to \$25,126 compared to \$24,724 as at December 31, 2013, as additional financing was obtained for operational development. Outlined below is the principal repayment schedule showing the debt repayment balance as at December 31, 2014.

Principal repayment schedule

	Principal Repayments	Balance Due to Maturity	Total
2015	\$1,427	\$ —	\$ 1,427
2016	1,482	—	1,482
2017	1,539	—	1,539
2018	925	14,115	15,040
2019	38	5,600	5,638
	<u>\$5,411</u>	<u>\$19,715</u>	<u>\$25,126</u>

Results of Operations — Annual Information

Rental revenue

Rental revenues for 2014 increased 4.0% to \$2,832 compared to \$2,722 in 2013, primarily due to higher rental rates.

Rental revenues for 2013 increased 1.6% to \$2,722 compared to \$2,680 in 2012, primarily due to higher rental rates.

Net operating income and property costs

Net operating income represents rental revenue from investment properties less property operating costs. Net operating income in 2014 increased by 5.1% to \$2,319 compared to \$2,206 in 2013. The increase was primarily due to higher rental rates. There was no significant change to property costs.

Net operating income in 2013 of \$2,206 remained substantially the same when compared to \$2,201 in 2012. Property costs increased by 5.1% to \$516 from \$479 in 2013 due to general maintenance expenses that were not recoverable from tenants.

Financing expense

Financing expense incurred in the ownership of Dilawri's real estate assets are not directly attributable to the Third Party Tenant Portfolio. Financing expense has been allocated to the Third Party Tenant Portfolio based upon its proportion to the gross leasable area of the related applicable investment property. Financing expenses in 2014 of \$1,027 increased by 5.4% from \$974 in 2013. Financing expense in 2013 of \$974 increased by 17.2% from \$831 in 2012. The increases were driven by additional financing obtained by Dilawri for the respective properties for operational development in 2013.

Change in fair value of investment properties

The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to estimated net rental with related fair value gains and losses recorded in the combined carve-out statements of net earnings and comprehensive income.

The Third Party Tenant Portfolio recognized fair value gains of \$2,870 in 2014, \$3,278 in 2013, and \$3,094 in 2012. Fair value gains in 2014, 2013, and 2012 were primarily due to higher net operating income and declining capitalization rates (6.5% as at December 31, 2014, 6.75% as at December 31, 2013, and 7.0% as at December 31, 2012).

Income taxes

Total income tax expense decreased by 8.8% to \$981 in 2014 from \$1,076 in 2013. The decrease was primarily due to a decrease in deferred income taxes related to lower fair value gain on investment properties when compared to 2013.

Total income tax expense increased by 2.4% to \$1,076 in 2012 from \$1,051 in 2011. The increase was primarily due to an increase in deferred income taxes related to the fair value gains on investment properties.

Results of Operations — Interim Periods

The following table highlights the financial results for the Third Party Tenant Portfolio for the three months ended March 31, 2015 and March 31, 2014. This information has been compiled from the combined carve-out

financial statements and notes thereto and should be read in conjunction with those combined carve-out financial statements and notes included elsewhere in this prospectus.

	Three Months	
	March 31, 2015	March 31, 2014
Rental revenue	\$782	\$708
Property costs	152	150
Net operating income	630	558
Financing expense	256	251
Change in fair value of investment properties	10	49
Income taxes	101	92
Net income	283	264

Rental revenue

Rental revenues increased by 10.4% in the first quarter of 2015 to \$782 compared to \$708 in the same period in 2014 primarily due to higher rental rates.

Net operating income and property costs

Net rental income increased by 12.9% to \$630 in the first quarter of 2015 from \$558 in the same period in 2014 primarily due to increased rental rates. There was no significant change to property costs.

Change in fair value of investment properties

The Third Party Tenant Portfolio recognized fair value gains of \$10 in the first quarter of 2015 and \$49 in the same period in 2014. These were no significant changes to capitalization rates for these periods.

Income taxes

Income tax expense increased by 9.8% to \$101 in the first quarter of 2015 from \$92 in the same period in 2014, primarily due to higher net operating income.

Cash Flows

The following table summarizes cash flows by activity:

	For the years ended December 31		
	2014	2013	2012
Operating activities	\$ 1,187	\$ 1,355	\$ 1,419
Investing activities	—	\$ (196)	—
Financing activities	\$(1,187)	\$(1,159)	\$(1,419)

Operating activities

Cash flows from operating activities in 2014 decreased by \$168 to \$1,187 compared to \$1,355 in 2013, primarily due to the change in overall working capital balances.

Cash flows from operating activities in 2013 decreased by \$64 to \$1,355 compared to \$1,419 in 2012. This was primarily due to the change in overall working capital balances.

Investing activities

Cash flows used in investing activities in 2013 decreased by \$196 compared to 2012 due to capital expenditures incurred in 2013.

Financing activities

Overall, there were no significant changes in cash flows used in financing activities in 2014 compared to 2013. Mortgage advances (net) decreased from \$8,981 in 2013 to \$402 in 2014 representing a change of \$8,579. In 2013, mortgage advances were the result of new mortgage financings. Distributions to the parent decreased from \$10,140 in 2013 to \$1,589 in 2014 primarily due to the mortgage advances distributed to the parent. Cash flows used in financing activities for 2013 were \$1,159 compared to \$1,419 in 2012. This decrease is a result of an increase in mortgage advances (net) of \$7,246 from \$1,735 in 2012 to \$8,981 in 2013, this was offset by an increase in distributions to the parent (which increased from \$3,154 in 2013 to \$10,140 in 2014).

Sources of Liquidity and Capital Resources

The Third Party Tenant Portfolio expects to meet all of its obligations as they become due. The Third Party Tenant Portfolio is allocated a portion of the Dilawri mortgage financings on the related applicable investment property.

The REIT expects to meet all of its obligations as they become due. It is expected that following the Closing of the Offering, the REIT will have sufficient liquidity as a result of cash flows from operating activities and the Credit Facilities which will replace the existing mortgage financings related to the Third Party Tenant Portfolio.

Guarantees and Off-Balance Sheet Arrangements

The Third Party Tenant Portfolio has not provided any financial or non-financial guarantees to Dilawri, its tenants or any other entities with whom it transacts. The Third Party Tenant Portfolio has not created, and is not party to, any special purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business. The Third Party Tenant Portfolio does not have any relationships or arrangements with entities that are not consolidated into its combined carve-out financial statements that are reasonably likely to materially affect liquidity or the availability of capital resources.

Risks and Uncertainties

There are operating risks associated with the Third Party Tenant Portfolio. See “Risk Factors”.

Financial Risks

It is management’s opinion that the Third Party Tenant Portfolio is not exposed to significant currency, market or interest rate risk arising from financial instruments. The Third Party Tenant Portfolio’s financial instruments expose it to liquidity and credit risk.

Liquidity Risk

Liquidity risk refers to the risk that the Third Party Tenant Portfolio will have insufficient funds to satisfy its obligations related to its operating and investing activities. The Third Party Tenant Portfolio manages its liquidity risk through long term financing arrangements and through contributions from Dilawri to the extent cash flows from property operations are not sufficient. The Third Party Tenant Portfolio’s capital is comprised of net assets and is funded by Dilawri primarily for additions to investment properties and leasing activities, to the extent not available from cash flows from operations.

The principal liquidity needs for periods beyond the next fiscal year are for scheduled debt maturities and capital expenditures. The Third Party Tenant Portfolio’s strategy to meet these needs is through cash flows generated from operating activities, refinancing the long-term debt, financing or refinancing of investment properties and further assistance from Dilawri.

Credit Risk

Credit risk is the risk that counterparties to financial assets will default. Credit risk arises from the possibility that the Third Party Tenant Portfolio’s tenants may experience financial difficulty and be unable to meet their lease obligations. The Third Party Tenant Portfolio mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants and obtaining security deposits wherever permitted by

legislation. Receivables are substantially comprised of rent receivables and recoveries. There are no allowances for doubtful accounts since there has been no history of non-collection with the third party tenants.

Related Party Transactions

Related party transactions are in the normal course of operations and the Third Party Tenant Portfolio's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Included in property costs in 2014 are management fees paid to Dilawri of approximately \$30 ((2013 — \$28; 2012 — \$28) (March 2015 — \$10, March 2014 — \$10)).

Critical Accounting Estimates and Judgments

Accounting estimates

Estimates have been made that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings. The Third Party Tenant Portfolio regularly evaluates management's estimates it uses; however actual results could differ from estimates. The following are the estimates that are critical to the determination of the amounts reported in the combined carve-out financial statements:

Property Costs

Property costs have been allocated to the Third Party Tenant Portfolio based on reasonable methods such as gross leasable area, property assessments and other drivers specific to the cost.

Fair value of investment properties

The fair value of investment properties is determined by management using certain inputs provided from internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals with any change in fair value recorded in the combined carve-out statements of operations and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the accounting policies that have the most significant effect on the amounts and disclosures in the combined carve-out financial statements:

Investment properties

Judgment is applied in determining whether certain costs are additions to the carrying amount of the property.

Leases

Judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased properties, which determines whether such amounts are treated as additions to investment properties, as well as the point in time at which revenue recognition under the lease commences.

The Third Party Tenant Portfolio uses judgment in assessing the classification of its leases with tenants as operating leases. The Third Party Tenant Portfolio has determined that all of its leases are operating leases.

Income taxes

In determining the amount of current and deferred income taxes, the Third Party Tenant Portfolio makes certain judgments regarding the tax rules in jurisdictions where activities are performed. Application of judgments is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the relevant tax authorities.

Future Accounting Standards

Financial instruments

In July 2014, the International Accounting Standards Board (“IASB”) issued IFRS 9 “Financial Instruments” (“IFRS 9”) replacing IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). The project to replace IAS 39 had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted.

The Third Party Tenant Portfolio is currently assessing the impact of these new standards.

Subsequent Events

On or about July 10, 2015, Dilawri and the REIT will enter into an underwriting agreement in connection with the transactions complemented by this prospectus. In connection with the Closing, the REIT will indirectly acquire from Dilawri certain real estate assets on a debt free basis, including the Third Party Tenant Portfolio.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The REIT is not aware of any material existing or contemplated legal proceedings to which it is or was a party to, or to which any of the Initial Properties is or was the subject of, since January 1, 2014.

Regulatory Actions

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

LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Torys LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As at the date of this prospectus, the partners and associates of Torys LLP beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates. As at the date of this prospectus, the partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

EXPERTS

Certain information relating to the Appraisal has been based upon a portfolio report prepared by the Appraiser. As at the date of this prospectus, the “designated professionals” of the Appraiser beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

BDO Canada LLP are the auditors of the REIT and have confirmed that they are independent with respect to the REIT within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

AUDITORS AND TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are BDO Canada LLP, Chartered Professional Accountants, located in Toronto, Ontario.

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Automotive Properties Real Estate Investment Trust	
Independent Auditor's Report	F-2
Audited Financial Statements as at and for the one-day period ended June 1, 2015 (date of formation)	F-3
Independent Auditor's Report	F-9
Audited Consolidated Schedule of assets acquired and liabilities assumed as at July 1, 2015	F-10
Third Party Tenant Portfolio	
Independent Auditor's Report	F-13
Audited Combined Carve-out Financial Statements of the Third Party Tenant Portfolio as at and for the years ended December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 and Unaudited Combined Carve-out Financial Statements of the Third Party Tenant Portfolio as at March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014	F-14

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Automotive Properties Real Estate Investment Trust

We have audited the accompanying financial statements of Automotive Properties Real Estate Investment Trust, which comprise the balance sheet as at June 1, 2015 (date of formation), the statements of changes in unitholder's equity and cash flows for the one day period ended June 1, 2015 (date of formation), and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Automotive Properties Real Estate Investment Trust as at June 1, 2015 (date of formation), and its financial performance and its cash flows for the one day period ended June 1, 2015 (date of formation) in accordance with International Financial Reporting Standards.

(Signed) BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

July 10, 2015
Toronto, Ontario

Financial statements of

**Automotive Properties Real Estate
Investment Trust**

One day period ended June 1, 2015
(date of formation)

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST

BALANCE SHEET

As at June 1, 2015 (date of formation)
(Canadian Dollars)

ASSETS

Cash and cash equivalents \$10

UNITHOLDER'S EQUITY

Unitholder's equity \$10

See accompanying notes to financial statements

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY
One day period ended June 1, 2015 (date of formation)
(Canadian Dollars)

UNITHOLDER'S EQUITY, beginning of period	\$—
Issuance of unit on formation	<u>10</u>
UNITHOLDER'S EQUITY, end of period	<u><u>\$ 10</u></u>

See accompanying notes to financial statements

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOWS

One day period ended June 1, 2015 (date of formation)

(Canadian Dollars)

FINANCING ACTIVITY

Issuance of unit on formation	\$ 10
Increase in cash and cash equivalents	10
Cash and cash equivalents, beginning of period	<u>—</u>
Cash and cash equivalents, end of period	<u>\$ 10</u>

See accompanying notes to financial statements

**AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS**

**One day period ended June 1, 2015 (date of formation)
(Canadian Dollars)**

1. NATURE OF OPERATIONS

Automotive Properties Real Estate Investment Trust (the “REIT”) is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust dated June 1, 2015 (the “Declaration of Trust”) where one unit of the REIT was issued for \$10.00 in cash. The REIT was established under the laws of the Province of Ontario. The principal, registered and head office of the REIT is located 133 King St East, Suite 300, Toronto, Ontario M5C 1G6.

The REIT has been formed primarily to own income-producing automotive dealership properties located in Canada. In connection with the completion of the Offering (as defined below), the REIT will indirectly acquire a portfolio of 26 properties for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants (collectively, the “Initial Properties”). The REIT will hold its interest in the Initial Properties in a newly created limited partnership (the “Partnership”), formed under the laws of the Province of Ontario, which will be consolidated by the REIT.

On closing of the acquisition, the immediate parent of the REIT is 893353 Alberta Inc. (“Dilawri”). Dilawri is a privately held corporation.

2. BASIS OF PRESENTATION

The financial statements of the REIT have been prepared using the historical cost basis and are expressed in Canadian Dollars, the REIT’s functional and reporting currency.

3. STATEMENT OF COMPLIANCE

The financial statements of the REIT have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein. These financial statements were approved by the Board of Trustees of the REIT and authorized for issue on July 9, 2015.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash consists of cash on hand and unrestricted cash. Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition. As at June 1, 2015, there were no cash equivalents.

Unitholder’s equity

Units of the REIT (“Units”) are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards 32 — Financial Instruments: Presentation (“IAS 32”).

5. UNITHOLDER’S EQUITY

Unitholder’s equity of the REIT is as follows:

	Units	\$
Authorized	Unlimited	
Issued and outstanding		
Units	1	<u>\$10</u>

6. SUBSEQUENT EVENTS

Initial Public Offering

On July 10, 2015 the REIT entered into an underwriting agreement and filed a long form prospectus for purpose of completing an initial public offering of Units (the “Offering”), which is expected to close on July 22, 2015 (the “Closing Date”). The REIT expects to raise gross proceeds of approximately \$75,000,000 through the issuance of 7,500,000 Units at a price of \$10.00 per Unit (excluding any Units that may be issued pursuant to any over-allotment option). Costs relating to the Offering are expected to be approximately \$7,740,000 and will be applied against the gross proceeds of the Offering and charged against unitholder’s equity.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)
One day period ended June 1, 2015 (date of formation)
(Canadian Dollars)

6. SUBSEQUENT EVENTS (Continued)

Acquisition of the Initial Properties

Through the Partnership, the REIT expects to enter into an agreement to purchase the Initial Properties from Dilawri in exchange for notes (subsequently repaid with cash from the Offering and financings from secured credit facilities) and Class B limited partnership units of the Partnership (“Class B LP Units”). The purchase of the Initial Properties will be accounted for as an asset acquisition.

The identifiable net assets acquired based on preliminary allocations (in thousands of Canadian dollars), are as follows:

Investment properties	<u>\$357,580</u>
---------------------------------	------------------

The acquisition of the Initial Properties will contemplate that the purchase price will consist of consideration and transaction costs as follows:

Cash (from net proceeds from the Offering) ⁽ⁱ⁾	\$ 64,460
Class B LP Units	99,330
Financing from secured credit facilities	<u>193,790</u>
Total cost of the acquisition	<u>\$357,580</u>

(i) Represents proceeds from the Offering less issuance costs of \$7,740. In consideration of the applicable Dilawri Tenants leasing the entirety of the two Initial Properties with the third party tenants (and thereby bearing occupancy, rental and other risks associated with the portions of those properties to be subleased to third party tenants for the initial lease terms of 12 and 15 years for those properties), the REIT will pay to such Dilawri Tenants in indemnity fee in the aggregate amount of \$1,000 on Closing. In addition, the REIT will pay Dilawri \$1,800 in respect of the deferred land transfer taxes associated with the acquisition that may become payable by Dilawri over the next 3 years.

Class B LP Units

Units are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the Units are liabilities by definition but qualify for presentation as equity under certain limited exceptions within IAS 32. The Class B LP Units will be economically equivalent to Units, will receive distributions equal to the distributions paid on Units and will be exchangeable at the holder’s option into Units. One special voting unit in the REIT will also be issued to the holder for each Class B LP Unit issued (such special voting unit does not have any entitlement in the REIT with respect to distributions, but does generally entitle the holder to that number of votes at any meeting of unitholders to which a holder of the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such special voting unit is attached would be entitled). The limited IAS 32 exception for presentation as equity does not extend to the Class B LP Units. As a result, the Class B LP Units will be classified as financial liabilities and measured at fair value through profit and loss (FVTPL). The fair value of the Class B LP Units will be measured every period by reference to the traded value of the Units, with changes in measurement recorded in interest expense and other financing charges. Distributions on the Class B LP Units will be recorded in interest expense and other financing charges in the period in which they become payable.

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Automotive Properties Real Estate Investment Trust

We have audited the accompanying consolidated schedule of assets acquired and liabilities assumed (the "Schedule") by Automotive Properties Real Estate Investment Trust, as at July 1, 2015 and notes, comprising a summary of significant accounting policies and other explanatory information. This Schedule has been prepared by management in accordance with the basis of accounting in Note 2 to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation of this Schedule in accordance with the basis of presentation described in Note 2 to this Schedule; this includes determining that the basis of accounting is an acceptable basis for the preparation of this Schedule in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated schedule of assets acquired and liabilities assumed, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Schedule 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 Schedule.

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

Opinion

In our opinion, the consolidated schedule of assets acquired and liabilities assumed is prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the Schedule.

(Signed) BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

July 10, 2015
Toronto, Ontario

Audited Consolidated Schedule of
Assets Acquired and Liabilities Assumed of

**Automotive Properties Real Estate
Investment Trust**

As at July 1, 2015

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED SCHEDULE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED
(in thousands of Canadian dollars)

	<u>As at July 1, 2015</u>
Assets acquired	
Investment properties (Note 4)	<u>\$357,580</u>
Total assets acquired	<u>\$357,580</u>
Liabilities assumed	<u>\$ —</u>

See accompanying notes to Consolidated Schedule of Assets Acquired and Liabilities Assumed.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED SCHEDULE OF ASSETS ACQUIRED
AND LIABILITIES ASSUMED
(in thousands of Canadian dollars)

1. BASIS OF PREPARATION

This consolidated schedule of assets acquired and liabilities assumed presents the assets acquired and liabilities assumed in connection with the purchase by Automotive Properties Real Estate Investment Trust (the “REIT”) of a portfolio of 26 properties for use as automotive dealerships, an automotive repair facility, or complementary uses, including restaurants (collectively, the “Initial Properties”). The Initial Properties as presented in this Schedule is not a legal entity. The REIT will hold its interest in the Initial Properties in a newly created limited partnership (the “Partnership”), formed under the laws of the Province of Ontario, which will be consolidated by the REIT.

The 26 Investment Properties are assumed to have been acquired by the REIT on July 1, 2015.

2. BASIS OF ACCOUNTING

The Schedule presents the assets acquired and liabilities assumed of the Initial Properties by the REIT on a consolidated basis.

The Schedule is prepared in accordance with the significant accounting policies in Note 3. This Schedule presents only the assets acquired and liabilities assumed of the Initial Properties and does not include certain assets and liabilities that will not be acquired or assumed.

The Consolidated Schedule was approved by the Board of Trustees of the REIT and authorized for issue on July 9, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property acquisitions and business combination

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents the acquisition of a property or a business combination. At the time of acquisition, the REIT’s management considers whether or not the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g. maintenance, cleaning, security, bookkeeping, etc.). The significance of any process is judged with reference to the guidance in International Accounting Standards 40 — Investment Properties, about ancillary services. Where such acquisitions are not judged to be business combinations, they are treated as asset acquisitions. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as business combinations.

The acquisition of the Initial Properties was determined to be an asset acquisition.

(b) Investment Properties

Investment properties include properties held to earn rental income. The acquisition of investment properties is initially measured at cost, including directly attributable acquisition costs. Directly attributable acquisition costs include professional fees, land transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. Related fair value gains and losses are recorded in the combined carve-out statements of operations and comprehensive income in the period in which they arise.

Subsequent expenditures are capitalized to the carrying value of investment property only when it is probable that future economic benefits associated with the expenditure will flow to the property and the cost can be measured reliably. The carrying value of investment properties includes the impact of straight-line rental revenue, tenant improvements and lease inducements.

The fair value of investment properties is determined by management using certain inputs provided from internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates (see Note 4). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property.

4. INVESTMENT PROPERTIES

The Initial Properties were recognized at \$357,580 which includes its purchase price of \$354,180 and costs of acquisition of \$3,400.

Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net rental which the property can reasonably be expected to produce over the remaining economic life of improvements. In determining the appropriateness of the methodology applied the relative uncertainty of the timing and amount of expected net rental and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered.

One of the properties includes an industrial property with approximately 53,000 square feet of gross leasable area which is not included as part of the Initial Properties as it is not an asset over which the REIT will have control. This property is assumed to be acquired by the REIT for nominal consideration on June 1, 2015. This property will be leased to the REIT’s parent for nominal consideration pending severance approvals at which time the property will be transferred to the REIT’s parent for the same nominal consideration that the REIT paid for its acquisition.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of 893353 Alberta Inc.

We have audited the accompanying combined carve-out financial statements of the Third Party Tenant Portfolio of 893353 Alberta Inc., which comprise the combined carve-out balance sheets as at December 31, 2014 and December 31, 2013 and the combined carve-out statements of operations and comprehensive income, combined carve-out statements of changes in net assets and combined carve-out statements of cash flows for each of the years in the three year period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined carve-out financial statements based on our audits. We conducted our audits 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 combined 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 combined carve-out financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the combined 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 combined 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 combined carve-out financial statements.

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

Opinion

In our opinion, the combined carve-out financial statements present fairly, in all material respects, the financial position of the Third Party Tenant Portfolio of 893353 Alberta Inc. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for each of the years in the three year period ended December 31, 2014 in accordance with International Financial Reporting Standards.

(Signed) BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

July 10, 2015
Toronto, Ontario

Audited Combined Carve-out Financial Statements of

Third Party Tenant Portfolio of Dilawri

As at and for the years ended December 31, 2014 and December 31, 2013 and for each of the years in the three-year period ended December 31, 2014 and unaudited combined carve-out financial statements as at March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014

(In thousands of Canadian dollars)

**THIRD PARTY TENANT PORTFOLIO OF DILAWRI
COMBINED CARVE-OUT BALANCE SHEETS
(in thousands of Canadian dollars)**

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	(Unaudited)		
ASSETS			
Accounts receivable	\$ —	\$ —	\$ 17
Prepaid expenses	62	7	7
Investment properties (Note 5)	39,364	39,364	36,620
	<u>\$39,426</u>	<u>\$39,371</u>	<u>\$36,644</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 185	\$ 180	\$ 212
Tenant rental deposits	34	34	34
Long term debt (Note 6)	24,872	25,126	24,724
Deferred tax liabilities (Note 10)	5,433	5,396	4,631
	30,524	30,736	29,601
EQUITY IN NET ASSETS	8,902	8,635	7,043
	<u>\$39,426</u>	<u>\$39,371</u>	<u>\$36,644</u>

See accompanying notes to the combined carve-out financial statements

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
COMBINED CARVE-OUT STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

	Three months ended March 31		Years ended December 31,		
	2015 (Unaudited)	2014 (Unaudited)	2014	2013	2012
Rental revenue	\$782	\$708	\$2,832	\$2,722	\$2,680
Property costs	152	150	513	516	479
Net Operating Income	630	558	2,319	2,206	2,201
Financing expense	256	251	1,027	974	831
Net earnings before fair value changes and income taxes	374	307	1,292	1,232	1,370
Change in fair value of investment properties (Note 5) . .	10	49	2,870	3,278	3,094
Net income before income taxes	384	356	4,162	4,510	4,464
Income taxes (Note 10)	101	92	981	1,076	1,051
Net income and comprehensive income	<u>\$283</u>	<u>\$264</u>	<u>\$3,181</u>	<u>\$3,434</u>	<u>\$3,413</u>

See accompanying notes to the combined carve-out financial statements

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
COMBINED CARVE-OUT STATEMENTS OF CHANGES IN NET ASSETS
(in thousands of Canadian dollars)

	<u>Net assets</u>
Balance as at January 1, 2012	\$ 13,490
Net income and comprehensive income	3,413
Contributions from (distributions to) parent, net	(3,154)
Balance as at December 31, 2012	<u>13,749</u>
Net income and comprehensive income	3,434
Contributions from (distributions to) parent, net	(10,140)
Balance as at December 31, 2013	<u>7,043</u>
Net income and comprehensive income	3,181
Contributions from (distributions to) parent, net	(1,589)
Balance as at December 31, 2014	<u>\$ 8,635</u>
 <u>(Unaudited)</u>	
	<u>Net assets</u>
Balance as at December 31, 2013	\$ 7,043
Net income and comprehensive income	264
Contributions from (distributions to) parent, net	(1,701)
Balance as at March 31, 2014	<u>\$ 5,606</u>
 <u>(Unaudited)</u>	
	<u>Net assets</u>
Balance as at December 31, 2014	\$8,635
Net income and comprehensive income	283
Contributions from (distributions to) parent, net	(16)
Balance as at March 31, 2015	<u>\$8,902</u>

See accompanying notes to the combined carve-out financial statements

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Three months ended March 31,		Years ended December 31,		
	2015 (Unaudited)	2014 (Unaudited)	2014	2013	2012
Operating activities					
Net income	\$ 283	\$ 264	\$ 3,181	\$ 3,434	\$ 3,413
Adjustments for:					
Change in fair value of investment properties . .	(10)	(49)	(2,870)	(3,278)	(3,094)
Deferred income taxes	37	38	765	874	913
Straight line rent	10	49	126	159	130
Change in non-cash working capital	(50)	(137)	(15)	166	57
Cash flows from operating activities	<u>270</u>	<u>165</u>	<u>1,187</u>	<u>1,355</u>	<u>1,419</u>
Investing activities					
Additions to investment properties (Note 5)	—	—	—	(196)	—
Cash flows used in investing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(196)</u>	<u>—</u>
Financing activities					
Mortgage advances (repayments), net	(254)	1,536	402	8,981	1,735
Contributions from (distributions to) parent, net . .	(16)	(1,701)	(1,589)	(10,140)	(3,154)
Cash flows (used in) from financing activities	<u>(270)</u>	<u>(165)</u>	<u>(1,187)</u>	<u>(1,159)</u>	<u>(1,419)</u>
Change in cash	—	—	—	—	—
Cash, beginning of period	—	—	—	—	—
Cash, end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the combined carve-out financial statements

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS
(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

The Third Party Tenant Portfolio of 893353 Alberta Inc. (“Dilawri”) as presented in these combined carve-out financial statements, is not a legal entity. Automotive Properties Real Estate Investment Trust (the “REIT”) will acquire real estate assets from Dilawri in conjunction with its initial public offering (the “Offering”). Of the total real estate assets to be acquired, certain properties have rental income from third parties. These combined carve-out financial statements represent Dilawri’s interest in two properties with third party income producing components (collectively the “Third Party Tenant Portfolio”) and do not include the components of the real estate assets being used by Dilawri in its automotive dealership business that are also intended to be acquired by the REIT in conjunction with the closing of the Offering (the “Closing”).

Dilawri’s registered office is located at 11700 Lake Fraser Drive SE, Calgary, AB, T2J 7J5.

2. STATEMENT OF COMPLIANCE

These combined carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These combined carve-out financial statements were approved and authorized for issuance by the Board of Directors of Dilawri on July 9, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These combined carve-out financial statements have been prepared to present the financial position, financial performance and cash flows of the Third Party Tenant Portfolio that will be indirectly acquired by the REIT, had it been accounted for on a stand-alone basis during the periods presented, and do not include the components of the real estate assets being used by Dilawri in its automotive dealership business that are also intended to be indirectly acquired by the REIT in connection with the Closing. These combined carve-out financial statements have been prepared based on the historical books and records of Dilawri with estimates used, when necessary, for certain allocations.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows of the Third Party Tenant Portfolio from certain legal entities controlled by Dilawri, these combined carve-out financial statements are not necessarily indicative of the results that would have been attained if the Third Party Tenant Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

These combined carve-out financial statements present equity in the net assets of the Third Party Tenant Portfolio rather than shareholders’ equity as the properties included in the Third Party Tenant Portfolio are owned in more than one legal entity and represent only certain of the interests therein. In addition, while the Third Party Tenant Portfolio is not a taxable legal entity, current and deferred income taxes have been provided for in these combined carve-out financial statements as if it were.

The significant accounting policies set out below have been applied consistently in the preparation of these combined carve-out financial statements for all periods presented. Standards and interpretations effective for future accounting periods are described in Note 4. These combined carve-out financial statements have been prepared on a historical cost basis except for the investment properties as described in Note 5 and have been presented in thousands of Canadian dollars unless otherwise indicated.

(b) Investment properties

Investment properties include operating properties with the primary purpose of earning rental income or for capital appreciation, or both. Investment properties are initially measured at cost and include all costs that are directly attributable to the acquisition of the investment properties.

Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. Related fair value gains and losses are recorded in the combined carve-out statements of operations and comprehensive income in the period in which they arise.

Subsequent expenditures are capitalized to the carrying value of investment property only when it is probable that future economic benefits associated with the expenditure will flow to the property and the cost can be measured reliably. The carrying value of investment properties includes the impact of straight-line rental revenue, tenant improvements and lease inducements.

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Contributions and distributions

As these combined carve-out financial statements present the financial position, financial performance and cash flows of the Third Party Tenant Portfolio, for which there are no bank accounts specific to such operations, no amount for cash or cash equivalents have been recorded herein. All cash transactions are considered to be paid or received by Dilawri on behalf of the Third Party Tenant Portfolio and are recorded as contributions and distributions, respectively, in equity in the net assets of the Third Party Tenant Portfolio.

(d) Revenue recognition

The Third Party Tenant Portfolio has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the Third Party Tenant Portfolio is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. 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 the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes recoveries of operating expenses, including property taxes. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

(e) Leasing costs

Payments to tenants under lease contracts are characterized as either capital expenditures in the form of tenant improvements that enhance the value of the property or lease inducements. Tenant improvements are capitalized as part of the investment properties. Lease inducements are capitalized as a component of investment properties and are amortized over the term of the lease as a reduction of revenue.

(f) Property costs

Certain property costs, including common area maintenance and property taxes, incurred in the ownership and management of Dilawri's real estate assets are not directly attributable to the Third Party Tenant Portfolio. Property costs have been allocated to the Third Party Tenant Portfolio based on reasonable methods such as gross leasable area, property assessments and other drivers specific to the cost.

(g) Financing expense

Financing expense incurred in the ownership and management of Dilawri's real estate assets are not directly attributable to the Third Party Tenant Portfolio. Financing expense has been allocated to the Third Party Tenant Portfolio based upon its proportion to the gross leasable area of the related applicable investment property.

(h) Income taxes

The asset and liability method of accounting is used for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Current and deferred taxes are charged to or credited in the combined carve-out statements of operations and comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

As noted in 3(a), while the Third Party Tenant Portfolio is not a taxable legal entity, current and deferred income taxes have been recorded in these combined carve-out financial statements as if it were. Deferred taxes have been calculated using an undepreciated capital cost amount for each property based on an allocation of the book value of the income producing properties of the Third Party Tenant Portfolio relative to the total book value of Dilawri's real estate assets.

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments

Financial assets and liabilities are recognized when the Third Party Tenant Portfolio becomes a party to the contractual provisions of the financial instrument. Financial assets are recognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the control or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Upon initial recognition, financial instruments are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables or other financial liabilities. Financial instruments are included on the combined carve-out balance sheets and measured after initial recognition at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities, which are measured at amortized cost. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible.

Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in earnings before income taxes in the period in which they are incurred. Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

(j) Accounting estimates

Estimates have been made that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings. The Third Party Tenant Portfolio regularly evaluates the estimates it uses; however, actual results could differ from management's estimates. The following are the estimates that are critical to the determination of the amounts reported in the combined carve-out financial statements:

Property Costs

Property costs have been allocated to the Third Party Tenant Portfolio based on reasonable methods such as gross leasable area, property assessments and other drivers specific to the cost.

Fair value of investment properties

The fair value of investment properties is determined by Management using certain inputs provided from internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals, with any change in fair value recorded in the combined carve-out statements of operations and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates (see Note 5).

(k) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the accounting policies that have the most significant effect on the amounts and disclosures in these combined carve-out financial statements:

Investment properties

The accounting policies relating to investment properties are described in Note 3(b). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property.

Leases

The accounting policy for revenue recognition from leases is described in Note 3(d). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased properties, which determines whether such amounts are treated as additions to investment properties, as well as the point in time at which revenue recognition under the lease commences.

The Third Party Tenant Portfolio uses judgment in assessing the classification of its leases with tenants as operating leases. The Third Party Tenant Portfolio has determined that all of its leases are operating leases.

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The accounting policy for income taxes is described in Note 3(h). In applying this policy the calculation of current and deferred income taxes requires the Third Party Tenant Portfolio to make certain judgments regarding the tax rules in jurisdictions where activities are performed. Application of judgments is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the relevant tax authorities.

4. FUTURE ACCOUNTING STANDARDS

The following new standards, amendments and interpretations have been issued but are not effective for the year ended December 31, 2014, and, accordingly, have not been applied in preparing these combined carve-out financial statements.

Financial instruments

In July 2014, the IASB issued IFRS 9 “Financial Instruments” (“IFRS 9”) replacing IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). The project to replace IAS 39 had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”). The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted.

The Third Party Tenant Portfolio is currently assessing the impact of these new standards.

5. INVESTMENT PROPERTIES

	Three months ended March 31, 2015	Years ended December 31,	
	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(Unaudited)		
Balance, beginning of period	\$39,364	\$36,620	\$33,304
Capital expenditures	—	—	196
Fair value adjustment on investment properties	10	2,870	3,279
Amortization of straight-line rent and tenant improvement allowances to revenue . . .	(10)	(126)	(159)
Balance, end of period	<u>\$39,364</u>	<u>\$39,364</u>	<u>\$36,620</u>

Valuations are completed by undertaking an income approach whereby a capitalization rate is applied to the net rental which the property can reasonably be expected to produce over the remaining economic life of improvements. In determining the appropriateness of the methodology applied the relative uncertainty of the timing and amount of expected net rental and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered.

The fair value of investment properties included in these combined carve-out financial statements is calculated by the Third Party Tenant Portfolio based on level 3 inputs as outlined in Note 7(a) using certain inputs, including capitalization rates, provided by qualified independent external valuation experts.

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

5. INVESTMENT PROPERTIES (Continued)

The following were the valuation parameters used in estimating the fair value of investment properties:

	As at		
	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
Weighted average capitalization rate	6.5%	6.5%	6.75%
Sensitivity of 25bps change in capitalization rate	\$1,500	\$1,500	\$1,400

6. LONG-TERM DEBT

	As at		
	March 31, 2015	December 31, 2014	December 31, 2013
Term loan, bearing interest at fixed rate of 3.84%, repayable in monthly blended payments of \$141, maturing June 7, 2018. Carve-out amount related to the Third Party Tenant Portfolio based on total loan of \$40,656 (2013 — \$42,921) which is secured by a general security agreement, a collateral mortgage in the amount of \$60,000 and a general assignment of rents related to the subject property	\$17,634	\$17,787	\$18,778
Term loan, bearing interest at fixed rate of 3.74%, repayable in monthly blended payments of \$55, maturing February 28, 2019. Carve-out amount related to the Third Party Tenant Portfolio based on total loan of \$15,612 which is secured by a general security agreement, a collateral mortgage in the amount of \$16,500 and a general assignment of rents related to the subject property	7,238	7,339	—
Demand bank term loan payable, bearing interest at a fixed rate of 5.98% repayable in blended monthly payments of \$42 including interest, for a 5 year fixed term and matured March 3, 2014. Carve-out amount related to the Third Party Tenant Portfolio based on total loan of \$8,150 which is secured by a landlord waiver, intercompany guarantees, and land and buildings up to \$16,500	—	—	3,830
Non-revolving term loan payable, bearing interest at prime rate plus 0.15% per annum, repayable in monthly payments of \$13 plus interest and matured June 30, 2014. Carve-out amount related to the Third Party Tenant Portfolio based on total loan of \$4,500 which was secured by intercompany guarantees	—	—	2,116
	<u>\$24,872</u>	<u>\$25,126</u>	<u>\$24,724</u>

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Third Party Tenant Portfolio's financial assets and liabilities are comprised of tenant and other receivables, accounts payable and other liabilities, tenant rental deposits and long-term debt which are classified as loans and receivables and other financial liabilities and carried at amortized cost. Fair values of financial assets and liabilities and discussion of the risks associated with financial assets and liabilities are presented as follows:

(a) Fair value of financial assets and liabilities

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

- Level 3 inputs: Are unobservable inputs for the asset or liability.

The fair value of long-term debt is determined by discounting contractual principal and interest payments at estimated current market rates of interest for the instruments. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risks.

The fair value of long-term debt at December 31, 2014 is \$25,596 and is based on level 2 inputs. The significant inputs used to determine fair value of the long-term debt are interest rates and credit spreads. There have been no transfers during the year between fair value levels.

Current financial assets and financial liabilities consist of tenant and other receivables and accounts payable and other liabilities and tenant deposits. The carrying amounts of these financial assets and liabilities approximate their fair value due to their short-term nature.

(b) Financial risk management

The Third Party Tenant Portfolio is not exposed to significant currency, market or interest rate risk arising from financial instruments. The Third Party Tenant Portfolio's financial instruments expose it to liquidity and credit risk.

Liquidity risk

Liquidity risk refers to the risk that the Third Party Tenant Portfolio will have insufficient funds to satisfy its obligations related to its operating and investing activities. The Third Party Tenant Portfolio manages its liquidity risk through long-term financing arrangements and through contributions from Dilawri to the extent cash flows from property operations are not sufficient. The Third Party Tenant Portfolio's capital is comprised of net assets and is funded by Dilawri primarily for additions to investment properties and leasing activities, to the extent not available from cash flows from property operations.

The principal liquidity needs for periods beyond the next fiscal year are for scheduled debt maturities and capital expenditures. The Third Party Tenant Portfolio's strategy to meet these needs through cash flows generated from property operating activities, refinancing its long-term debt, financing or refinancing of investment properties and assistance from Dilawri.

The following table presents the contractual maturities of the Third Party Tenant Portfolio's financial liabilities:

	<u>Total</u>	<u>Payments Due by Period</u>		
		<u>1 year</u>	<u>2-3 years</u>	<u>After 3 years</u>
Accounts payable and other liabilities	\$ 180	\$ 180	\$ —	\$ —
Principal repayment on long-term debt	25,126	1,427	3,021	20,678
Interest on long-term debt	3,159	933	1,697	529
	<u>\$28,465</u>	<u>\$2,540</u>	<u>\$4,718</u>	<u>\$21,207</u>

Credit risk

Credit risk is the risk that counterparties to financial assets will default. Credit risk arises from the possibility that the Third Party Tenant Portfolio's tenants may experience financial difficulty and be unable to meet their lease obligations. The Third Party Tenant Portfolio mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants and obtaining security deposits where possible. Receivables are substantially comprised of rent receivables and recoveries. The provision for doubtful accounts is reviewed at each balance sheet date and updated based on significant past due balances on accounts receivable. Subsequent recoveries of amounts previously written-off are recorded in the combined carve-out statements of net income and comprehensive income when received. A provision for doubtful accounts was not required as at March 31, 2015 and December 31, 2014 and 2013.

8. CONTINGENT LIABILITIES

Dilawri is involved in, and potentially subject to, various claims by third parties arising out of the normal course of business. Although such matters cannot be predicted with certainty, the Third Party Tenant Portfolio currently considers its exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, not to be material to the combined carve-out financial statements.

THIRD PARTY TENANT PORTFOLIO OF DILAWRI
NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)
(in thousands of Canadian dollars)

9. LEASES

The business of the Third Party Tenant Portfolio includes leasing commercial real estate.

Contractual cash flows under non-cancellable operating leases as lessor for base minimum rent were as follows:

	December 31, 2014
Not later than 1 year	\$1,817
Later than 1 year and not later than 5 years	1,241
Later than 5 years	—
	\$3,058

10. INCOME TAXES

The components of income tax expense were as follows:

	Three months ended		Years ended		
	March 31, 2015	March 31, 2014	December 31, 2014	December 31, 2013	December 31, 2012
Current income taxes	\$ 64	\$54	\$216	\$ 202	\$ 138
Deferred income taxes	37	38	765	874	913
Income taxes	<u>\$101</u>	<u>\$92</u>	<u>\$981</u>	<u>\$1,076</u>	<u>\$1,051</u>

The effective income tax rates in the combined carve-out statements of net operations and comprehensive income were lower than the statutory income tax rates applicable to the Third Party Tenant Portfolio. The reduction in effective income tax rates is primarily related to the capital gains tax rate applicable to a substantial portion of the fair value changes on investment properties. The effective income tax rates were as follows:

	As at			
	March 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Effective income tax rate applicable to earnings before income taxes	(Unaudited) 26%	24%	24%	24%

Deferred income tax liabilities recognized on the combined carve-out balance sheets were attributable to investment properties.

11. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and the Third Party Tenant Portfolio's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Included in property costs in 2014 are management fees paid to Dilawri of approximately \$30 ((2013 — \$28; 2012 — \$28) (March 2015 — \$10, March 2014 — \$10)).

12. SUBSEQUENT EVENTS

On or about July 10, 2015, Dilawri and the REIT will enter into an underwriting agreement in connection with the transactions contemplated by this prospectus. In connection with the Closing, the REIT will indirectly acquire from Dilawri certain real estate assets on a debt free basis, including the Third Party Tenant Portfolio.

APPENDIX A — BOARD MANDATE
AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
MANDATE OF THE BOARD OF TRUSTEES

The purpose of this mandate is to describe the principal duties and responsibilities of the Board of Trustees (the “**Board**”) of Automotive Properties Real Estate Investment Trust (the “**Trust**”).

1. ROLE

The role of the Board is to provide governance and stewardship to the Trust. Its role is to review strategy, assign responsibility to management for achievement of that strategy, establish limitations on the authority delegated to management and monitor performance against approved objectives. In fulfilling this role, the Board regularly reviews management’s strategic plans so that they continue to be responsive to the changing business environment in which the Trust operates. The Board oversees the Trust’s approach to governance, succession planning, risk management activities, internal control over financial reporting, disclosure controls and procedures, information systems and conflicts of interest. Through its oversight, the Board ensures that the Trust accurately reports financial and other information to unitholders, other stakeholders and the public. The Board is required to appoint officers. The Board satisfies itself as to the integrity of senior management, that the Trust engages in ethical and legal conduct and that executives maintain a culture of integrity throughout the Trust.

2. RESPONSIBILITIES

To ensure that it fulfills its role, the Board will:

(a) Ensure Compliance with the Declaration of Trust

- Exercise its powers and take whatever actions as may be necessary or desirable in order to carry out the provisions of the Declaration of Trust.
- Ensure that the exercise of such powers or the taking of such actions is consistent with the provisions of the Declaration of Trust.

(b) Define Unitholder Expectations and Monitor Performance

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set strategic goals and objectives within this context.
- Monitor performance against both strategic goals and objectives of the Trust.

(c) Approve Strategic Goals, Performance Objectives and Operational Policies

The Board will review and approve strategic objectives and values against which the performance of the Trust will be measured. In this regard, the Board will:

- Approve long-term strategies and goals.
- Review and approve management’s strategic and operational plans so that they are consistent with long-term strategies and goals.
- Review and approve annual budgets.
- Approve strategic and operational policies within which management will operate.
- Approve acquisitions, sales of assets or units, and material financing arrangements.
- Review and approve the Trust’s distribution policy and approve the timing and payment of distributions.
- Set targets and budgets against which to measure executive performance and the performance of the Trust.

- Satisfy itself of the appropriateness of all executive and employee compensation matters and, to the extent feasible, that a portion of executive compensation is linked appropriately to the performance of the Trust.
 - Approve the compensation of any executives of the Trust that are employees of the Trust or a subsidiary of the Trust.
 - Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management and approve an overall succession plan for the Trust’s executives.
 - Approve the compensation to be paid to the trustees.
- (d) Delegate Management Authority to the President and Chief Executive Officer**
- Delegate to the President and Chief Executive Officer the authority to manage and supervise the business of the Trust, including making any decisions regarding the Trust’s ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority.
 - Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.
- (e) Monitor Financial Disclosure**
- Oversee the Trust’s financial reporting and disclosure obligations in accordance with applicable law.
 - Approve the Trust’s financial statements, management’s discussion and analysis and related releases.
 - Oversee the Trust’s compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures.
- (f) Monitor Enterprise Risk Management**
- Approve management’s approach to enterprise risk management, including the identification and assessment of the principal risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return for unitholders.
 - Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by a Committee delegated by the Board, through the receipt of periodic reports from the Committee Chairs or senior management, as appropriate.
- (g) Approve Related Party Transactions**
- Approve all proposed related party transactions and any related party transactions that are not dealt with by a “**special committee**” of independent trustees pursuant to applicable securities legislation.
- (h) Oversee Effective External Communications**
- Satisfy itself that there is effective communication between the Board and the Trust’s unitholders, other stakeholders and the public.
 - At least annually, with the assistance of the Audit Committee and Governance, Compensation and Nominating Committee, review and approve any material changes to the Trust’s disclosure policy.
- (i) Monitor Governance of the Trust**
- Develop, and monitor compliance with, a set of governance principles and guidelines, including overseeing and appropriately managing, directly or through one or more committees established by it, potential conflicts of interests between the Trust, its executive officers and Dilawri, including overseeing the Administration Agreement and the duties of the President and Chief Executive Officer of the REIT to ensure the appropriate supervision and management of any potential conflicts of interest between the President and Chief Executive Officer, the REIT and Dilawri.

- If at any time the Chair of the Board is not independent, appoint a Lead Independent Trustee who is an independent trustee to provide leadership to the Board and the independent trustees, including presiding over meetings or sessions of the independent trustees and consulting with the Chair of the Board on any matters arising out of such sessions.
- Ensure that independent trustees hold regular meetings without the attendance of management or non-independent trustees.
- Review the Board's mandate on an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Chair of the Board, the Lead Independent Trustee, the chair of each committee of the Board and the President and Chief Executive Officer.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

(j) Monitor Social Responsibility, Integrity and Ethics of the Trust

- Take all reasonable steps to ensure that the Trust's executives act with integrity and that the Trust's executives maintain a culture of integrity throughout the Trust.
- Adopt a written code of conduct which is applicable to employees, officers and trustees, and monitor compliance with the code.
- Monitor and receive periodic reports on policies and practices related to social responsibility of the Trust.

3. COMPOSITION

The Board shall be comprised of a majority of independent trustees and a majority of trustees who are residents of Canada (within the meaning of the *Income Tax Act* (Canada)). For this purpose, a trustee is independent if he or she would be Independent within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, as the same may be amended or replaced from time to time. The Board will review the independence of all trustees at least annually. All meetings of the Board will be held in Canada. The Board is responsible for the composition and organization of the Board, including: the number, qualifications and remuneration of trustees; quorum requirements (which shall be no less than a majority of trustees then in office); and meeting procedures. The Board shall ensure that due notice of meetings is provided as required by applicable law and the Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements. Meetings of the Board will be held at least quarterly. After each meeting of the Board, the independent trustees will meet without management and without non-independent trustees. In addition, separate, regularly scheduled meetings of the independent trustees may be held. The Chair shall not have a casting vote.

The Governance, Compensation and Nominating Committee is responsible for establishing the competencies, skills and personal qualities that the Board considers necessary for the Board, as a whole, to possess, including existing trustees and new candidates to be elected or appointed by unitholders.

The Board believes that the Trust is best served by a board of trustees that functions independently of management and is informed and engaged. Trustees must have sufficient time to carry out their duties and not assume responsibilities which would materially interfere with, or be incompatible with, Board membership. Before accepting an appointment to the board or a committee of any publicly-traded entity, a trustee must advise the Chair (or, if the Chair, the Lead Independent Trustee if one has been appointed, or the chair of the Governance, Nominating and Compensation Committee) and the Board must approve such appointment.

4. COMMITTEES

The Board may establish committees of the Board where required or prudent. The Board may delegate to such committees matters for which the Board is responsible, including the approval of Board and

management compensation, the conduct of performance evaluations and oversight of internal controls, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. The Board has established the following committees:

- the Audit Committee (comprised entirely of independent trustees and a majority of trustees who are residents of Canada); and
- the Governance, Compensation and Nominating Committee (comprised of not less than a majority of independent trustees and a majority of trustees who are residents of Canada).

Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance, Compensation and Nominating Committee, any changes to any such mandate shall be approved by the Board. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following such Committee's meeting.

5. ORIENTATION AND CONTINUING EDUCATION

With the Governance, Compensation and Nominating Committee, the Board shall ensure that all trustees receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the Trust, and the skills they must use in their roles as trustees.

6. EQUITY OWNERSHIP GUIDELINES

The Board shall oversee trustees' and executive officers' compliance with unit ownership guidelines that may from time to time be established by the Board.

7. ACCESS

The Board has complete access to members of management and the Trust's auditors and outside counsel. The Board may retain an outside advisor at the expense of the Trust at any time. Individual trustees may retain an outside advisor at the expense of the Trust with the approval of the Board or a committee of the Board.

8. POLICIES

The Board will adopt policies and procedures designed to ensure that the Trust, its trustees, officers and employees comply with all applicable laws, rules and regulations and conduct the Trust's business ethically and with honesty and integrity. The following policies have been approved:

- Code of Business Conduct
- Disclosure Policy
- Whistleblower Policy
- Trading Policy
- Individual Voting Policy

9. REVIEW

The Board will review this mandate and the Trust's formal policies at least annually, with the assistance of the Governance, Compensation and Nominating Committee and, if appropriate, approve changes thereto.

APPENDIX B — AUDIT COMMITTEE CHARTER
AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
AUDIT COMMITTEE CHARTER

The purpose of this Charter is to describe the principal duties and responsibilities of the Audit Committee of the Board of Trustees (the “**Board**”) of Automotive Properties Real Estate Investment Trust (the “**Trust**”).

1. RESPONSIBILITY

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to:

- the integrity of the Trust’s financial statements;
- the Trust’s compliance with legal and regulatory requirements as they relate to its financial statements;
- the qualifications, independence and performance of the Trust’s external auditor (the “**Auditor**”);
- the enterprise risk management process;
- internal control over financial reporting and disclosure controls and procedures;
- assessing conflicts of interest between the Trust, its Chief Financial Officer and Dilawri; and
- performing the additional duties set out in this Charter or otherwise delegated to the Audit Committee by the Board.

2. MEMBERS

The Board shall appoint a minimum of three trustees to be members of the Audit Committee, a majority of whom shall be residents of Canada within the meaning of the *Income Tax Act* (Canada). The members of the Audit Committee shall be selected by the Board on recommendation of the Governance, Compensation and Nominating Committee of the Trust, and shall be selected based upon the following:

- each member shall be an independent trustee; and
- each member shall be financially literate.

For the purpose of this Charter, the terms “independent” and “financially literate” shall have the respective meanings attributed thereto in Multilateral Instrument 52-110 — *Audit Committees*, as the same may be amended or replaced from time to time.

3. CHAIR

Each year, the Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed. The Board has adopted and approved a position description for the Chair which sets out his or her role and responsibilities. The Audit Committee and Board shall at least annually review the position descriptions of the Chair of the Audit Committee and, if appropriate, approve changes thereto. The Chair shall not have a casting vote.

4. TENURE

Each member shall hold office until his or her term as a member of the Audit Committee expires or is terminated.

5. QUORUM, REMOVAL AND VACANCIES

A majority of the Audit Committee’s members shall constitute a quorum. Any member may be removed and replaced at any time by the Board and any member may resign at any time. The Board shall fill

vacancies in the Audit Committee by appointment from among the members of the Board. If a vacancy exists on the Audit Committee, the remaining members may exercise all powers so long as a quorum remains in office. The Audit Committee shall be responsible for its organization, including meeting procedures.

6. DUTIES

The Audit Committee shall have the duties set out below as well as any other duties that are specifically delegated to the Audit Committee by the Board.

(a) Appointment and Review of Auditor

The Auditor is ultimately accountable to the Audit Committee as representatives of the unitholders. The Audit Committee has direct responsibility for overseeing the work of the Auditor. Accordingly, the Audit Committee shall evaluate and be responsible for the Trust's relationship with the Auditor. Specifically, the Audit Committee shall:

- select, evaluate and recommend to the Board the Auditor to be nominated for appointment or reappointment by the unitholders;
- ensure the Auditor reports directly to the Audit Committee;
- review the Auditor's engagement letters;
- at least annually, obtain and review a report by the Auditor describing:
 - the Auditor's internal quality-control procedures; and
 - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the Auditor, and the steps taken to deal with any issues raised in these reviews.

(b) Confirmation of Independence of Auditor

At least annually, and before the Auditor issues its report on the annual financial statements, the Audit Committee shall:

- ensure that the Auditor submits a formal written statement describing all relationships between the Auditor and the Trust;
- discuss with the Auditor any disclosed relationships or services that may affect the objectivity and independence of the Auditor; and
- obtain written confirmation from the Auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs.

(c) Rotation of Engagement Partner/Lead Partners

The Audit Committee shall, after taking into account the opinions of senior management, evaluate the performance of the Auditor and the engagement partner/lead partners and shall rotate the engagement partner/lead partners when required, necessary or desirable.

(d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before retaining the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve retaining the Auditor for the engagement of any non-audit services by establishing policies and procedures

to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to the Chair the authority to pre-approve retaining the Auditor for any non-audit service to the extent permitted by applicable law, provided, however, pre-approval by the Chair shall be presented to the Audit Committee at the first meeting following any such pre-approval.

(e) Communications with Auditor

The Audit Committee shall meet privately with the Auditor as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfill its responsibilities (which shall not be less frequently than four times per year) and to discuss any concerns of the Audit Committee or the Auditor, such as:

- matters that will be referred to in the Auditor’s management letter;
- whether or not the Auditor is satisfied with the quality and effectiveness of the Trust’s financial reporting procedures and systems;
- the extent to which the Auditor is satisfied with the nature and scope of its examination and management’s cooperation and responsiveness to matters arising from such examination.

(f) Review of Audit Plan

The Audit Committee shall review a summary of the Auditor’s audit plan in advance of each audit.

(g) Approval of Audit Fees

The Audit Committee has the responsibility for approving the Auditor’s fees. In approving the Auditor’s fees, the Audit Committee should consider, among other things, the number and nature of reports issued by the Auditors, the quality of the internal controls, the impact of the size, complexity and financial condition of the Trust on the audit work plan, and the extent of internal audit and other support provided by the Trust to the Auditor.

(h) Review of Annual Audited Financial Statements

The Audit Committee shall review the annual audited financial statements, together with the Auditor’s report thereon and the related management’s discussion and analysis (“**MD&A**”), before recommending them for approval by the Board, to assess whether or not they present fairly in all material respects in accordance with International Financial Reporting Standards (“**IFRS**”), the financial condition, results of operations and cash flows of the Trust.

In conducting their review, the Audit Committee will:

- discuss the annual audited financial statements and MD&A with senior management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management’s judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
 - all critical accounting policies and practices to be used;
 - all alternative treatments of financial information within IFRS that have been discussed with management, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
 - other material written communication between the Auditor and management, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS;

- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Trust's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Trust;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Trust, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Trust's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;
- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;
- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and
- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes and employee remuneration.

(i) Review of Interim Financial Statements

The Audit Committee shall also engage the Auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. The Audit Committee will discuss the interim financial statements and related MD&A with management and the Auditor and, if satisfied that the interim financial statements present fairly in all material respects in accordance with IFRS, the financial condition, results of operations and cash flows of the Trust, recommend the interim financial statements and the related MD&A to the Board for approval.

(j) Other Financial Information

The Audit Committee shall review other financial-related disclosure, as well as the nature of any financial information and earnings guidance provided to analysts and rating agencies (if any) in accordance with the Trust's disclosure policy. In addition, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of information extracted or derived from the Trust's financial statements and must assess the adequacy of those procedures at least annually.

(k) Review of Prospectuses and Other Regulatory Filings

The Audit Committee shall review all other financial statements of the Trust that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Audit Committee shall review the Trust's Annual Information Form prior to its filing.

(l) Oversight of Conflicts of Interest and Review of Related Party Transactions

The Audit Committee shall receive reports on all related party transactions as part of the quarterly financial reporting process and oversee the duties of the Chief Financial Officer of the REIT to ensure the appropriate supervision and management of any potential conflicts of interest between the Chief Financial Officer, the REIT and Dilawri.

(m) Review of Internal Audit Services

The Audit Committee shall review the mandate of internal audit services, the budget, planned activities and organizational structure of internal audit services to ensure that it is independent of management and has sufficient resources to carry out its mandate.

The members shall meet privately with the senior officer in charge of internal audit as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfill its responsibilities, which shall not be less frequently than quarterly, to discuss any areas of concern to the Audit Committee or to the senior officer in charge of internal audit to confirm that:

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;
- the principal risks of the Trust's business have been identified by management and appropriate policies and systems have been implemented to manage these risks; and
- the integrity of the internal control and management information systems are satisfactory.

(n) Relations with Management

The members shall meet privately with management as frequently as the Audit Committee feels is appropriate to fulfill its responsibilities, which shall not be less frequently than four times per year, to discuss any concerns of the Audit Committee or management.

(o) Oversight of Internal Control over Financial Reporting and Disclosure Controls and Procedures

The Audit Committee shall, with the assistance of management, review the design and operating effectiveness of (i) the internal control over financial reporting adopted by the Trust, and (ii) the disclosure controls and procedures that have been adopted by the Trust to ensure the timely disclosure of all material information about the Trust and its subsidiaries as required by applicable law or security exchange rules.

The Audit Committee shall receive regular reports from management with respect to the system of disclosure controls and procedures and internal control over financial reporting.

The Audit Committee shall also review no less than annually the Trust's disclosure policy.

(p) Legal Compliance

The Audit Committee shall review with legal counsel any legal matters that may have a significant effect on the Trust's financial statements. The Audit Committee shall review with legal counsel material inquiries received from regulators and governmental agencies. The Audit Committee shall review any material matters arising from any known or suspected violation of the Trust's Code of Business Conduct with respect to financial and accounting matters and any material concerns regarding questionable accounting or auditing matters raised under the Trust's Whistleblower Policy or otherwise.

(q) Enterprise Risk Management

The Audit Committee shall satisfy itself as to the effective risk management of the individual risks for which such oversight has been delegated to the Audit Committee by the Board, through the receipt of periodic reports from internal audit services and management. The Chair shall periodically report to the Board on any major issues arising with respect to the risk management for such risks.

(r) Taxation Matters

The Audit Committee shall review the status of taxation matters of the Trust.

(s) Hiring Policies

The Audit Committee shall review and approve the hiring policies with respect to partners and professional employees of present and former external auditors of the Trust.

7. COMPLAINTS PROCEDURE

The Audit Committee shall monitor the effectiveness of the procedures for the receipt, retention and follow-up of complaints received by the Trust regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Trust regarding accounting, internal controls, or auditing matters. The Audit Committee shall review and annually approve the Trust's Whistleblower Policy. The Audit Committee shall review with management periodic reports in this regard.

8. REPORTING

The Audit Committee shall report to the Board on:

- the Auditor's independence;
- any conflicts of interest involving the Chief Financial Officer;
- the performance of the Auditor and the Audit Committee's recommendations regarding the reappointment or termination of the Auditor;
- the design and operating effectiveness of the Trust's internal control over financial reporting and disclosure controls and procedures;
- the Audit Committee's review of the annual and interim financial statements of the Trust and any IFRS reconciliation, including any issues with respect to the quality or integrity of the financial statements, along with the MD&A, and shall recommend whether or not the Board should approve the financial statements and any IFRS reconciliation and the MD&A;
- the Audit Committee's review of the Annual Information Form;
- the Trust's compliance with legal and regulatory matters to the extent they may affect the financial statements of the Trust;
- the management of those risks for which oversight has been delegated by the Board to the Audit Committee pursuant to the enterprise risk management program; and
- all other material matters dealt with by the Audit Committee.

9. REVIEW AND DISCLOSURE

This Charter shall be reviewed by the Audit Committee at least annually and, if it is proposed by the Audit Committee to be amended, it shall be submitted to the Governance, Compensation and Nominating Committee for consideration of such amendments and, if such amendments are approved by the Governance, Compensation and Nominating Committee, to the Board for approval by the Board, with such further amendments as the Governance, Compensation and Nominating Committee proposes.

This Charter shall be posted on the Trust's website.

10. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS

The Audit Committee shall meet at least four times annually. Following each meeting of the Audit Committee, the Committee members shall meet in a private session.

11. RETENTION OF EXPERTS

The Audit Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of the Trust, as it considers necessary to perform its duties.

12. OVERSIGHT FUNCTION

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Trust's financial statements are complete and accurate or comply with IFRS and other applicable requirements. These are the responsibilities of management (including the oversight functions) and the Auditor. The Audit Committee, the Chair and any members identified as having accounting or related financial expertise are members of the Board, appointed to the Audit Committee to provide broad oversight of the financial, risk and control related activities of the Trust, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Audit Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and Board in the absence of such designation. Rather, the role of a member who is identified as having accounting or related financial expertise, like the role of all members, is to oversee the process, not to certify or guarantee the internal or external audit of the Trust's financial information or public disclosure.

CERTIFICATE OF THE REIT AND THE PROMOTER

Date: July 10, 2015

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST

By: (Signed) MILTON LAMB
President and Chief Executive Officer

By: (Signed) ANDREW KALRA
Chief Financial Officer and Corporate Secretary

On behalf of the Board of Trustees

By: (Signed) KAPIL DILAWRI
Trustee

By: (Signed) JAMES MATTHEWS
Trustee

893353 ALBERTA INC.
(as Promoter)

By: (Signed) AJAY DILAWRI
President

By: (Signed) JAMES MATTHEWS
Chief Financial Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: July 10, 2015

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

TD SECURITIES INC.

CANACCORD GENUITY CORP.

By: (Signed) DAVID BARNES

By: (Signed) JUSTIN BOSA

SCOTIA CAPITAL INC.

BMO NESBITT BURNS INC.

**RBC DOMINION
SECURITIES INC.**

By: (Signed) BRYCE STEWART

By: (Signed) ALEXANDRE DROUIN

By: (Signed) DAVID SWITZER

GMP SECURITIES L.P.

**NATIONAL BANK
FINANCIAL INC.**

RAYMOND JAMES LTD.

By: (Signed) ANDREW KIGUEL

By: (Signed) ANDREW WALLACE

By: (Signed) LUCAS ATKINS

DESJARDINS SECURITIES INC.

By: (Signed) MARK EDWARDS

Opportunity to invest in
an attractive asset class
benefitting from strong
underlying fundamentals



Consistent industry
gross profit margins for
10 years



5.9% CAGR in
automotive retail sales
[2010 to 2014]



Automotive
retail
industry represents
23.8% of
Canada's
aggregate retail sales

Automotive Properties Reit

133 King Street East

Suite 300

Toronto, Ontario M5C 1G6

T: 647.789.2440

automotivepropertiesreit.ca

