



**NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**April 13, 2012**



**PARTNERS REAL ESTATE INVESTMENT TRUST**

April 13, 2012

Dear Unitholders:

It is my great pleasure to invite you to the annual and special meeting (the "Meeting") of Partners Real Estate Investment Trust ("the REIT", "we", "us" and similar expressions) to be held at the offices of McCarthy Tétrault LLP, 66 Wellington Street West, 53<sup>rd</sup> floor, Toronto, Ontario, M5K 1E6 on May 11, 2012 at 10:30 a.m. (Toronto time).

The items of business to be considered and voted upon at this Meeting are described in the notice of annual and special meeting and the accompanying management information circular.

In April 2012, a copy of the REIT's audited financial statements (the "Financial Statements") for the fiscal year ended December 31, 2011 and management's discussion & analysis of financial results (the "MD&A") for the fiscal year ended December 31, 2011 was mailed to each unitholder who requested that a copy be mailed to it. A copy of the Financial Statements and MD&A are also available on our website ([www.partnersreit.com](http://www.partnersreit.com)), from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or you can write to the following address and request a copy: Josh Matte, 710 Redbrick Street, Suite 200, Victoria, British Columbia V8T 5J3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this letter.

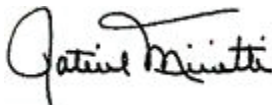
You may find further information concerning the REIT on our website: [www.partnersreit.com](http://www.partnersreit.com). We encourage you to visit our website before attending the Meeting.

Your participation at this Meeting is important. We encourage you to exercise your right to vote, which can easily be done by following the instructions provided in the management information circular and form of proxy.

I will provide a report on the REIT's affairs at the Meeting. You will also have the opportunity to ask questions and to meet the REIT's board of trustees.

We look forward to seeing you on May 11, 2012.

Yours very truly,



Patrick Miniutti

President, Chief Operating Officer and Corporate Secretary  
Partners Real Estate Investment Trust



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# PARTNERS REAL ESTATE INVESTMENT TRUST

## NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON MAY 11, 2012

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the “Meeting”) of the unitholders of Partners Real Estate Investment Trust (the “REIT”, “we”, “us” and similar expressions) will be held at the offices of McCarthy Tétrault LLP, 66 Wellington Street West, 53<sup>rd</sup> floor, Toronto, Ontario M5K 1E6 on Friday, May 11, 2012, at 10:30 a.m. (Toronto time), for the following purposes, namely:

- (a) to receive the consolidated financial statements of the REIT for the year ended December 31, 2011, together with the report of the auditors thereon;
- (b) to elect trustees of the REIT for the ensuing year;
- (c) to appoint the auditors for the ensuing year and to authorize the trustees to fix their remuneration;
- (d) to pass an ordinary resolution approving the amendment and renewal of the amended and restated unit option plan for the REIT, all as more particularly set forth in the accompanying management information circular (the “Circular”) dated April 13, 2012;
- (e) pass an ordinary resolution approving an alternate compensation plan for the REIT, all as more particularly set forth in the Circular;
- (f) pass a special resolution authorizing certain amendments to the Declaration of Trust, all as more particularly set forth in the Circular; and
- (g) transact such further and other business as may be properly brought before the Meeting or any adjournments or postponements thereof.

Only holders of units of record at the close of business on April 11, 2012 of the REIT are entitled to notice of and to attend the Meeting or any adjournments or postponements thereof and to vote thereat.

Unitholders may vote in person at the Meeting or any adjournments or postponements thereof, or they may appoint another person (who need not be a unitholder) as their proxy to attend and vote in their place.

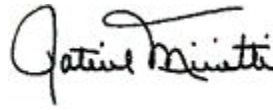
Unitholders unable to be present at the Meeting are requested to date and sign the enclosed form of proxy and return it in accordance with the instructions contained in the accompanying Circular.

The Circular relating to the business to be conducted at the Meeting accompanies this Notice. Please complete and return the form of proxy provided to you in accordance with the instructions provided therein.

Unitholders of the REIT may obtain the most recent annual financial statements, interim financial statements, annual information form and other additional information relating to the REIT at no cost by either accessing our website at [www.partnersreit.com](http://www.partnersreit.com), or the SEDAR website at [www.sedar.com](http://www.sedar.com) or you can write to the following address and request copies: Josh Matte, 710 Redbrick Street, Suite 200, Victoria, British Columbia V8T 5J3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this notice.

**DATED** at Victoria, British Columbia this 13<sup>th</sup> day of April, 2012.

BY ORDER OF THE BOARD OF TRUSTEES

A handwritten signature in black ink, appearing to read "Patrick Miniutti". The signature is written in a cursive style with a large initial "P" and a long horizontal stroke extending to the right.

Patrick Miniutti, President, Chief Operating Officer and  
Corporate Secretary



## MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “Circular”) is furnished to unitholders of Partners Real Estate Investment Trust (the “REIT”, “we”, “us” and similar expressions) in connection with the **solicitation by and on behalf of the management of the REIT** of proxies to be used at the annual and special meeting of unitholders (the “Meeting”) of the REIT to be held at the offices of McCarthy Tétrault LLP, 66 Wellington Street West, 53<sup>rd</sup> floor, Toronto, Ontario M5K 1E6 on Friday, May 11, 2012, commencing at 10:30 a.m. (Toronto time), and at any adjournment(s) or postponement(s) thereof, for the purposes set forth in the attached notice of annual and special meeting of unitholders (the “Notice”).

This Circular, the Notice, and the accompanying form(s) of proxy are being mailed to unitholders of record as of the close of business on April 11, 2012. The REIT will bear all costs associated with the preparation and mailing of this Circular, the Notice, and the accompanying form(s) of proxy, as well as the cost of the solicitation of proxies. The solicitation will be primarily by mail; however, officers and regular employees of the REIT and the Manager of the REIT, LAPP Global Asset Management Corp. (the “Manager”) may also directly solicit proxies (but not for additional compensation) trustees personally, by telephone, by fax or by other means of electronic transmission. Banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward proxy solicitation material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for their reasonable expenses in doing so. In April of 2012, a copy of the REIT’s audited financial statements (the “Financial Statements”) for the fiscal year ended December 31, 2011 and management’s discussion & analysis of financial results (the “MD&A”) for the fiscal year ended December 31, 2011 was mailed to each unitholder who requested that a copy be mailed to it. Copies of the Financial Statements and MD&A are also available on our website ([www.partnersreit.com](http://www.partnersreit.com)), from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or you can write to the following address and request a copy: Josh Matte, 710 Redbrick Street, Suite 200, Victoria, British Columbia V8T 5J3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this Circular.

## CONSOLIDATION

On February 10, 2012, the REIT received approval from the TSX Venture Exchange to consolidate its issued and outstanding units (the “Units”) on the basis of one post-consolidation Unit for every four pre-consolidation Units (the “Consolidation”). The exercise price and number of Units issuable upon the exercise of outstanding options, warrants and convertible debentures was proportionately adjusted with the implementation of the Consolidation. The post-consolidated Units began trading on the TSX Venture Exchange on February 14, 2012.

In connection with, and immediately following, the consolidation of Units, each unitholder that received fractional Units on the consolidation irrevocably deposited all such fractional Units with its agent, Computershare Investor Services Inc. (“Computershare”). Computershare aggregated all such fractional Units into marketable blocks of Units and, as agent for the relevant holders of such fractional Units, sold such Units on the TSX Venture Exchange for cash proceeds. Computershare then remitted the net sale proceeds from the sale of all such fractional Units *pro rata* to the relevant unitholders.

Unless otherwise stated, all references to “Units” in this Circular refer to Units as adjusted to reflect the Consolidation.

## APPOINTMENT AND REVOCATION OF PROXIES

### Registered Holders

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

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

To be valid, proxies or instructions must be:

- returned by:
  - mail to Computershare Investor Services Inc., attention: Proxy Department, 9th Floor, North Tower, 100 University Avenue, Toronto, Ontario, M5J 2Y1; or
  - fax to Computershare Investor Services Inc., attention: Proxy Department at 416-263-9524 (outside Canada) or 1-866-249-7775 (within Canada); or
  - personal delivery at the foregoing address,

such that the proxies or instructions so returned arrive no later than 10:30 a.m. (Toronto time) on May 9, 2012; or

- delivered to the Chair of the Meeting prior to the commencement of the Meeting; or
- if the Meeting is adjourned or postponed:
  - returned to Computershare at the address or fax number noted above such that the proxies or instructions so returned arrive at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any adjourned or postponed Meeting at which the proxy or instructions are to be used; or
  - delivered by hand to the Chair of the Meeting before the commencement of such adjourned or postponed Meeting.

### **Non-Registered Holders**

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

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

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

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

- (b) less typically, be given a proxy which has already been signed by the intermediary (usually by way of a facsimile, stamped signature) which is restricted as to the number of Units beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. In this case, the Non-Registered Holder who wishes to submit the proxy should otherwise properly complete and deposit it with Computershare or the Chair of the Meeting, as described above. This proxy need not be signed by the Non-Registered Holder.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Units which they beneficially own. Should a Non-Registered Holder who receives a proxy signed by the intermediary wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder (or such other person) in the blank space provided. A Non-Registered Holder who receives a voting instruction form should follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their intermediaries and their intermediaries' service companies.**

A Non-Registered Holder may revoke a voting instruction form (or proxy) or a waiver of the right to receive the meeting materials given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of a voting instruction form (or proxy) or a revocation of a waiver of the right to receive the meeting materials that is not received by the intermediary at least seven days prior to the Meeting.

#### VOTING OF PROXIES

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

- the election of Trustees;
- the re-appointment of the auditor, based on the recommendation of the audit committee (the "Audit Committee") of the board of Trustees of the REIT (the "Board") and the authorization of the Audit Committee to fix the remuneration of the auditor;
- an ordinary resolution approving the amendment and renewal of the amended and restated unit option plan for the REIT (see "Matters to Be Considered at the Meeting – Amendments to and Renewal of the Amended and Restated Unit Option Plan");
- an ordinary resolution approving the adoption of an alternate compensation plan of the REIT (see "Matters to Be Considered at the Meeting – Adoption of Alternate Compensation Plan"); and
- a special resolution authorizing certain amendments to the Declaration of Trust (see "Matters to Be Considered at the Meeting – Amendments to the Declaration of Trust"),

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

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

## QUORUM

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

## RECORD DATE

The Board has fixed the close of business on April 11, 2012 as the record date (the "Record Date") for the Meeting. Pursuant to Section 12.8 of the declaration of trust of the REIT dated March 27, 2007, as amended and restated with effect as of June 4, 2010 and as further amended and restated with effect as of November 3, 2010, December 15, 2011 and March 29, 2012 (the "Declaration of Trust"), only unitholders of record at the close of business on the Record Date are entitled to receive notice of and to attend and vote at the Meeting or any adjournment thereof or to be treated as a voting unitholder for purposes of such other action even though the unitholder has since that time disposed of his or her Units.

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

As at the date of this Circular, there were issued and outstanding 18,219,058 Units of the REIT. A holder of Units is entitled to one vote for each Unit held.

To the knowledge of the Board, as of the date of this Circular, the following persons beneficially own or exercise control or direction over Units carrying approximately 10% or more of the votes attached to the issued and outstanding Units:

Name	Number of Units beneficially owned or over which control or direction is exercised	Percentage of Total Units
IGW Public Limited Partnership <sup>(1)</sup>	3,203,215	17.6%

Notes:

- (1) 3,203,215 Units are held by IGW Public Limited Partnership ("IGW Public"), an entity controlled by Mr. Adam Gant and 6,250 Units are held directly by Mr. Gant.

## MATTERS TO BE CONSIDERED AT THE MEETING

### Financial Statements and Auditor's Report

Management, on behalf of the Board, will present to the unitholders at the Meeting the consolidated financial statements of the REIT for the year ended December 31, 2011, together with the auditor's report thereon, but no vote by the unitholders with respect thereto is required or proposed to be taken. Unitholders who requested that a copy be mailed to them were mailed a copy in April of 2012. A copy of the financial statements and MD&A are also available on our website ([www.partnersreit.com](http://www.partnersreit.com)), from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or you can write to the following address and request a copy: Josh Matte, 710 Redbrick Street, Suite 200, Victoria, British Columbia V8T 5J3, or send an email to [info@partnersreit.com](mailto:info@partnersreit.com). The contents of our website and our SEDAR filings are expressly not incorporated by reference into this Circular.

### Election of Trustees

The investment guidelines and operating policies of the REIT are subject to the control and direction of the Board, a majority of whom must be resident Canadians and a majority of whom must be independent within the meaning of applicable securities laws (the "Independent Trustees"). The Board consists of six Trustees, four of whom are Independent Trustees.

The Board is authorized to determine from time to time, by resolution, the number of Trustees and the number of Trustees to be elected at the annual meeting of the unitholders of the REIT, such number being within the minimum and maximum numbers provided for in the Declaration of Trust. The Board has set the number of Trustees of the REIT at six. As of the date of this Circular, the Board consists of Messrs. Paul Dykeman, Adam Gant, John van Haastrecht, Louis Maroun, Patrick Miniutti and Saul Shulman. The term of office of each Trustee expires at the time of the Meeting unless successors are not elected, in which case the Trustees remain in office until their successors are elected or appointed in accordance with applicable law and the Declaration of Trust.

Pursuant to the terms of an amended and restated management agreement dated March 30, 2012 (the "Management Agreement") between the REIT and the Manager, a wholly owned subsidiary of IGW Public, and the terms of the Declaration of Trust, the Manager has the right to nominate two individuals to stand for election as Trustees. The nominees of the Manager at the Meeting are Adam Gant and Patrick Miniutti.

The REIT proposes to nominate, and the persons named in the accompanying form of proxy will vote for (in the absence of specifications or instructions to withhold from voting on the proxy), the election of the six persons whose names are set forth below, but will not vote for a greater number of persons than the number of nominees named in the form of proxy. Management does not contemplate that any of the nominees will be unable to serve as a Trustee. If, as a result of circumstances not now contemplated, any nominee is unavailable to serve as a Trustee, the proxy will be voted for the election of such other person or persons as the REIT may select. Each Trustee elected will hold office until the next annual meeting of unitholders, or until his/her respective successor is elected or appointed in accordance with applicable law and the Declaration of Trust.

**Management recommends that unitholders vote FOR the election of the Trustees.**

The following tables set forth information with respect to each of the nominees for Trustee, including the number of securities of the REIT beneficially owned, directly or indirectly, or over which control or direction is exercised by each such nominee, as at the date of this Circular.

<p><b>PAUL DYKEMAN</b><sup>(3)(4)(5)</sup>                  Dartmouth, Nova Scotia, Canada                  Age: 50  <i>Trustee of the REIT</i></p>	<p>Paul Dykeman became a Trustee of the REIT on September 20, 2010. Mr. Dykeman began his real estate career in 1990 as Controller of Roycom, a pension and mutual fund real estate advisor. Prior to this, he spent six years in a variety of increasingly senior roles with an international audit and accounting firm. In 1996, he, along with Mr. Maroun, launched Summit Real Estate Investment Trust (“Summit”) and was appointed Summit’s Chief Financial Officer in 1998. With Summit’s acquisition by ING Real Estate in 2006, Mr. Dykeman was appointed Chief Executive Officer of ING Real Estate Canada (“ING Real Estate”), responsible for all aspects of ING Real Estate’s operations, including real estate transactions, investment and property management, finance and ING Real Estate’s strategic direction. Currently he is Chief Executive Officer of Sigma Real Estate Advisors LLP, an investment advisory firm specializing in the Canadian, United States and Bermuda real estate markets. Mr. Dykeman is a member of the Real Property Association of Canada (RealPAC) and the Institute of Chartered Accountants of Nova Scotia.</p>
<b>Securities Owned/Controlled</b>	
Units	55,000
Unit Options	Nil
Debentures	100
<b>Board and Committees</b>	
<b>2011 Attendance at Meetings<sup>(2)</sup></b>	
Board	7/7
Audit Committee	4/4
Independent Committee	9/9
Investment Committee	4/4
<b>Other Public Board Directorships During Last Five Years</b>	
<b>Other Board Committee Memberships of Public Entities</b>	
None	None

<p><b>ADAM GANT</b><sup>(1)</sup></p> <p>Victoria, British Columbia, Canada</p> <p>Age: 32</p> <p><i>Chief Executive Officer and Trustee of the REIT</i></p>	<p>Adam Gant became a Trustee of the REIT on August 12, 2010, and was appointed Chief Executive Officer of the REIT on September 10, 2010. Mr. Gant co-founded League Asset Corp. ("LAC") in 2005 and serves as LAC's Chief Executive Officer. He also serves as Chief Executive Officer of the Manager and has worked primarily for the League group of companies for the last five years. Mr. Gant is a real estate entrepreneur with a special interest in the financial aspects and mathematical analysis of real estate economics and valuation.</p> <p>Mr. Gant has been a board member and part owner of a number of corporations offering a range of products and services in the real estate sector, and as licensed broker, where he used his experience gained while a licensed commercial real estate agent in British Columbia (2004-2007). Among these are a property management company, a financing company, a real estate investment company, and a residential construction company.</p> <p>Mr. Gant was instrumental in the founding of IGW Public and IGW REIT Limited Partnership in 2007. Since January 2004, he has organized over 30 other limited partnerships and has overseen the acquisition or sale of properties in Canada having an aggregate market value of \$800 million consisting of light industrial properties, multi-unit residential properties, commercial premises and shopping mall properties.</p>
<b>Securities Owned/Controlled</b>	
Units	3,209,465 <sup>(6)</sup>
Unit Options	163,750
Debentures	Nil
<b>Board and Committees</b>	<b>2011 Attendance at Meetings</b> <sup>(2)</sup>
Board	7/7
<b>Other Public Board Directorships During Last Five Years</b>	<b>Other Board Committee Memberships of Public Entities</b>
None	None

<p><b>JOHN PETER VAN HAASTRECHT</b><sup>(4)(5)</sup></p> <p>Caledon, Ontario, Canada</p> <p>Age: 68</p> <p><i>Trustee of the REIT</i></p>	<p>John van Haastreht became a Trustee of the REIT in March of 2007. Mr. van Haastreht is a Chartered Director and is currently the President of Vanreal Ltd., an operator and developer of commercial retail shopping centres that was founded by Mr. van Haastreht in 2001. Prior to that, Mr. van Haastreht was a trustee and the President and Chief Executive Officer of Morguard Real Estate Investment Trust, a publicly traded real estate investment trust. In addition to his business activities, Mr. van Haastreht is also past President of the Board of the Royal Military College Foundation.</p> <p>Mr. van Haastreht graduated from the Royal Military College with an Applied Science Degree.</p>
<p><b>Securities Owned/Controlled</b></p>	
<p>Units</p>	<p>23,049</p>
<p>Unit Options</p>	<p>12,500</p>
<p>Debentures</p>	<p>100</p>
<p><b>Board and Committees</b></p>	<p><b>2011 Attendance at Meetings</b><sup>(2)</sup></p>
<p>Board</p>	<p>7/7</p>
<p>Audit Committee</p>	<p>4/4</p>
<p>Independent Committee</p>	<p>9/9</p>
<p>Investment Committee</p>	<p>4/4</p>
<p><b>Other Public Board Directorships During Last Five Years</b></p>	<p><b>Other Board Committee Memberships of Public Entities</b></p>
<p>None</p>	<p>None</p>



<p><b>LOUIS J. MAROUN</b><sup>(4)(5)</sup></p> <p>Devonshire, Bermuda</p> <p>Age: 61</p> <p><i>Trustee of the REIT</i></p>	<p>Louis Maroun is the Chair of the Board. Mr. Maroun became a Trustee of the REIT in June 2010, and was appointed Chair of the Board on September 13, 2010. Mr. Maroun began his real estate career in 1982 following seven years with the Nova Scotia Department of the Attorney General. In 1996 he launched Summit, and, under his tenure as Chief Executive Officer, Summit grew to become one of Canada's largest real estate investment trusts and the country's largest publicly-traded owner and manager of industrial real estate with approximately \$3.5 billion in assets. Following Summit's successful privatization by ING Real Estate in 2006, he became Executive Chairman of ING Real Estate until 2009.</p> <p>In 2007, Mr. Maroun was elected to the position of Fellow of the Royal Institute of Chartered Surveyors. This prestigious appointment recognizes both length of service to the real estate investment industry and successful underwriting and investment.</p> <p>Mr. Maroun is currently Executive Chairman of Sigma Real Estate Advisors LLP, an investment advisory firm specializing in the Canadian, United States and Bermuda real estate markets. He is also a board member and lead director of Acadian Timber Income Fund, is a director of Brookfield Infrastructure Partners Fund, a TSX and NYSE listed company, and an advisor to and board member of two emerging Canadian technology companies.</p>
<b>Securities Owned/Controlled</b>	
Units	84,600 <sup>(7)</sup>
Unit Options	Nil
Debentures	Nil
<b>Board and Committees</b>	
	<b>2011 Attendance at Meetings<sup>(2)</sup></b>
Board	7/7
Audit Committee	4/4
Independent Committee	9/9
<b>Other Public Board Directorships During Last Five Years</b>	
<b>Acadian Timber Corp.</b>	Lead Director, Chair of the Compensation, Nominating and Corporate Governance Committee, Member of the Audit Committee
<b>Brookfield Renewable Energy Partners L.P.</b>	Director, Member of the Compensation Committee and the Governance and Nominating Committee
<b>Brookfield Infrastructure Partners Limited</b>	Chair of the Board, Director, Member of the Audit Committee, Member of the Compensation Committee
<b>Other Board Committee Memberships of Public Entities</b>	

<p><b>PATRICK MINIUTTI<sup>(1)</sup></b></p> <p>Victoria, British Columbia, Canada</p> <p>Age: 64</p> <p><i>President, Chief Operating Officer, Corporate Secretary and Trustee of the REIT</i></p>	<p>Patrick Miniutti became a Trustee and President of the REIT on June 4, 2010 and was appointed Chief Operating Officer on September 10, 2010 and Corporate Secretary on March 28, 2012. Mr. Miniutti also serves as the Chief Financial Officer of LAC.</p> <p>Most recently, Mr. Miniutti served as Managing Director with Sunset Realty Services, a financial and management advisory services firm, which assisted in the acquisition and asset management of community and outlet centres and the development and management of low income and multi-family housing. Prior to this, he served concurrently as Executive Vice President, Chief Financial Officer and Chief Operating Officer and also on the board of directors of Konover Property Trust, a public company which owned, developed and managed grocery-anchored centres and outlet centres.</p> <p>Mr. Miniutti has also served as: Executive Vice President, Chief Financial Officer and as a Director on the Board for Crown American Realty Trust, a public company and an operator of regional malls; Chief Financial Officer at New Market Companies, one of the first developers of power centres; Executive Vice President, Chief Operating Officer and Chief Financial Officer of Western Development Corporation (predecessor to The Mills Corporation, owner and developer of Mills Malls); and Vice President-Financial Services and Chief Accounting Officer for Cadillac Fairview Corporation's Urban Business Unit, a public company and a developer and owner of office and mixed-used properties. He began his career in accounting with KPMG and then moved to Kenneth Leventhal &amp; Company, where he continued to specialize in commercial and residential real estate.</p> <p>Mr. Miniutti has a Bachelor of Science degree in Accounting from the University of Bridgeport and substantially completed his MBA studies at Michigan State University. He is a Certified Public Accountant and was a member of the AICPA's Real Estate Accounting Committee.</p>
<p><b>Securities Owned/Controlled</b></p>	
<p>Units</p> <p>Unit Options</p>	<p>Nil</p> <p>153,750</p>
<p>Debentures</p>	<p>Nil</p>
<p><b>Board and Committees</b></p>	
<p>Board</p>	<p><b>2011 Attendance at Meetings<sup>(2)</sup></b></p> <p>7/7</p>
<p><b>Other Public Board Directorships During Last Five Years</b></p>	
<p>None</p>	<p><b>Other Board Committee Memberships of Public Entities</b></p> <p>None</p>

<p><b>SAUL SHULMAN</b><sup>(4)(5)</sup></p> <p>Toronto, Ontario, Canada</p> <p>Age: 73</p> <p><i>Trustee of the REIT</i></p>	<p>Saul Shulman is a Trustee of the REIT. Since January 1, 2005, Mr. Shulman has been the Chief Executive Officer of MLG Management Inc. Prior to this, he was a partner at Goodman and Carr LLP for 39 years. He is a former Trustee and member of the Audit Committee of Brookfield Renewable Power Trust, a renewable power company; a former director of the Advisory Board of Brookfield Renewable Power Inc.; former director and member of the Audit Committee, as well as lead director, of Brookfield Asset Management; a director of Tricon Capital Group Inc., a leading provider of equity and mezzanine loans to North America’s real estate development industry and a director of 1281216 Ontario Inc. (Castlemore Golf &amp; Country Club/Intracorp Developments Ltd.), a residential developer. He also serves as a chairman for a number of private companies. Mr. Shulman is a former trustee of Summit (now ING Real Estate Investment Trust), a public real estate investment trust and has previously held directorship positions with: Brookfield Asset Management, a public real estate, hydro and asset management company; Brookfield Power Inc., a power operation; and JDS Investment Limited, a public real estate company. In 1983, Mr. Shulman was appointed as Special Counsel to the Board of Directors of Mascan Corp. (the Board was appointed by the Supreme Court of Ontario), a publicly traded property developer.</p> <p>Mr. Shulman earned a law degree from Osgoode Hall in 1963 and was appointed Queen’s Counsel in 1984. He also earned a Bachelor of Commerce degree from the University of Windsor in 1960.</p>	
<b>Securities Owned/Controlled</b>		
Units	16,250	
Unit Options	Nil	
Debentures	100	
<b>Board and Committees</b>		
	<b>2011 Attendance at Meetings<sup>(2)</sup></b>	
Board	7/7	
Audit Committee	4/4	
Independent Committee	9/9	
<b>Other Public Board Directorships During Last Five Years</b>		
<b>Other Board Committee Memberships of Public Entities</b>		
<b>Brookfield Renewable Power Trust</b>	2009 – 2011	Member of the Audit Committee
<b>Summit Real Estate Investment Trust</b>	1985 – 2006	Member of the Investment Committee Member of the Audit Committee
<b>Brookfield Asset Management Inc.</b>	1997 – 2004	-

Notes:

- (1) Nominee of the Manager.
- (2) Attendance figures reflect the attendance at meetings of the Board held in 2011.
- (3) Chair of the Audit Committee.
- (4) Member of the Audit Committee.
- (5) “Independent” within the meaning of Canadian securities laws.
- (6) 3,203,215 Units are held by IGW Public, an entity controlled by Mr. Gant and 6,250 Units are held directly by Mr. Gant.
- (7) 57,100 Units are held by Mr. Maroun directly; 27,500 are held by Mr. Maroun’s spouse.

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

Other than as follows, no Trustee or executive officer of the REIT is, as at the date hereof, or was within 10 years before the date hereof, a trustee, director, chief executive officer or chief financial officer of any trust or company (including the REIT) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that (a) was in effect for a period of more than 30 consecutive days (a “Cease Trade Order”) that was issued while the Trustee or executive officer was acting in the capacity as trustee, director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the Trustee or executive officer ceased to be a trustee, director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as trustee, director, chief executive officer or chief financial officer. Mr. Gant is, and was at the time of the orders described below, a

director and officer of Colwood City Centre GP Inc., the general partner of Cityzen Properties Limited Partnership (“CPLP”) (currently known as Colwood City Centre Limited Partnership and Capital City Centre Limited Partnership); League REIT Investco Inc., the trustee of IGW Real Estate Investment Trust (“IGW REIT”); and IGW Properties GP I Inc., the general partner of IGW Properties Limited Partnership I (“IGW LP”). On December 21, 2007, the British Columbia Securities Commission (“BCSC”) issued Cease Trade Orders against the securities of CPLP, IGW REIT and IGW LP. The Cease Trade Orders were issued on the basis that an offering memorandum of each entity was not prepared in the form required under British Columbia's securities legislation. These orders were revoked by the BCSC after each entity filed an updated offering memorandum and made a rescission offer to investors. An additional Cease Trade Order was subsequently issued against the securities of IGW REIT on the basis that its amended offering memorandum was not prepared in the form required under British Columbia's securities legislation. The BCSC revoked this order after IGW REIT filed an updated offering memorandum.

No Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a trustee, director or executive officer of any trust or company (including the REIT) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such trustee, director, executive officer or securityholder.

No Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed Trustee.

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

At the Meeting, unitholders will be asked to re-appoint Deloitte & Touche LLP as the auditor of the REIT, based on the recommendation of the Audit Committee and the Board. Deloitte & Touche LLP has been the auditor of the REIT since May 2007 and, prior to that, to the REIT's predecessor, Charter Realty Holdings Ltd., since its incorporation in 2005. The persons named in the accompanying form of proxy will, in the case of a ballot and in the absence of specifications or instructions to withhold from voting on the form of proxy, vote for the re-appointment of Deloitte & Touche LLP as the auditor of the REIT to hold office until the next annual meeting of unitholders of the REIT and to authorize the Audit Committee to fix the auditor's remuneration.

Representatives of Deloitte & Touche LLP are expected to attend the Meeting, will have an opportunity to make a statement (if they so desire) and are expected to be available to respond to appropriate questions.

**Management recommends that unitholders vote FOR the election of the auditors and for the Audit Committee to fix the remuneration of the auditors.**

### **Amendments to and Renewal of the Amended and Restated Unit Option Plan**

On April 3, 2012, the Units were listed on the Toronto Stock Exchange (“TSX”). In connection with the listing on the TSX, the TSX required certain changes to the REIT's amended and restated unit option plan (the “Unit Option Plan”) to conform to the requirements of the TSX (as amended, the “Amended and Restated Unit Option Plan”).

### ***Principal Amendments to the Unit Option Plan***

The principal amendments to the Unit Option Plan are as follows:

#### **Definitions**

A number of references to TSX Venture Exchange Policy 4.4 – *Incentive Stock Options* have been changed to reflect similar definitions in National Instrument 45-106 – *Prospectus and Registration Exemptions* (“NI 45-106”), promulgated by the Canadian Securities Administrators. Similarly, references to the TSX Venture Exchange and its policies have been changed to references to the TSX and its rules.

The reference to “C.A. Bancorp” in the definition of “Change of Control” has been changed to “the Manager or its Affiliates”.

#### **Units Subject to the Amended and Restated Unit Option Plan**

Section 4 of the Amended and Restated Unit Option Plan, which limits the maximum number of Units which may be reserved and set aside for issue under the plan to 10% of the issued and outstanding Units (on a non-diluted basis) has been amended to include a reference to the limits under the plan and all other equity based compensation plans of the REIT.

#### **Terms and Conditions of Options**

Section 6(d) of the Amended and Restated Unit Option Plan, which set out specific limits on grants of options to individuals and consultants (as required by the TSX Venture Exchange) has been deleted and replaced by a limit on grants of options to Insiders (as that term is defined in the Amended and Restated Unit Option Plan) of 10% of the REIT’s total issued and outstanding Units which may be issued within any one year period and issuable at any time (the “Insider Participation Limit”).

#### **Amendment and Termination of Plan and Options**

Section 9 of the Amended and Restated Unit Option Plan has been deleted and replaced with the following:

- (a) The Trustees may amend, suspend or terminate:
  - (i) this Plan or any portion thereof, including, without limitation, amendments relating to vesting, termination, or of a “housekeeping” nature, provided that the Trust shall comply with the TSX Rules; or
  - (ii) any Option at any time, provided that such amendment shall not adversely alter or impair any Option previously granted except as permitted by the provisions of Section 7 hereof.
- (b) Notwithstanding the provisions of Section 9(a) the Trust will be required to obtain Unitholder approval for any amendment related to:
  - (i) a reduction in the exercise price benefitting an Insider;
  - (ii) an extension of the term benefitting an Insider;
  - (iii) any amendment to remove or to exceed the Insider Participation Limit;
  - (iv) an increase in the maximum number of securities issuable under Section 4; and
  - (v) amendments to this Section 9.

A copy of the Amended and Restated Unit Option Plan is attached to this Circular as Appendix “A”. A blackline of the Amended and Restated Unit Option Plan to the Unit Option Plan will be available on the REIT’s website ([www.partnersreit.com](http://www.partnersreit.com)) until May 12, 2012.

### **Description of the Amended and Restated Unit Option Plan**

#### *Purpose*

The purpose of the Amended and Restated Unit Option Plan is to encourage ownership of the Units by Trustees, directors of subsidiaries of the REIT, executive officers and employees of the REIT and its subsidiaries and consultants, including directors, executive officers and employees of the Manager, who are primarily responsible for the management and profitable growth of the REIT’s business and to advance the interests of the REIT by providing additional incentive for superior performance by such persons.

#### *Administration*

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

- grant options to purchase Units (“Options”) to eligible persons;
- determine the terms, limitations, restrictions and conditions respecting grants of Options;
- interpret the Amended and Restated Unit Option Plan and adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Amended and Restated Unit Option Plan; and
- make all of their determinations and to take all other actions in connection with the implementation and administration of the Plan as they may deem necessary or advisable.

Notwithstanding the foregoing, only the Independent Trustees shall grant Options to eligible persons who are directors, executive officers and employees of the Manager.

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

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

#### *Terms and Conditions of Options*

##### *Price*

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

## Term

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

## Termination of Options

Options terminate on the earlier of:

- the date of expiration specified in the Option agreement or in the resolution of Trustees granting the Option, as the case may be;
- 90 days after the participant ceases to be eligible, other than by reason of retirement, permanent disability or death. This provision will apply regardless of whether the participant was dismissed with or without cause;
- 180 days following the date of death of the participant; and
- 90 days after termination of the participant’s employment by reason of permanent disability or retirement.

## Transferability of Options

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

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

## Restrictions on Issuances

The number of Units reserved for issuance under Options granted to Insiders is limited to the Insider Participation Limit. The number of Units reserved for issuance under Options to any one person may not exceed 5% of the issued and outstanding Units on a non-diluted basis.

## Adjustments in Units Subject to the Amended and Restated Unit Option Plan

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

## Change in Control

In the event of a Change in Control of the REIT:

- all Options shall become immediately exercisable; and
- if, within 90 days preceding or one year following a direct or indirect Change in Control of the Manager, a participant's employment with the Manager is terminated without Cause or a participant resigns for Good Reason (as those terms are defined in the Amended and Restated Unit Option Plan), all Options (whether or not currently exercisable) shall become exercisable effective the date immediately prior to the date of such termination or resignation.

A "Change in Control" is defined as:

- the acceptance of an offer by a sufficient number of holders of voting securities of an entity (other than the Manager or its affiliates) to constitute the offeror, together with persons acting jointly or in concert with the offeror, being a securityholder of such entity being entitled to exercise more than 50% of the voting rights attaching to the outstanding securities of such entity (provided that prior to the offer, the offeror was not entitled to exercise more than 50% of the voting rights attaching to the entity);
- the completion of a consolidation, merger or amalgamation by an entity whereby the voting securityholders of such entity immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged or amalgamated entity;
- the completion of a sale whereby all or substantially all of an entity's undertakings and assets become the property of any third party and the voting securityholders of the entity immediately prior to that sale collectively hold less than 50% of the voting rights attaching to the outstanding voting securities of the third party immediately following that sale; or
- the adoption by the Trustees of a resolution to the effect that, for the purposes of the Amended and Restated Unit Option Plan, a Change in Control has occurred or that such a Change in Control is imminent,

provided, however, that for the purposes of the Amended and Restated Unit Option Plan, (A) any incremental acquisition, directly or indirectly (other than in connection with a going-private transaction) of additional Units by the Manager, (B) the sale of any voting securities (or equivalent thereof) of an entity (or any successor Person thereto) pursuant to a public offering, shall not constitute a Change in Control, and (C) the Trustees may deem that a Change of Control has not occurred for the purposes of the Amended and Restated Unit Option Plan.

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

The Trustees may amend, suspend or terminate:

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

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

- a reduction in the exercise price benefitting an Insider;
- an extension of the term benefitting an Insider;



- any amendment to remove or to exceed the Insider Participation Limit;
- an increase in the maximum number of securities issuable under the Amended and Restated Unit Option Plan; and
- amendments to the amendments section of the Amended and Restated Unit Option Plan.

### **Option Plan Resolution**

Pursuant to the rules of the TSX, unallocated options, rights or other entitlements under a TSX listed issuer's security based compensation arrangement that does not have a fixed maximum number of securities issuable must be approved by a majority of the issuer's trustees and by the issuer's securityholders every three years. Since the Amended and Restated Unit Option Plan does not have a fixed number of Units issuable thereunder, but permits the issuance of up to an aggregate of 10% of the outstanding Units from time to time, the REIT is seeking unitholder approval at the Meeting of all of the unallocated Units issuable pursuant to the Amended and Restated Unit Option Plan in accordance with this requirement.

As of the date of this Circular, the REIT has Options outstanding to purchase 602,000 Units (representing approximately 3.2% of the issued and outstanding Units), leaving unallocated Options with respect to an aggregate of 1,280,105 Units available for future grants (representing approximately 6.8% of the issued and outstanding Units), based on the number of currently outstanding Units. The REIT proposes to adopt an alternate compensation plan (see " – Adoption of Alternate Compensation Plan").

If approval is obtained at the Meeting, the REIT will not be required to seek further approval of the grant of unallocated Options until the REIT's 2015 annual general meeting of unitholders (provided that such meeting is held on or prior to May 11, 2015). If approval is not obtained at the Meeting, Options which have not been allocated as of May 11, 2012 and Options which are outstanding as of May 11, 2012 and are subsequently cancelled, terminated or exercised will not be available for a new grant of Options. Previously allocated Options will continue to be unaffected by the approval or disapproval of the resolution.

At the Meeting, unitholders will be asked to approve the following ordinary resolution of unitholders approving the amendments to and renewal of the Unit Option Plan (the "Option Plan Resolution"):

#### **WHEREAS:**

1. The Trustees adopted on June 6, 2008 a unit option plan (the "Unit Option Plan") which does not have a fixed maximum number of units issuable;
2. The unitholders of the REIT renewed the Unit Option Plan, by a majority of votes cast, on June 14, 2011;
3. The rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security-based compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three years;
4. On April 13, 2012, the Trustees approved all of the unallocated Units issuable pursuant to the Amended and Restated Unit Option Plan, subject to approval by the unitholders of the REIT; and
5. Section 10.2(ae) of the Declaration of Trust provides that the Trustees may issue Units and other securities of the REIT for such consideration as the Trustees may deem appropriate in their sole discretion, such issuance to be subject to the terms and conditions of the Declaration of Trust.

**BE IT RESOLVED THAT:**

1. The amended and restated unit option plan (the “Amended and Restated Unit Option Plan”) of the REIT, in the form attached to the REIT’s management information circular for its annual and special meeting of unitholders held on May 11, 2012 as Appendix “A”, is adopted and approved;
2. All unallocated options under the Amended and Restated Unit Option Plan be and are hereby approved;
3. The renewal of the Amended and Restated Unit Option Plan be authorized and approved and the REIT have the ability to continue granting options under the Amended and Restated Option Plan until May 11, 2015, or such other date as may be approved by the Trustees and applicable regulatory authorities; and
4. Any one Trustee or officer of the REIT be and is hereby authorized, for and on behalf of the REIT, to execute and deliver any and all documents and instruments and to do all other things as in the opinion of such Trustee or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action and the Trustees are hereby authorized to grant from time to time Units in accordance with the provisions of the Amended and Restated Unit Option Plan and the policies of the TSX.

The persons named in the accompanying form of proxy will, in the case of a ballot and in the absence of specifications or instructions to vote against the Option Plan Resolution on the form of proxy, vote for the approval of the Option Plan Resolution.

**In order to be effective, the Option Plan Resolution must be approved by holders of a majority of the Units represented at the meeting and voted on a poll upon such resolution.**

**Management recommends that unitholders vote IN FAVOUR of the Option Plan Resolution.**

**Adoption of Alternate Compensation Plan**

The REIT proposes to implement an Alternate Compensation Plan (the “ACP”) which will allow Trustees to elect to receive their fees for acting as Trustees in Units or a combination of cash and Units, at their election. The ACP encourages the ownership of Units by its Trustees.

The Board or such other committee designated by the Board, will administer the ACP.

Under the ACP, Trustees will have the option to have fees payable to them in their capacity as Trustees (“Trustees’ Fees”) by the allotment and issuance from treasury to Trustees of such number of Units as will be equivalent to the cash value of the Trustees’ Fees elected by the Trustee to be paid in Units.

The maximum number of Units reserved for issuance under the ACP is 1% of the issued and outstanding Units and the maximum number of Units reserved under the ACP and all equity compensation plans of the REIT shall not exceed 10% of the REIT’s issued and outstanding Units at any given time.

The issue price of Units issued under the ACP shall be the closing price of the Units on the market with the largest trading volume of the Units on the last trading date preceding the date of issuance to Trustees. If there is no trading on that date, the issue price shall be the closing price on the next previous day on which trading took place preceding the date of issuance to Trustees or such other amount as shall be determined by the Board and permitted by the stock exchange upon which the Units are from time to time listed for trading and any other applicable regulatory authority (collectively, the “Regulatory Authorities”).

The ACP will be effective April 13, 2012. For Trustees’ Fees payable in respect of the first quarter of 2012, the date of issuance of any Units will be deemed to be the date of approval of the ACP by unitholders.

The Board may amend, suspend or terminate the ACP without unitholder approval provided it first obtains any required approval of any Regulatory Authority. The Board may not, however, without unitholder approval, make amendments to the Plan that:

- (a) remove or exceed the Insider Participation Limit;
- (b) increase the maximum number of Units that may be issued pursuant to the ACP; and
- (c) amend the amendment provisions of the ACP.

***Alternate Compensation Plan Resolution***

The Trustees have determined that it is appropriate to adopt the ACP. Pursuant to the rules of the TSX, unallocated options, rights or other entitlements under a TSX listed issuer's security based compensation arrangement that does not have a fixed maximum number of securities issuable must be approved by a majority of the issuer's trustees and by the issuer's securityholders every three years. If the ACP is approved by unitholders, the REIT will not be required to seek further approval of the ACP until the REIT's 2015 annual general meeting of unitholders (provided that such meeting is held on or prior to May 11, 2015). At the Meeting, unitholders will be asked to vote on the following ordinary resolution, with or without variation (the "Alternate Compensation Plan Resolution"):

**WHEREAS:**

1. On April 13, 2012, the Trustees adopted an alternate compensation plan which does not have a fixed maximum number of units issuable, subject to unitholder approval;
2. The Trustees believe the adoption of an alternate compensation plan is in the best interests of the REIT and its unitholders; and
3. Section 10.2(ae) of the Declaration of Trust provides that the Trustees may issue Units and other securities of the REIT for such consideration as the Trustees may deem appropriate in their sole discretion, such issuance to be subject to the terms and conditions of the Declaration of Trust.

**BE IT RESOLVED THAT:**

1. The alternate compensation plan of the REIT (the "ACP"), in the form attached to the REIT's management information circular for its annual and special meeting of unitholders held on May 11, 2012 as Appendix "B", is adopted and approved;
2. All unallocated Units under the ACP be and are hereby authorized and approved;
3. The ACP be renewed no later than May 11, 2015 and the REIT have the ability to issue Units under the ACP until such date, or such other date as may be approved by the Trustees and applicable regulatory authorities; and
4. Any one Trustee or officer of the REIT be and is hereby authorized, for and on behalf of the REIT, to execute and deliver any and all documents and instruments and to do all other things as in the opinion of such Trustee or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action and the Trustees are hereby authorized to grant from time to time Units in accordance with the provisions of the ACP and the policies of the TSX.

**In order to be effective, the Alternate Compensation Plan Resolution must be approved by holders of a majority of the Units represented at the meeting and voted on a poll upon such resolution.**

**Management recommends that unitholders vote IN FAVOUR of the Alternate Compensation Plan Resolution.**

**Amendments to the Declaration of Trust**

The Declaration of Trust was amended effective December 15, 2011 by special resolution of the Unitholders in connection with unitholder approval of the acquisition of all of the assets of NorRock Realty Finance Corporation (“NorRock”) and the Consolidation. On March 29, 2012, the Declaration of Trust was further amended to require TSX approval of transfer restrictions for exchangeable securities, as required by the TSX.

The Board has determined to make the following additional amendments to the Declaration of Trust:

The following recital has been deleted from the recitals as it is no longer necessary in light of the name change of the REIT:

**AND WHEREAS** the Trustees have resolved to change the name of Charter REIT to “Partners Real Estate Investment Trust” (the “**Trust**”) pursuant to section 2.3 of amended and restated declaration of trust;

In order to give the Trustees more flexibility in declaring distributions on a more frequent basis, the definition of “Distribution Period” has been deleted and replaced with the following:

“Distribution Period” means:

- (a) each calendar quarter or each calendar month, as determined by the Trustees from time to time, from and including the first day thereof and to and including the last day thereof; or
- (b) such other period or periods as the Trustees may determine from time to time; provided that there is at least one such period in each calendar quarter.

The permitted exceptions to the tax status of the REIT have been further clarified by deleting section 4.3 of the Declaration of Trust and replacing it with the following (changes have been highlighted in underlined text or struck out where the relevant language is to be deleted):

The Trustees shall cause the Trust to elect, in its return of income for the first taxation year of the Trust, pursuant to Subsection 132(6.1) of the Tax Act, that the Trust be deemed to be a “mutual fund trust” for the purposes of the Tax Act from the date it was established, provided that the Trust has sufficient unitholders so as to be entitled to make such election. Notwithstanding anything else contained in this Declaration of Trust, the Trust (a) shall not make any investment, take any action or omit to take any action that would result in the Trust failing or ceasing to qualify as a “mutual fund trust” within the meaning of the Tax Act and ~~the Trust~~ (b) shall use its reasonable best efforts not to be a SIFT Trust, except where the Trustees determine that the Trust’s status as a SIFT Trust would be temporary in nature and would not have adverse tax consequences to holders of Units.

Section 8.7 is deleted and replaced with the following to clarify the voting rights of the Independent Trustees (changes have been highlighted in underlined text):

Each Trustee will have the right to one vote on all matters on which they are entitled to vote. Every question at all meetings of the Trustees will be decided by a majority of the votes cast on the question unless the question is one that requires the approval of only the Independent Trustees in which case the question will be decided by a majority of the votes cast on the question by the Independent Trustees voting on the question. In the case of an equality of votes, the chair of the meeting will not be entitled to a second or casting vote. The powers of the Trustees may be exercised by resolution passed at a meeting at which a quorum is present or by a resolution in writing signed by all Trustees who would be entitled to vote on that resolution at a meeting of the Trustees. Resolutions in writing may be signed in counterparts (including by facsimile or in electronic format), each of which will be deemed to be an original and all originals together will be deemed to be one and the same instrument.

Section 9.1(2) of the Declaration of Trust, which sets out the right of the Manager to appoint nominees for Trustee has been deleted so that Section 9.1 of the Declaration of Trust now reflects the requirements of Section 7.1 of the Amended and Restated Management Agreement (see “Management Contracts – Management Agreement”). The first sentence of Section 9.2(1) has been amended to conform to the language of the Amended and Restated Management Agreement as follows (changes have been highlighted in underlined text):

So long as the Management Agreement is in effect, prior to each annual meeting of Voting Unitholders and any special meeting of Voting Unitholders at which Trustees are to be elected and so long as the number of Trustees to be elected is at least five ...

Section 17.1(1) has been deleted and replaced with the following to include that notices may be sent to unitholders through a recognized wire service or any other electronic means (changes have been highlighted in underlined text):

Any notice or other document required to be given or sent to Voting Unitholders under this Declaration of Trust and any and all other communications to Voting Unitholders will be deemed to have been duly given if sent through ordinary post addressed to each Voting Unitholder at his or her address of record on the Register or by such other method designed to give reasonable general notice thereof as is determined by the Trustees, which may include publication in a newspaper having national circulation in Canada, a press release disseminated through a recognized wire service or any other electronic means. Any notice so given will be deemed to have been given on the day that is five days following that on which the notice or other communication was posted or, in the case of notice being given by another method determined by the Trustees, on the day specified by the Trustees. In proving notice was posted, it will be sufficient to prove that such letter or circular was properly addressed, stamped and posted.

#### ***Declaration of Trust Resolution***

Pursuant to section 11.1 of the Declaration of Trust, amendments to the Declaration of Trust require the affirmative vote of the holders of at least two-thirds of the Units represented at the Meeting and voted on a poll upon such resolution. At the Meeting, unitholders will be asked to vote on the following special resolution, with or without variation (the “Declaration of Trust Resolution”):

#### **WHEREAS:**

1. The Trustees believe that making certain amendments to the Declaration of Trust is in the best interests of the REIT and its unitholders.

#### **BE IT RESOLVED THAT:**

1. The Declaration of Trust of the REIT be amended as described in the management information circular of the REIT for its annual and special meeting of unitholders held on May 11, 2012; and
2. Any one Trustee or officer of the REIT be and is hereby authorized, for and on behalf of the REIT, to execute and deliver the Declaration of Trust contemplated by these resolutions, and to execute and deliver any and all documents and instruments and to do all other things as in the opinion of such Trustee or officer may be necessary or desirable to implement these resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

**In order to be effective, the Declaration of Trust Resolution must be approved by holders of at least two-thirds of the Units represented at the Meeting and voted on a poll upon such resolution.**

**Management recommends that unitholders vote IN FAVOUR of the Declaration of Trust Resolution.**

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Pursuant to the terms of a management agreement (the “Prior Management Agreement”) between the REIT and C.A. Realty Management Inc. (the “Prior Manager”) (such Prior Management Agreement in effect from March 27, 2007 until June 4, 2010), the Prior Manager provided strategic advisory, asset management and administrative services to the REIT, subject to the overriding supervision of the Board. The Prior Manager provided the REIT with a management team with significant experience in all aspects of real property asset management, including leasing and tenant relations, property acquisitions and dispositions, real estate and corporate financing and development, redevelopment and construction. The REIT currently has no employees and bears no costs with respect to any staff. All staff has been paid through the Prior Management Agreement and continues to be paid through the Management Agreement. As part of the negotiations of the Management Agreement, the Independent Trustees, based on their extensive experience with other real estate investment trusts and businesses, considered whether the terms of the Management Agreement would appropriately incent the Manager to increase revenues and earnings without leading to excessive or inappropriate risks.

On June 4, 2010, the REIT entered into a management agreement with the Manager (the “2010 Management Agreement”). In accordance with the terms of the Prior Management Agreement, the 2010 Management Agreement and the Management Agreement, the Prior Manager and the Manager, as applicable, is required to consult with the Independent Trustees with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. This process helps ensure that the executive officers are compensated adequately, in order to attract, motivate and retain key personnel which is the key objective of the compensation program for the named executive officers set out in the table below entitled “Summary Compensation Table” (the “Named Executive Officers”).

The elements of compensation for the Named Executive Officers who have devoted substantially all of their time to the business of the REIT generally consist of the following: (i) base salary; (ii) short-term incentives in the form of a cash bonus; and (iii) long-term incentives in the form of Options. These three elements help to motivate key personnel both in the short-term and long-term with a long-term alignment with unitholders. The base salaries and short-term incentives were and are borne by the Prior Manager and the Manager through the mechanics of the Prior Management Agreement, the 2010 Management Agreement and the Management Agreement. The long-term incentives in the form of Options are borne by the REIT.

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

With respect to base salary and short-term incentives, there is no formal process in place (other than the consultation with the Independent Trustees mentioned above) to adjust the base salaries and short-term incentives.

The base salaries paid to the Named Executive Officers are intended to reward their respective skills, capabilities, knowledge and experience and level of responsibility.

The grant of Options is designed to encourage long-term ownership in the REIT and also align the interests of the Named Executive Officers with unitholders. See “ – Unit Option Plan”. Previous grants are taken into account when considering new grants.

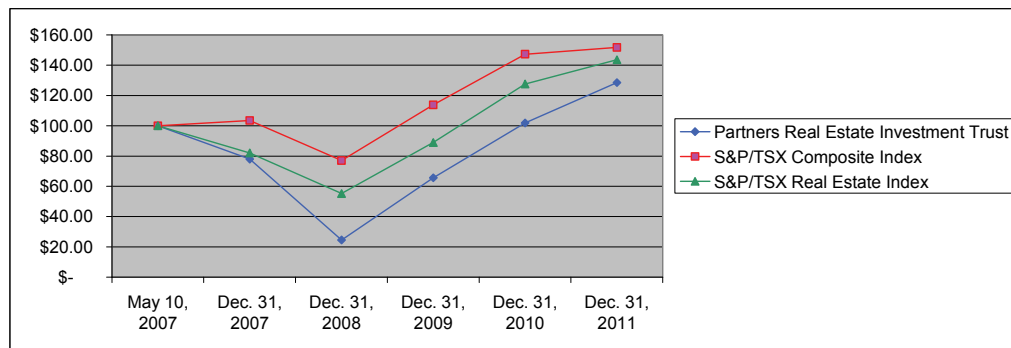
## Performance Graph

The following graph illustrates our cumulative total unitholder return (assuming an initial \$100 investment and the reinvestment of all distributions) for the units on the relevant stock exchange as compared with the S&P/TSX Composite Index and the S&P/TSX Real Estate Index from the period the units were listed on the TSX Venture Exchange on May 10, 2007 until December 31, 2011.

On April 3, 2012, the Units were listed on the TSX and, in connection with the TSX listing, were de-listed from the TSX Venture Exchange.

The figures for the period prior to the Consolidation on February 14, 2012 have been adjusted to reflect the Consolidation. See “Consolidation”.

Partners REIT  
Performance Graph



	May 10, 2007	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
Partners Real Estate Investment Trust	\$ 100.00	\$ 78.00	\$ 24.52	\$ 65.70	\$ 101.85	\$ 128.48
S&P/TSX Composite Index	\$ 100.00	\$ 103.43	\$ 77.00	\$ 113.82	\$ 147.23	\$ 151.74
S&P/TSX Real Estate Index	\$ 100.00	\$ 82.08	\$ 55.25	\$ 88.97	\$ 127.62	\$ 143.62

The REIT currently has no employees and bears no costs with respect to any staff. All staff has been paid through the Prior Management Agreement and continues to be paid through the Management Agreement. As part of the negotiations of the Management Agreement, the Independent Trustees, based on their extensive experience with other real estate investment trusts and businesses, considered whether the terms of the Management Agreement would appropriately incent the Manager to increase revenues and earnings without leading to excessive or inappropriate risks.

## Summary Compensation Table

The following table sets forth a summary of compensation attributable to time dedicated to the business and affairs of the REIT during fiscal years 2011, 2010 and 2009 by the following Named Executive Officers.

Name	Year	Portion of Annual Management and Acquisition Fees Attributable to Compensation <sup>(1)</sup>	Unit-based awards	Option-based awards <sup>(5)</sup>	Non-equity incentive plan compensation		All other compensation	Total compensation <sup>(1)</sup>
					Annual Incentive Plans	Long-term incentive Plans		
		\$	\$	\$	\$	\$	\$	\$
ADAM GANT Chief Executive Officer	2011	\$189,538	Nil	\$16,783	Nil	Nil	Nil	\$206,321
	2010	\$68,227	Nil	Nil	Nil	Nil	Nil	\$68,227
PATRICK MINIUTTI President, Chief Operating Officer and Corporate Secretary	2011	\$189,538	Nil	\$16,150	Nil	Nil	Nil	\$205,688
	2010	\$68,227	Nil	Nil	Nil	Nil	Nil	\$68,227
DIONNE BARNES <sup>(2)</sup> Chief Financial Officer	2011	\$94,769	Nil	\$9,500	Nil	Nil	Nil	\$104,269
	2010	\$27,291	Nil	Nil	Nil	Nil	Nil	\$27,291
ARI SILVERBERG <sup>(3)</sup> Former President and Chief Executive Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2010	\$65,993	Nil	Nil	Nil	Nil	Nil	\$65,993
	2009	\$138,570	Nil	Nil	60,000	Nil	Nil	\$198,570
FLORIANA CIPOLLONE <sup>(4)</sup> Former Chief Financial Officer and Acting Chief Financial Officer	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2010	\$52,794	Nil	Nil	Nil	Nil	Nil	\$52,794
	2009	\$107,777	Nil	Nil	40,000	Nil	Nil	\$147,777

Notes:

- (1) The REIT currently has no employees and bears no direct cost with respect to any staff. Executive compensation attributable to time dedicated to the business and affairs of the REIT is paid by the Manager (or Prior Manager, as applicable) in accordance with the Management and Prior Management Agreements' obligation to provide a management team to the REIT. The Manager took over from the Prior Manager on June 4, 2010. The aggregate fees earned by the Manager in fiscal 2011 were \$1,190,986 (2010: \$389,867). The aggregate fees earned by the Prior Manager in 2010 were \$188,550 (2009: \$439,906). Approximately 70% of the aggregate fees represent a recovery of salaries, with the balance allocated to the recovery of other overhead costs. In fiscal 2011, Adam Gant, Patrick Miniutti and Dionne Barnes represented 20%, 20%, and 10%, respectively (2010: 25%, 25% and 10%, respectively), of earned fees allocated to salary based on a combination of the relative percentage of time dedicated to the business and affairs of the REIT of 70%, 80%, and 75%, respectively (2010: 70%, 80% and 60%, respectively), and a relative weighting of their positions compared to all other positions of individuals participating in the management of the REIT. The compensation of Ari Silverberg and Floriana Cipollone represented 50% and 40%, respectively, of the fees earned by the Prior Manager allocated to recovery of salaries for 2010 (2009: 45% and 35%, respectively).
- (2) On March 27, 2012, the REIT announced that Ms. Barnes had resigned as Chief Financial Officer of the REIT effective April 13, 2012 and that Mr. Anthony Quo Vadis would become Chief Financial Officer of the REIT effective April 13, 2012.
- (3) From February 28, 2007 until October 13, 2009, Ari Silverberg was President and Chief Operating Officer of the REIT. On October 13, 2009, Ari Silverberg became President and Chief Executive Officer of the REIT. On June 4, 2010, Ari Silverberg resigned as President and Chief Executive Officer of the REIT.
- (4) Floriana Cipollone was elected Chief Financial Officer of the REIT on March 27, 2007. Floriana Cipollone resigned as Chief Financial Officer of the REIT on June 4, 2010.
- (5) The calculation is based on a binomial option pricing model.



## Outstanding Unit-Based Awards and Option-Based Awards

### Outstanding share-based awards and option-based awards as of December 31, 2011

Name and principal position	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
ADAM GANT Chief Executive Officer	66,250	\$7.00	February 28, 2016	\$15,900	nil	nil
PATRICK MINIUTTI President, Chief Operating Officer and Corporate Secretary	63,750	\$7.00	February 28, 2016	\$15,300	nil	nil
DIONNE BARNES <sup>(2)</sup> Chief Financial Officer	37,500	\$7.00	February 28, 2016	\$9,000	nil	nil

**Note:**

- (1) This value was determined based on the difference between the grant price and the year end market close value of the Units as listed on the TSX Venture Exchange.
- (2) On March 27, 2012, the REIT announced that Ms. Barnes had resigned as Chief Financial Officer of the REIT effective April 13, 2012. The Options awarded to Ms. Barnes will expire 90 days after her resignation date.

### Incentive plan awards – value vested or earned during the year

Name and principal position	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
ADAM GANT Chief Executive Officer	nil	nil	nil
PATRICK MINIUTTI President, Chief Operating Officer and Corporate Secretary	nil	nil	nil
DIONNE BARNES Chief Financial Officer	nil	nil	nil

**Note:**

- (1) Calculated based on the difference between the market close value on the TSX Venture Exchange of the Units on each vesting date and the exercise price of the options.

## Unit Option Plan

In connection with the listing of the REIT's securities on the Toronto Stock Exchange on April 3, 2012, the TSX has requested that the Unit Option Plan be amended to conform to the requirements of the TSX. See "Matters to be Considered at the Meeting – Amendments to and Renewal of the Amended and Restated Unit Option Plan." The following description sets out the main features of the Unit Option Plan as approved by the TSX Venture Exchange:

The Unit Option Plan authorizes the REIT to grant options for the purchase of Units ("Unit Options") to any employee, officer, Trustee, director or consultant of the REIT, its subsidiaries and/or the Manager to whom Unit Options can be granted in reliance on a prospectus and registration exemption under applicable securities laws ("Eligible Persons", and each such person holding Unit Options and participating in the Unit Option Plan is hereinafter referred to as an "Optionee"). The number of Unit Options issuable under the Unit Option Plan is subject to the following restrictions:

- (a) No single Optionee may be granted Unit Options to purchase a number of Units equalling more than 5% of the issued Units in any one 12-month period;
- (b) Unit Options shall not be granted if the exercise thereof could result in the issuance of more than 2% of the issued Units in any one 12-month period to any one consultant of the REIT or its subsidiaries;
- (c) Unit Options shall not be granted if the exercise thereof could result in the issuance of more than 2% of the issued Units in any one 12-month period to persons employed to provide "Investor Relations Activities" (as such terms are defined in the policies of the TSX Venture Exchange) for the REIT. Unit Options granted to consultants performing Investor Relations Activities for the REIT will contain vesting provisions such that vesting occurs over at least 12 months with no more than 25% of the options vesting in any three month period; and
- (d) The number of Units reserved for issuance under the Unit Option Plan to Eligible Persons, at any time, cannot exceed 10% of issued and outstanding securities.

The Unit Option Plan provides that the terms of the Unit Options granted and the Unit Option prices shall be fixed by the Trustees subject to the price and other restrictions imposed by the relevant regulatory authorities, but shall not be less than the market price per Unit at the time of grant less the permissible discount permitted by the rules of any stock exchange or other regulatory body having jurisdiction. Unit Options granted under the Unit Option Plan are not transferable or assignable. Unit Options granted under the Unit Option Plan shall be for a term determined by the Trustees but in any event must be exercisable for a period not in excess of five years. Unit Options granted under the Unit Option Plan shall vest in such a manner as determined by the Trustees and the exercise price must be paid in full upon exercise of the Unit Option.

If an Optionee ceases to be an Eligible Person for any reason other than death, retirement or permanent disability, the Optionee will have a period not in excess of 90 days from the date the person ceased to be an Eligible Person to exercise Unit Options held to the extent that the Optionee was entitled to exercise the Unit Options at the date of such cessation. In the event of death of the Optionee, Unit Options previously granted are exercisable for a period not in excess of 180 days next succeeding such death to the extent that the Optionee was entitled to exercise the Unit Option at the date of death. In the event of termination of employment by reason of retirement or disability, the Optionee will have a period not in excess of 90 days from the date the person ceased to be an Eligible Person to exercise the Unit Options held to the extent that the Optionee was entitled to exercise the Unit Options at the date of such cessation, provided that if the Optionee dies during such period, then such period shall be extended for 90 days following death. Notwithstanding the foregoing, Unit Options granted to an Optionee engaged or employed by the REIT in Investor Relations Activities must expire within 30 days after the Optionee ceases to be engaged or employed by the REIT to provide Investor Relations Activities. The Board may at any time discontinue the Unit Option Plan and, subject to applicable regulatory approval, may amend the terms of the Unit Option Plan, provided that no amendment may be made without the consent of an Optionee, if it in any manner adversely affects an Optionee's rights under any option previously granted to such Optionee under the Unit Option Plan.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table (presented in accordance with Form 51-102F5 promulgated under National Instrument 51-102 – *Continuous Disclosure*) sets forth all compensation plans under which equity securities of the REIT are authorized for issuance as of the end of the most recently completed financial year:

### Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options <sup>(1)</sup> , Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	602,000	\$7.33	1,219,905
Equity compensation plans not approved by security holders	nil	nil	nil
<b>Total</b>	<b>602,000</b>	<b>\$7.33</b>	<b>1,219,905</b>

**Note:**

- (1) The Corporation has in place a “rolling” Unit Option Plan whereby the maximum number of Units that may be reserved for issuance pursuant to the Unit Option Plan will not exceed ten percent (10%) of the issued Units of the REIT at the time of the Unit option grant. As of April 13, 2012, 1,821,905 Units could be reserved for issuance pursuant to the Unit Option Plan. See “— Unit Option Plan” and “Matters to Be Considered at the Meeting – Amendments to and Renewal of the Amended and Restated Unit Option Plan”.

As described in the Annual Information Form of the REIT dated March 30, 2012, the REIT also has outstanding exchangeable limited partnership units exchangeable into Units, warrants to acquire Units, debentures convertible into Units in certain circumstances pursuant to a debenture indenture dated March 8, 2011, as amended by a first supplemental indenture dated as of March 29, 2012 and rights to acquire Units in certain circumstances issued pursuant to a rights indenture dated February 1, 2012 (the “Rights Indenture”). None of these convertible securities were issued pursuant to an equity compensation plan of the REIT.

The REIT proposes to adopt an alternate compensation plan (see “Matters to Be Considered at the Meeting – Adoption of Alternate Compensation Plan”) and to amend and renew its Unit Option Plan (see “Matters to Be Considered at the Meeting – Amendments to and Renewal of the Amended and Restated Unit Option Plan”). See also “– Unit Option Plan”.

## Termination of Employment, Change of Control and Employment Contracts

### *The Management Agreement*

The Management Agreement provides that in the event of termination of the Management Agreement by (i) the REIT on the expiry of any term of the agreement, or upon the Independent Trustees determining that the fees paid to the Manager are in excess of the expenses that the REIT would incur if management were carried out by employees of the REIT rather than employees of an external manager, or should IGW REIT Limited Partnership (“IGW REIT LP”), IGW Public, League Assets LP (“LALP”) or LAC, or any of their respective affiliates no longer control the Manager or (ii) the Manager following a change of control of the REIT (except where the change of control occurred or was agreed to at any time that IGW REIT LP, IGW Public, LALP, LAC or any of their respective affiliates held or controlled, in aggregate, 20% or more of the issued and outstanding Units immediately prior to the change of control), or in the case of a material breach of the Management Agreement by the REIT or should the REIT or the unitholders of the REIT agree to wind-up,

dissolve, or sell all or substantially all of the assets of the REIT, the REIT and/or its subsidiaries is required to pay to the Manager an amount equal to two times the annual management fee, provided that the Manager pays all costs associated with terminating the employment or services of any named executive officers (and all other employees) and all other costs and expenses incurred or required to be incurred by the Manager in terminating contracts the Manager (or entities providing services to the Manager) entered into in respect of the performance by the Manager of its obligations under the Management Agreement. See also “Management Contracts”.

### Compensation of Trustees

The following table presents the details of all compensation provided to the Trustees for the year ended December 31, 2011.

Name	Fees Earned (\$)	Option-Based Awards	Non-Equity Incentive Plan Compensation	All Other Compensation (\$)	Total (\$)
PAUL DYKEMAN	\$58,000	-	-		\$58,000
ADAM GANT	\$Nil	-	-		\$Nil
JOHN VAN HAASTRECEHT	\$53,500	-	-		\$53,500
LOUIS MAROUN	\$79,000	-	-		\$79,000
PATRICK MINIUTTI	\$Nil	-	-		\$Nil
SAUL SHULMAN	\$48,500	-	-		\$48,500

Each of the Trustees who are not officers of the REIT receives from the REIT an annual retainer in the amount of \$20,000 per year plus a fee of \$1,000 for each Board and committee meeting attended. The chair of the Board receives an additional \$25,000 annual retainer. The chair of the Audit Committee receives an extra \$500 for each meeting of the Audit Committee attended. Trustees are also reimbursed for reasonable travel and other expenses incurred by them in attending meetings of the Board or any committee meeting. The chair of the Independent Committee received a retainer of \$20,000 plus an extra \$250 for each meeting of the Independent Committee attended. The Trustees may also be granted Unit Options from time to time.

The following table provides a summary of Unit-based awards for each Trustee outstanding at December 31, 2011.

Name	Option-Based Awards			
	Number of Units Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options (\$)
PAUL DYKEMAN	-	-	-	-
ADAM GANT	66,250 97,500	\$7.00 \$7.30	February 28, 2016 March 23, 2017	-
JOHN VAN HAASTRECHT	12,500	\$13.80	Sept. 5, 2012	-
LOUIS MAROUN	-	-	-	-
PATRICK MINIUTTI	63,750 90,000	\$7.00 \$7.30	February 28, 2016 March 23, 2017	-
SAUL SHULMAN	-	-	-	-

## MANAGEMENT CONTRACTS

On March 27, 2007, Charter Realty entered into the Prior Management Agreement with the Prior Manager. The Prior Management Agreement was subsequently assigned to the REIT on May 10, 2007. Concurrent with entering into the Prior Management Agreement, Charter Realty also entered into the Prior Non-Competition Agreement. On June 4, 2010, the REIT and the Manager entered into the 2010 Management Agreement to replace the Prior Management Agreement and on March 30, 2012 agreed to amend certain terms of the 2010 Management Agreement by replacing the 2010 Management Agreement with the Management Agreement.

Under the Prior Management Agreement (which is described in more detail in the Annual Information Form of the REIT dated March 30, 2012 and filed on SEDAR), management fees of \$188,550 for the year ended December 31, 2010 were paid and payable to the Prior Manager.

### Management Agreement

The REIT is managed by the Manager pursuant to the Management Agreement. The term of the Management Agreement is for a three year period, expiring on March 15, 2015. Upon expiry of the initial term, the Management Agreement will renew automatically for successive three year terms, unless terminated in accordance with its terms. Services provided to the REIT under the Management Agreement include:

- (a) managing the day-to-day operations of the REIT;
- (b) preparing or overseeing the preparation of annual budgets and business plans for presentation to the Trustees;
- (c) advising the Trustees on strategic matters relating to properties, potential acquisitions, dispositions and development, and Unit value maximization;
- (d) searching for, identifying, introducing, evaluating and screening property acquisition opportunities;
- (e) conducting and/or managing due diligence with respect to potential acquisitions;
- (f) structuring, sourcing, negotiating and organizing the financing of acquisitions;
- (g) organizing and coordinating the completion of investments, including structuring and negotiating the business terms on which acquisitions are made;
- (h) monitoring and maintaining the REIT's properties (including retaining property management and leasing agents) and advising the REIT with respect to all Capital Projects that are required or recommended to be implemented with respect to any of the REIT's properties;
- (i) in respect of each Capital Project:
  - (i) determining the quality and completeness of the design and construction documents;
  - (ii) confirming the reasonableness of the project schedule;
  - (iii) verifying the completeness and adequacy of the construction budget;
  - (iv) confirming the existence and appropriateness of project control procedures;
  - (v) reviewing and commenting on all engineering test data, soils reports, zoning approvals;

- (vi) advising the REIT of any recommended changes to the construction documents; and
- (vii) making available individuals to serve as officers of the client as requested by the REIT from time to time;
- (j) overseeing the lease negotiations and providing leasing guidelines with respect to the leasing of the REIT's properties;
- (k) redeveloping or reselling the REIT's properties;
- (l) providing investor relations services to the REIT;
- (m) providing advice and assistance in connection with the REIT's borrowings, raising of capital and issuance of securities, including representing the REIT in its dealings with banks and other lenders, investment dealers, institutions and investors;
- (n) conducting day-to-day relations on behalf of the REIT with third parties, including property managers, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers;
- (o) managing and providing direction to the REIT's property manager(s) and negotiating arrangements for the engagement of any new property manager(s) or the renewal of the arrangements with existing property manager(s); and
- (p) such further duties as may be reasonably required by the REIT or its subsidiaries, provided that, if any strategic advisory or asset management services provided by the Manager to the REIT and its subsidiaries may increase the risk that the REIT will be a SIFT Trust (as such term is defined in the Management Agreement), the Manager is obliged to notify the Trustees of such risk.

“Capital Project” means any single capital project for development or redevelopment of any property with a Hard Construction Cost (as such term is defined in the Management Agreement) equal to or in excess of \$10,000 for which the Manager has been appointed by the Independent Trustees as the project manager prior to the commencement thereof, but specifically excludes any work done on behalf of tenants or any maintenance capital expenditures.

The Manager also provides administrative services to the REIT, including:

- (a) accounting, reporting and financial preparation relating to the REIT and its subsidiaries, including record-keeping, preparation of financial statements and filing tax returns;
- (b) activities related to the REIT's public company and reporting issuer status, assistance in determining and making distributions payable to Unitholders and advice with respect to the REIT's obligations as a reporting issuer (including its continuous disclosure obligations);
- (c) administrative services, including administrative support with respect to the holding of Trustees' and Unitholders' meetings, provision of office space, provision of any necessary equipment and personnel, and provision of all corporate accounting, clerical, secretarial, corporate and administrative services as may be reasonably necessary; and
- (d) such further duties as may be reasonably required by the REIT and its subsidiaries.

All costs associated with the executives and any additional executives shall be borne by the Manager. In accordance with the terms of the Management Agreement, the Manager is required to consult with the Board's compensation committee or the Independent Trustees, as applicable, with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. In the event that any executive providing services to the REIT

ceases to do so for any reason, the Manager will replace such individual with another employee with similar qualifications and experience.

Notwithstanding the above, the following expenses of the REIT and its subsidiaries are paid by the REIT and are not paid by the Manager:

- (a) interest and other costs of money borrowed by the REIT;
- (b) fees and expenses of lawyers, accountants, auditors, appraisers and other agents or consultants employed by or on behalf of the REIT and its subsidiaries;
- (c) fees and expenses of the Trustees;
- (d) fees and expenses of the property manager(s) of the properties that are payable by the REIT under the applicable property management agreement, provided that if LAC or the Manager, or any affiliate thereof, is the property manager, the fees and expenses shall be on market terms and shall have been approved by the Independent Trustees;
- (e) fees and expenses connected with the acquisition, disposition and ownership of real property interests, mortgage loans or other property held by or entered into by the REIT;
- (f) insurance as considered necessary to protect the Trustees, including Trustees' and officers' liability insurance;
- (g) expenses in connection with payments or distributions on Units;
- (h) expenses in connection with the communications to holders of Units, including annual reports, and the other bookkeeping and clerical work necessary in maintaining relations with holders of Units;
- (i) expenses in connection with any employees or independent contractors employed directly or retained directly by the REIT or its subsidiaries, including all compensation costs, benefits and severance costs, so long as such employees or independent contractors are not providing services required to be provided by the Manager pursuant to the terms of the Management Agreement;
- (j) expenses of reorganizing, terminating or winding up the REIT or any of its subsidiaries;
- (k) fees and charges of transfer agents, registrars, indenture Trustees and other Trustees and custodians;
- (l) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to the public of securities of the REIT or its subsidiaries and other required government filings; and
- (m) all costs and expenses in connection with the incorporation, organization and maintenance of any corporation formed to hold real property or other property of the REIT.

#### *Internalization Decision*

It is the intention of the REIT and the Manager to terminate the Management Agreement when the Independent Trustees, acting reasonably, determine (the "Internalization Decision") that (i) the Management Fees (as defined below), Acquisition Fees and other amounts paid to the Manager to carry out its duties hereunder are in excess of those expenses the Independent Trustees believe would be incurred by the REIT on an annual basis if management of the REIT was performed by individuals employed directly by the REIT rather than by the Manager under the Management Agreement and (ii) otherwise it is in the best interests of the REIT to have the management of the REIT performed on a full time basis by individuals employed directly by the REIT.

### *Nomination Rights*

Prior to each annual meeting of holders of Units and any special meeting of holders of Units at which Trustees are to be elected and so long as the number of Trustees to be elected is at least five, the Manager is entitled to designate two individuals pursuant to the Declaration of Trust (which may include the reappointment of an incumbent Trustee) to stand for election as a Trustee at such meeting.

### *Fees*

Pursuant to the terms of the Management Agreement, the REIT pays the Manager the following fees:

- (a) the Management Fee, which is an annual fee based on the Adjusted Book Value of the REIT Assets (as defined below) calculated as at the close of business on the last day of each calendar quarter and equal to 0.30% of the Adjusted Book Value of the REIT Assets as at such time if the Adjusted Book Value of the REIT Assets is \$1 billion or less at such time and 0.25% on the amount by which the Adjusted Book Value of the REIT Assets as at such time exceeds \$1 billion;
- (b) the Acquisition Fee, which is the fee payable by the REIT to the Manager each time real property is acquired by the REIT and/or the subsidiaries of the REIT during each calendar quarter during the initial term and any renewal term of the Management Agreement from third parties who are not related, associated or affiliated with the Manager or LAC, or any affiliates thereof, and is equal to: (i) 0.50% of the property cost of such real property if prior to such acquisition the Adjusted Book Value of the REIT Assets is less than or equal to \$1 billion; and (ii) 0.40% of the property cost of such real property if prior to such acquisition the Adjusted Book Value of the REIT Assets is greater than \$1 billion;
- (c) the Property Management Fees, which are property management fees payable with respect to any property held by or on behalf of the REIT where the Manager is providing property management services to the REIT or its subsidiaries or their properties, such fees not to exceed the fair market value for such services in the market in which such property is located, as determined by the Independent Trustees, and currently determined to be no more than 3% of the gross rental income from such property;
- (d) the Project Management Fee, which is a fee equal to 5% of all direct construction costs incurred by the Manager in the completion of the work associated with any Capital Project on which the Manager has been appointed by the Trustees as the project manager and where such costs are over \$50,000 but is equal to or less than \$300,000, provided that the Project Management Fee is 4% of all such costs over \$300,000 incurred on any Capital Projects on which the Manager has been appointed by the Trustees as the project manager; and
- (e) the Incentive Fee, which is an incentive fee for the financial year ended December 31, 2012 equal to 15% of the REIT's Incentive FFO per Unit (as defined below) in excess of \$0.70 (the "Hurdle Amount"), provided that the Hurdle Amount will, unless otherwise agreed to by the parties, rise by 1.5% in each subsequent financial year during the term of the Management Agreement.

"Adjusted Book Value" means the book value of the assets of the REIT as shown on its most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization shown on the most recently filed financial statements of the REIT, or if not so shown, as recorded in the books and records of the REIT, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT.

"Incentive FFO per Unit" means the quotient obtained by dividing:

- (i) the sum of (A) the Realized Gains on Dispositions during such fiscal year; and (B) the REIT's funds from operations for such fiscal year, as reported in management's discussion and analysis of the REIT for the applicable fiscal year; by



- (ii) the average of the Quarterly Weighted Average of Units (as defined in the Management Agreement) as at the end of the four financial quarters of such fiscal year.

“REIT Assets” means the assets of the REIT as shown on the most recent consolidated balance sheet of the REIT.

If, during the term of this Agreement, the Manager wishes to provide any property management services to the REIT or its subsidiaries or their properties it may do so by assuming all or some of those services under an existing agreement for the balance of the term of that agreement with a third party property manager, provided that the aggregate fees payable by the REIT to the Manager and to the third party property manager with respect to such property under such agreement, including any penalties or other amounts payable to the third party property manager on account of it thereby not performing such services, and including any costs to be borne by the REIT as a result of such management change, is less than or equal to the fees payable under the third party property management agreement. At the end of any agreement with a third party property manager, the Manager may enter into a property management agreement with the REIT to replace such third party manager, provided that the fees payable by the REIT to the Manager is not greater than the fair market value for property services in the market in which the property is located. Any such new property management agreement will be set out in a separate agreement negotiated between the Manager and the REIT. If the Manager is a party to any property management agreement, the renewal of that agreement, and the terms of renewal must be approved by the Independent Trustees.

In the event a party unrelated to, and not affiliated with, the REIT, the Manager, LAC, IGW REIT LP, IGW Public, or LALP acquires, directly or indirectly, in one transaction or a series of connected transactions, (A) the beneficial ownership of, or control or direction over, 100% of the Units or (B) all or substantially all of the properties, then in either case there shall be deemed to be a disposition of all properties held by the REIT immediately prior to such change in ownership, control or direction over the Units, or sale of the properties, as the case may be, and the Manager shall be entitled to the Incentive Fee. In such event, the Realized Gains on Dispositions (as described below) for such deemed dispositions shall be equal to the cumulative fair value gains or losses on each income producing property as shown on the most recent income statement and calculated in accordance with IFRS from December 31, 2011 if the property was owned by the REIT on the date of this Agreement, or from the date of acquisition of the property, if after December 31, 2011.

“Realized Gains on Dispositions” means, except in certain circumstances, for each fiscal year, the sum of the cumulative fair value gains or losses on each income producing property disposed of during that fiscal year, if such amount is a positive number, where such cumulative fair value gain or loss per property is calculated in accordance with IFRS from December 31, 2011 if the property was owned by the REIT on the date of this Agreement, or from the date of acquisition of the property, if after December 31, 2011, provided that if at the time of disposition of a property on which there is a cumulative fair value gain the aggregate cumulative fair value gains and losses on all income producing properties still held by the REIT at such time other than the property disposed of is negative, the cumulative fair value gain for the property disposed of will be reduced by the amount of the aggregate cumulative fair value loss on such other properties and this amount, if a positive number, shall be deemed to be the cumulative fair value gain of that property for the purpose of this calculation, and if this amount is a negative number, the cumulative fair value gain of that property for the purpose of this calculation will be deemed to be zero.

The Manager may elect to take all or any percentage of all fees payable to it under the Management Agreement and under any property management agreement in the form of Units and not cash. If in the opinion of counsel for the REIT, the Manager is possessed at the time of election of material undisclosed information or is otherwise prohibited from trading in the securities of the REIT at such time, the Manager will not make such election until such time as it is permitted to do so under applicable securities laws and in the meantime all fees will be paid in cash unless such the Manager has already elected to receive shares in payment of such fees. Any such Units issued will be issued at a price per Unit equal to the greater of:

- (a) 95% of the weighted closing price of the Units for the five previous days on the exchange on which the Units are the most actively traded during that period; and
- (b) such price stipulated by such stock exchange, to a maximum of the weighted closing price of the Units for the five previous days on the exchange on which the Units are the most actively traded during that period. Prior to the issuance of Units in lieu of fees, the Manager will enter into an escrow agreement

satisfactory to the Independent Trustees that prohibits the trading of such Units for a period of four years from the date of issuance of the Units, other than:

- (i) to affiliates of the Manager who agree to the same escrow terms in writing,
- (ii) following the termination of this agreement by the REIT or by the Manager in accordance with its terms, or upon the mutual agreement of the parties hereto,
- (iii) to allow the Manager to tender such Units into a formal or exempt take-over bid made for all the Units of the REIT where the Independent Trustees have publicly recommended that unit holders of the REIT accept such offer, or
- (iv) in circumstances where the Independent Trustees have agreed that the escrowed Units may be traded.

#### *Term and Termination*

The initial term of the Management Agreement is for a three-year period, expiring on March 15, 2015. Upon expiry of the initial term, the Management Agreement will renew automatically for successive three-year terms, unless terminated in accordance with its terms.

The Management Agreement provides for termination of the Management Agreement by:

- (a) the REIT:
  - (i) on an expiry of any term of the agreement upon 180 days' notice,
  - (ii) upon the Independent Trustees making an Internalization Decision upon 180 days' notice,
  - (iii) where IGW REIT LP, IGW Public, LALP, or LAC no longer control the Manager, or
  - (iv) in the event of a material breach by the Manager of its obligations under the Management Agreement that is not cured within a stipulated time, the commission by the Manager or any of its agents or employees of any act constituting fraud, misconduct, breach of fiduciary duty, negligence or a wilful breach of applicable laws, or a breach by the Manager or LALP of their obligations under the Non-Competition Agreement with the REIT; and
- (b) the Manager:
  - (i) on an expiry of any term of the agreement upon 180 days' notice,
  - (ii) following a change of control of the REIT (except where the change of control occurred due to IGW REIT LP, IGW Public, LALP, LAC or any of their respective affiliates acquiring additional Units or control or direction over additional Units);
  - (iii) in the event of a material breach by the REIT of its obligations under the Management Agreement that is not cured within a stipulated time.

In addition, either party may terminate the Management Agreement in the event that (i) the other party or its unitholders or securityholders (as applicable) passes a resolution or otherwise authorizes or proceeds with a termination, winding up, dissolution or a sale of all or substantially all of its assets to a person or persons that are not parties to this Agreement other than pursuant to an internal reorganization; (ii) the other party institutes proceedings for it to be adjudicated a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, files a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under any bankruptcy law, consents to the appointment of a receiver, liquidator, manager or assignee in bankruptcy; or makes an assignment for the benefit of

its creditors generally; (iii) a court having jurisdiction enters a decree or order adjudging the other party a bankrupt or insolvent or for the appointment of a receiver, manager or assignee in bankruptcy; or (iv) any proceeding with respect to the other party is commenced under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies' Creditors' Arrangement Act* (Canada) or similar legislation relating to a compromise or arrangement with creditors or claimants (each an "Insolvency or Wind-up Event").

Except where the REIT has terminated the Management Agreement in the circumstances set out in clause (iv) of those events set out above entitling the REIT to terminate the Management Agreement or as a result of a Insolvency or Wind-up Event affecting the Manager (which such termination events require no payment by the REIT to the Manager) upon termination of the Management Agreement in accordance with its terms by the REIT, the REIT and/or its subsidiaries must pay, within 90 days of such termination, the following amounts (the "Termination Payments") to the Manager:

- (a) an amount equal to two times the annual Management Fee paid in respect of the last full calendar year of the Management Agreement completed prior to termination provided that the Manager pays:
  - (i) all costs associated with terminating the employment or services of any named executive officers (and all other employees); and
  - (ii) all other costs and expenses incurred or required to be incurred by the Manager in terminating contracts the Manager (or entities providing services to the Manager) entered into in respect of the performance by the Manager of its obligations under the Management Agreement; and
- (b) all other amounts owed to it under the Management Agreement.

Except where the Manager has terminated the Management Agreement in the circumstances set out in clause (i) of those events set out above entitling the Manager to terminate the Management Agreement, or in the circumstances set out in clauses (ii), (iii) or (iv) of the definition of Insolvency or Wind-up Event as it relates to the REIT (which such termination events require no payment by the REIT to the Manager), upon termination of the Management Agreement in accordance with its terms by the Manager, the REIT and/or its subsidiaries must pay the Termination Payments to the Manager within 90 days of such termination.

A "change of control" is defined in the Management Agreement and means (i) in the case of a public entity, the direct or indirect acquisition of beneficial ownership of, or control or direction over, voting securities of such entity representing 20% or more of the outstanding voting securities of such entity or any successor to such entity by any person or combination of persons acting "jointly or in concert" (as such term is used in Part XX of the *Securities Act* (Ontario)), and (ii) in the case of a privately held entity, the direct or indirect acquisition of beneficial ownership of, or control or direction over, voting securities of such entity representing 50% or more of the outstanding voting securities of such entity by any person or combination of persons acting "jointly or in concert" (as such term is used in Part XX of the *Securities Act* (Ontario)).

Pursuant to the Management Agreement, the 2010 Management Agreement and the Prior Management Agreement, the REIT paid management fees of \$898,341 (2010: \$477,092, which includes the fees payable under the Prior Management Agreement), acquisition fees of \$460,075 (2010: \$101,325, which includes the fees payable under the Prior Management Agreement), and property management and accounting fees of \$104,930 (in aggregate, \$1,463,346; 2010: 578,417) for the year ended December 31, 2011.

### **Non-Competition Agreement**

In connection with entering into the Management Agreement, the Manager, IGW Public, and LALP (collectively, for the purposes of this section, the "Restricted Parties"), entered into the Non-Competition Agreement with the REIT effective June 4, 2010.

Pursuant to the Non-Competition Agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly, by way of an investment in shares or other ownership interests in any person, and either individually or in partnership or jointly or in concert with any other person:

- (a) create, manage or provide strategic, advisory and asset management services as so described in the Management Agreement to another person (including a real estate investment trust) which is not a Restricted Party or an affiliate of a Restricted Party and which carries on the primary business of the acquisition, development and/or management of any property located in Canada that derives substantially all of its revenues from rents paid by tenants whose principal business is the sale of consumer goods and/or services directly to consumers through retail stores (“Retail Property”) or any mixed-use property located in Canada that derives 40% or more of the revenues (calculated based on the most recently prepared financial statements or similar information for the property) from tenants that would normally be found in a Retail Property. For greater certainty, without limitation, a Retail Property shall include restaurants, entertainment facilities (such as movie theatres) or other facilities which are normally found in shopping centres, but shall not include self-storage facilities, nursing home or health care facilities, hotels or sports facilities (the Retail Property and mixed-use property together are referred to as “Restricted Real Estate Assets”);
- (b) purchase any Restricted Real Estate Asset or develop any property that, on completion of development, will be a Restricted Real Estate Asset, other than as permitted under the Non-Competition Agreement; or
- (c) provide strategic, advisory and asset management services for any Restricted Real Estate Asset the equity interests in which are not all held by a Restricted Party or an affiliate of a Restricted Party.

The Non-Competition Agreement contains exceptions from the foregoing covenants as follows:

- (a) interests arising as a securityholder of the REIT;
- (b) properties acquired for development pursuant to the terms of any development or joint venture agreement entered into between the Restricted Party and the REIT or any of the REIT’s subsidiaries;
- (c) properties or investments that have been first offered to the REIT pursuant to the terms of the Non-Competition Agreement and which the REIT notified or was deemed to have notified the Restricted Party pursuant to the terms of the Non-Competition Agreement that it was not interested in pursuing such property;
- (d) any loan or mortgage and, in the event of a foreclosure under a loan or mortgage, an ownership interest in any Restricted Real Estate Asset resulting from such foreclosure provided that the loan or mortgage was not made or granted with the intention of using such loan or mortgage as part of a method for subsequently acquiring an interest in a Restricted Real Estate Asset;
- (e) an investment in publicly traded securities, provided that such investment represents less than 10% of the voting interest of the issuer of such publicly traded securities at the time of the investment; or
- (f) any activities that have been specifically approved by the Independent Trustees.

The covenants contained in the Non-Competition Agreement will remain in effect until the earlier of:

- (a) the date that is six months after the date of termination of the Management Agreement if the Management Agreement is terminated by the REIT in accordance with the provisions of Section 11.6(a) where the Manager has breached the Management Agreement in certain circumstances or in circumstances where the Management Agreement has been terminated and the REIT is obligated to pay a fee to the Manager; or

- (b) the date of termination of the Management Agreement if the Management Agreement is terminated by the Manager in the event of a material breach by the REIT of its obligations under the Management Agreement or in circumstances where the Management Agreement has been terminated and the REIT is not obligated to pay a fee to the Manager.

### **Prior Non-Competition Agreement**

In connection with entering into the Prior Management Agreement, the Prior Manager and C.A. Bancorp Inc. entered into the Prior Non-Competition Agreement with the REIT. The Prior Non-Competition Agreement contained covenants and exceptions consistent with the Non-Competition Agreement discussed above. The Prior Non-Competition Agreement expired upon termination of the Prior Management Agreement on June 4, 2010.

#### *About the Manager*

The Manager is a wholly-owned subsidiary of IGW Public, a significant unitholder of the REIT. The directors and officers of the Manager are set out below. The Manager will contract the services of personnel from LAC on an as needed basis.

LAC is owned by LALP. LAC has extensive real estate and REIT experience. It manages IGW REIT LP and a number of other limited partnerships with holdings of over \$400 million in commercial and residential real estate, primarily retail properties.

IGW Public is a limited partnership of which IGW REIT LP owns 100% of the general and limited partnership interests. IGW REIT LP is managed by LAC.

Information regarding the directors and officers of the Manager is set forth in the chart below:

### **Directors and Officers of the Manager**

<b>Name</b>	<b>Position</b>	<b>Province of Residence</b>
ADAM D. GANT	Director and Chief Executive Officer	British Columbia
EMANUEL ARRUDA	Director and Chairman of the Board	British Columbia
PATRICK MINIUTTI	Chief Financial Officer	British Columbia
JAMES WALLACE	Senior Vice-President, Property Operations	British Columbia
JOHN KELLY	Chief Accounting Officer	British Columbia
DIONNE BARNES <sup>(1)</sup>	Vice-President, Finance Real Estate Operations	British Columbia

Notes:

- (1) On March 27, 2012, the REIT announced that Ms. Barnes had resigned as Chief Financial Officer of the REIT effective April 13, 2012 and that Mr. Anthony Quo Vadis would become Chief Financial Officer of the REIT effective April 13, 2012. Ms. Barnes has also resigned as Vice-President, Finance Real Estate Operations from the Manager and Mr. Quo Vadis will assume that position, effective that same date.

Information regarding the directors and officers of LAC is set forth in the chart below:

**Directors and Officers of LAC**

<b>Name</b>	<b>Position</b>	<b>Province of Residence</b>
ADAM D. GANT	Director and Chief Executive Officer	British Columbia
EMANUEL ARRUDA	Director and Chairman of the Board	British Columbia
PATRICK MINIUTTI	Chief Financial Officer	British Columbia
JAMES WALLACE	Senior Vice-President, Property Operations	British Columbia
JACCO KOOY	Vice President, Derivatives and Risk Management	Manitoba
DAVID YAN	Vice President, Member Services	British Columbia
JOHN KELLY	Chief Accounting Officer	British Columbia
DIONNE BARNES <sup>(1)</sup>	Vice-President, Finance Real Estate Operations	British Columbia

Notes:

- (1) On March 27, 2012, the REIT announced that Ms. Barnes had resigned as Chief Financial Officer of the REIT effective April 13, 2012 and that Mr. Anthony Quo Vadis would become Chief Financial Officer of the REIT effective April 13, 2012. Ms. Barnes has also resigned as Vice-President, Finance Real Estate Operations from the Manager and Mr. Quo Vadis will assume that position, effective that same date.

IGW Public is a significant unitholder of the REIT. Information regarding the directors and officers of IGW Public GP Inc., the general manager of IGW Public is set forth in the chart below:

**Directors and Officers of IGW Public GP Inc.**

<b>Name</b>	<b>Position</b>	<b>Province of Residence</b>
ADAM D. GANT	Director and Chief Executive Officer	British Columbia
EMANUEL ARRUDA	Director	British Columbia
PATRICK MINIUTTI	Chief Financial Officer	British Columbia

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

None of the Trustees, executive officers or senior officers of the REIT or their respective associates were indebted at any time during fiscal 2011 to the REIT or its subsidiaries in connection with the purchase of the REIT's securities, excluding routine indebtedness or indebtedness that has been entirely repaid. As of the date of this Circular, there was no indebtedness to the REIT and its subsidiaries, excluding routine indebtedness, owing by present and former Trustees of the REIT and its subsidiaries or, officers and employees of the Manager and its subsidiaries.

<b>AGGREGATE INDEBTEDNESS (\$)</b>		
<b>Purpose</b>	<b>To the REIT or its Subsidiaries</b>	<b>To Another Entity</b>
SHARE PURCHASES	Nil	Nil
OTHER	Nil	Nil

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

The REIT is managed by the Manager. The Manager is a wholly owned subsidiary of IGW Public. IGW Public holds approximately 17.6% of the Units. Mr. Adam Gant is a director and the Chief Executive Officer of the Manager and is also a Trustee and the Chief Executive Officer of the REIT. Mr. Patrick Miniutti is the Chief Financial Officer of the Manager and is also a Trustee and the President, Chief Operating Officer and Corporate Secretary of the REIT. Dionne Barnes is the Vice-President, Finance Real Estate Operations of the Manager, and is the Chief Financial Officer of the REIT. Mr. Tony Quo Vadis, when he assumes the position of Chief Financial Officer of the REIT, is also expected to assume the position of Vice-President, Finance Real Estate Operations of the Manager.

Mr. Gant is also a director and the Chief Executive Officer of IGW Public GP Inc., the general partner of IGW Public. Mr. Miniutti is the Chief Financial Officer of IGW GP.

IGW REIT LP owns 100% of the general and limited partnership interests of IGW Public. IGW REIT LP is managed by LAC. Mr. Gant is a director and the Chief Executive Officer of LAC. Mr. Miniutti is the Chief Financial Officer of LAC.

On February 1, 2012, the REIT closed its previously announced acquisition of substantially all the assets of NorRock, consisting of cash, cash equivalents, mortgages and other assets from NorRock in exchange for the issuance of Units, certain rights to acquire Units and cash (the “NorRock Acquisition”). The REIT obtained \$39,117,531 in cash, which amount, including the assumption of existing or proceeds of new mortgages and advances from bank credit facilities, was used to complete the acquisition of certain properties and for general trust purposes.

In connection with the NorRock Acquisition, Messrs. Gant and Miniutti had an indirect and contingent financial interest in Green Tree 2010 Trust, which owned 50% of the issued and outstanding shares of the largest shareholder of NorRock, Green Tree Capital Management Corp. (“Green Tree”). In light of this, the Board determined that independent committees should be established to review the merits of the NorRock Acquisition, negotiate the terms and conditions, and be advised directly by financial and legal counsel. While the REIT was of the view that the requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) did not apply to the NorRock Acquisition, nonetheless, in view of the inter-relationships between Green Tree and Messrs. Gant and Miniutti, the Board determined to voluntarily comply with the requirements of MI 61-101 in connection with the NorRock Acquisition.

Also in connection with the NorRock Acquisition, the REIT has entered into an agreement with LAC, which provides that if a majority of the Independent Trustees of the REIT so resolves at any time to sell the remaining non-cash assets that were acquired from NorRock by the REIT, that such assets will be sold to LAC and LAC will purchase the remaining assets as follows:

- the remaining assets from NorRock will each be valued by an independent valuator in accordance with MI 61-101; and
- LAC will pay an amount in cash for the remaining assets that ensures the REIT receives \$12.6 million.

Subject to the Rights Indenture (see Statement of Executive Compensation – Securities Authorized for Issuance under Equity Compensation Plans”), if the aggregate independent valuation for the remaining assets is greater than \$12.6 million, the proceeds in excess of \$12.6 million will be paid to the REIT. It may be that disinterested unitholder approval of the REIT unitholders would be required under applicable law in connection with the sale of the assets to LAC.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

## TRUSTEES' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFICATION

The REIT maintains insurance coverage for the Trustees and officers of the REIT for eligible claims arising during the course of their duties. The annual policy limit for the 2011/2012 term was \$5,000,000 (2010/2011: \$5,000,000). Under the policy, the insurer will pay on behalf of the REIT for eligible claims against the Trustees, directors and officers in circumstances where the REIT is permitted or required to provide indemnification. Claims that are indemnified by the REIT are subject to the policy deductible of \$75,000. In addition, the insurance will pay on behalf of the individual Trustees, directors' and officers' eligible claims in the instance where the REIT is not in a position to provide indemnification. No deductible applies in this case. The insurance coverage has certain exclusions including, but not limited to, those acts determined to be deliberately fraudulent or dishonest or to have resulted in unauthorized personal profit or advantage. The REIT also maintains additional insurance coverage for the non-executive Trustees (over and above the insurance described above) for eligible claims arising during the course of their duties. The additional annual policy limit for the 2011/2012 term was \$2,000,000 (2010/2011: \$2,000,000). The \$2,000,000 of coverage for the non-executive Trustees is excess of the underlying insurance coverage of \$5,000,000 for the Trustees and officers of the REIT described above and is subject to the same terms and conditions. The cost of both insurances is borne by the REIT and was \$35,000 for the 2011/2012 annual policy term (2010/2011: \$55,000). The Trustees and officers have also entered into contractual indemnities with regard to the above indemnification obligations.

## AUDIT COMMITTEE INFORMATION

The REIT has an Audit Committee to assist the Board in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the REIT, the adequacy of internal accounting controls and procedures and the quality and integrity of financial statements.

### Audit Committee Charter

Exhibit "C" sets out the full text of the charter of the Audit Committee.

### Composition and Education

At the date of this Circular, the Audit Committee was composed of the persons named in the table below. The education and experience of each Audit Committee member that is relevant to such members' responsibilities as a member of the Audit Committee are also set out below.

<u>Name</u>	<u>Relevant Education and Experience</u>
LOUIS MAROUN.....	<ul style="list-style-type: none"><li>• Executive Chair of Sigma Real Estate Advisors, an international real estate investment advisory company</li><li>• Former Chief Executive Officer of Summit Real Estate Investment Trust</li><li>• Former Executive Chairman of ING Real Estate Canada, a subsidiary of ING Group/ING REIT, one of the world's largest real estate investment advisory groups</li><li>• Former Chairman of InStorage Real Estate Investment Trust, member of the Audit Committee and Governance Committee</li><li>• Lead Director of Acadian Timber Corp., Chair of the Governance Committee, member of the Audit Committee</li><li>• Director of Brookfield Infrastructure Partners, member of the Audit Committee and the Compensation Committee</li><li>• Director of Brookfield Renewable Energy Partners L.P., member of the Compensation Committee and the Governance and Nominating Committee</li><li>• Bachelor degree from University of New Brunswick, post graduate studies in Mortgage Underwriting and Valuation, Canadian Securities Course, US General Securities Course</li></ul>



Name	Relevant Education and Experience
PAUL DYKEMAN.....	<ul style="list-style-type: none"> <li>• Chief Executive Officer of Sigma Real Estate Advisors</li> <li>• Former Chief Executive Officer of ING Real Estate Canada LP</li> <li>• Former Chief Financial Officer of Summit Real Estate Investment Trust</li> <li>• Chartered Accountant</li> <li>• Bachelor of Commerce degree from the University of Dalhousie</li> </ul>
JOHN VAN HAASTRECHT ...	<ul style="list-style-type: none"> <li>• President of Vanreal Ltd., a past operator and developer of commercial retail shopping centres</li> <li>• Former trustee and President and Chief Executive Officer of Morguard Real Estate Investment Trust, a publicly traded real estate investment trust</li> <li>• Applied Science degree from Royal Military College</li> </ul>
SAUL SHULMAN .....	<ul style="list-style-type: none"> <li>• Chief Executive Officer of MLG Management Inc.</li> <li>• Former Trustee and member of the Audit Committee of Brookfield Renewable Power Trust, a renewable power company</li> <li>• Former Chair, Trustee and member of the Audit Committee of Summit Real Estate Investment Trust (now ING Real Estate Investment Trust), a public real estate investment trust</li> <li>• Former director and member of the Audit Committee of Triumph Energy Inc.</li> <li>• Bachelor of Commerce degree from the University of Windsor</li> <li>• Bachelor of Laws degree from Osgoode Hall</li> </ul>

The Board has determined that each member of the Audit Committee is “independent” and “financially literate” as defined in Multilateral Instrument 52-110 – *Audit Committees*.

### Reliance on Certain Exemptions

At no time since May 10, 2007 (the date of formation of the REIT) has the REIT relied on any exemptions set forth in National Instrument 52-110 — *Audit Committees*.

### Pre-approval Policies and Procedures

The Audit Committee approves, on a case by case basis, all non-audit services provided to the REIT thereof by the REIT’s external auditors, Deloitte & Touche LLP.

### External Auditor Service Fees (By Category)

The fees paid or payable by the REIT to Deloitte & Touche LLP, the REIT’s external auditors, for the periods noted below for audit and non-audit services were as follows:

	2011	2010
<b>Deloitte &amp; Touche LLP</b>		
Audit Fees <sup>(1)</sup>	\$195,000	\$149,000
Audit-Related Fees <sup>(2)</sup>	\$98,000	18,000
Tax Fees <sup>(3)</sup>	\$28,000	25,000
All Other Fees <sup>(4)</sup>	\$19,000	149,000
<b>Total.....</b>	<b>\$340,000</b>	<b>\$341,000</b>

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**Notes:**

- (1) This category is intended to capture all fees in respect of services performed in order to comply with Canadian generally accepted auditing standards (“GAAS”). In some cases, these may include an appropriate allocation of fees for tax services or accounting consultations, to the extent such services were necessary to comply with GAAS.
- (2) This category generally consists of fees in respect of assurance and related services reasonably related to the performance of the audit or review of the financial statements not reported under “audit fees”. Included are such things as employee benefit plan audits, due diligence relating to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.
- (3) This category includes all fees in respect of services performed by the auditors’ tax professionals, except those services required in order to comply with GAAS which are included under “audit fees”.
- (4) This category captures fees in respect of all services not falling under any of the foregoing three categories. Included are amounts incurred with regard common area maintenance audits for properties owned by the REIT, and for the Canadian Public Accountability Board’s 2011 assessment fee.

**OTHER MATTERS**

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

Information stated in this Circular is dated as at April 13, 2012 except where otherwise indicated.

**ADDITIONAL INFORMATION**

Additional information relating to the REIT is available on SEDAR at [www.SEDAR.com](http://www.SEDAR.com) and financial information relating to the REIT is provided in the Financial Statements and MD&A for the fiscal year ended December 31, 2011.

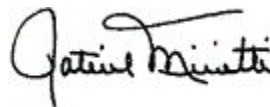
To request copies of the REIT’s Financial Statements and MD&A, unitholders may contact the REIT directly at the address set out on page 3 of this Circular.

**APPROVAL BY THE TRUSTEES**

The contents of this Circular and the sending thereof to the unitholders have been approved by the Board of Trustees.

Dated: April 13, 2012

BY ORDER OF THE BOARD OF TRUSTEES



Patrick Miniutti  
President, Chief Operating Officer and Corporate  
Secretary

## EXHIBIT "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

While the business and affairs of Partners Real Estate Investment Trust (the "REIT") are managed by the board of Trustees (the "Board"), prior to June 4, 2010, the REIT delegated responsibility for managerial and executive oversight and certain administrative services to C.A. Realty Management Inc. (the "Prior Manager") pursuant to the management agreement dated March 27, 2007 (the "Prior Management Agreement"). On June 4, 2010, the Prior Management Agreement was terminated, and the REIT delegated LAPP Global Asset Management Inc. (the "Manager") responsibility for managerial and executive oversight and certain administrative services to LAPP Global Asset Management Inc. (the "Manager") pursuant to the management agreement dated June 4, 2010, which was amended and restated on March 30, 2012 (the "Management Agreement").

Until such time as a separate committee is formed to deal specifically with such matters, the Board as a whole shall be responsible for addressing issues relating to the corporate governance of the REIT, including the engagement of officers of the REIT (in accordance with the Management Agreement), board composition and general corporate governance practices.

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

#### **Mandate of the Board**

The Board is responsible for the stewardship of the REIT and for the supervision of the management of the business and affairs of the REIT. The Board's general responsibilities are set out in the Board's mandate, which is attached as Exhibit "B".

#### **Composition of the Board**

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

Prior to June 4, 2010, although the REIT did not have a lead Trustee, three of the five members of the Board were independent under applicable securities laws. Mr. John F. Driscoll (the Chair of the Board) was not independent because he was the REIT's Chief Executive Officer and a nominee of the Prior Manager. Mr. Richard Zarzeczny was not independent because he was a nominee of the Prior Manager as a Trustee of the REIT and a director of C.A. Bancorp Inc. (parent company to the Prior Manager).

From June 4, 2010 through September 9, 2010, although the REIT did not have a lead Trustee, four of the five members of the Board were independent under applicable securities laws. Mr. Patrick Miniutti is not independent because he is the REIT's President, Chief Operating Officer and Corporate Secretary, a nominee of the Manager and a director and officer of the Manager.

On September 10, 2010, Adam Gant was appointed to the board increasing the number of Trustees to six, four of which are independent under applicable securities laws. Mr. Maroun (the current Chair of the Board) is an independent Trustee. Mr. Miniutti is not independent as stated above. Mr. Gant is not independent because he is the REIT's Chief Executive Officer, a nominee of the Manager and a director and officer of the Manager.

Other public board directorships held during the last five years by each of the Trustees can be found on pages 8 to 13 of this Circular.

Some meetings of the Board may be followed by an *in camera* session where non-independent Trustees and management do not attend. Additionally, the Board may also hold meetings from time to time at which non-independent Trustees and members of management are not in attendance.

### **Board Committees**

To assist in the discharge of its responsibilities, the Board has established the Audit Committee. All of the members of the Audit Committee are “independent” within the meaning of Canadian securities laws. The Audit Committee operates pursuant to a written charter and meets “in camera” at each meeting. Other committees may be established by the Board from time to time as circumstances require.

### **Nomination of Trustees**

In lieu of delegating such tasks to a corporate governance and nominating committee, the independent Trustees of the Board have the responsibility of identifying individuals qualified to become new Trustees of the REIT by a process to be established by them and recommending these individuals to the Board to be nominated for election at annual meetings of unitholders.

In evaluating the competencies and skills of potential new Trustees, the Board considers: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills each existing Trustee possesses; and (c) the personality and skills each new nominee would bring to the Board.

### **Position Descriptions**

The Board has developed position descriptions outlining the accountabilities for the Chair, the Chair of the Audit Committee and the Chief Executive Officer.

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

The Board may, as appropriate, provide orientation opportunities for new Trustees to familiarize them with the REIT and its business. A comprehensive orientation program would be developed with the goals of assisting new Trustees in understanding: (a) the role of the Board and its committees; (b) the contribution individual Trustees are expected to make (including the commitment of time and energy that the REIT expects from its Trustees); and (c) the nature and operation of the REIT’s business.

The Board may, as appropriate, provide continuing education opportunities to assist Trustees in maintaining or enhancing their skills and abilities as Trustees and in ensuring that their knowledge and understanding of the REIT’s business remains current.

### **Compensation**

All costs associated with the current executive management team are borne by the Manager. In accordance with the terms of the Management Agreement, the Manager is required to consult with the independent members of the Board with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. The Board may, as appropriate: (a) administer the REIT’s equity-based compensation plans; (b) review the REIT’s compensation disclosure in public documents; and (c) consider Trustee compensation to ensure that it meets the objective of properly aligning the interests of Trustees with the long-term interests of the REIT.

### **Ethical Business Conduct**

The REIT is strongly committed to conducting its business in a lawful and ethical manner. The Board has adopted a written Code of Business Conduct and Ethics (the “Code”) for Trustees, officers and employees. The Code describes confidential reporting procedures which may be used by personnel to communicate good faith concerns about any

violation of the Code or related policies and guidelines. A copy of the Code may be obtained at any time upon request to the REIT at 710 Redbrick Street, Suite 200, Victoria, British Columbia V8T 5J3, Tel. 250-592-3395 (Toll-Free: 1-877-772-8836).

The Code, the mandate of the Board, as well as a number of other policies implemented by the REIT, including insider trading and whistleblowing policies, serve to promote and encourage a culture of ethical business conduct within the REIT.

### **Assessments**

In lieu of delegating such tasks to a corporate governance and nominating committee, the Board as a whole conducts, at least annually, a self-evaluation of the Board's powers, mandate, performance and membership that will be discussed with the Board after the end of each fiscal year. This evaluation focuses on the contribution of the Board to the REIT and specifically focuses on areas in which Trustees and management believe that the contribution of the Board could be improved. Each committee of the Board is also reviewed by the Board, at least annually.

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

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

### **Communication Policies**

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

**EXHIBIT “B”**  
**MANDATE OF THE BOARD OF TRUSTEES**  
**OF**  
**THE REIT<sup>1</sup>**

The purpose of this mandate is to set out the mandate and responsibilities of the board of trustees of the REIT (the “Issuer”).

**1. Composition**

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

**2. Responsibilities of the Board of Trustees**

The board of trustees is responsible for the stewardship of the Issuer and in that regard shall be specifically responsible for:

- (i) adopting a strategic planning process and approving, on at least an annual basis, a budget, and evaluating and discussing a strategic plan for the upcoming year which takes into account, among other things, the opportunities and risks of the Issuer’s business and investments;
- (ii) to the extent feasible under the management agreement (the “Management Agreement”) with LAPP Global Asset Management Inc. (the “Manager”), satisfying itself as to the integrity of the Chief Executive Officer, President & Chief Operating Officer and Chief Financial Officer of the Issuer and the Manager (collectively, “Management”) and that such officers create a culture of integrity throughout the organization;
- (iii) the identification of the principal risks of the Issuer’s business and ensuring the implementation of appropriate systems to manage these risks;
- (iv) succession planning;
- (v) adopting a disclosure policy which enables the Issuer to communicate effectively and addresses how the Issuer interacts with all of its stakeholders, including analysts and the public, contains measures for the Issuer to avoid selective disclosure and is reviewed at such intervals or times as the board deems appropriate;
- (vi) ensuring the integrity of the Issuer’s internal control and management information systems;
- (vii) establishing and maintaining a standing audit committee of the board of trustees (the “Audit Committee”);
- (viii) reviewing and reassessing the adequacy of the terms of reference of the Audit Committee at such intervals or times as the board deems appropriate;
- (ix) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the audited, interim and any other publicly announced financial information of the Issuer;
- (x) developing the Issuer’s approach to governance, including developing a set of governance principles and guidelines that are specifically applicable to the Issuer;

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<sup>1</sup> This mandate is based largely on National Policy 58-201 - *Corporate Governance Guidelines* (the “Policy”).

- (xi) implementing a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual trustees;
- (xii) implementing a process for examining the size of the board of trustees and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (xiii) implementing a process for reviewing the adequacy and form of compensation of trustees and ensuring that compensation realistically reflects the responsibilities and risk involved in being a trustee;
- (xiv) meeting regularly with Management to receive reports respecting the performance of the Issuer, new and proposed initiatives, the Issuer's business and investments, Management concerns and any areas of concern involving the Issuer;
- (xv) meeting regularly without Management; and
- (xvi) to the extent necessary and permitted under the Management Agreement, supervising the Manager and considering approvals required thereunder.

While the board of trustees is called upon to "manage" the business and affairs of the Issuer, the Issuer has delegated responsibility for managerial and executive oversight and certain administrative services to the Manager pursuant to the Management Agreement. The board of trustees is responsible for the on-going strategic planning process of the Issuer, approving the goals of the business and the strategies and policies within which it is managed, and then stepping back and evaluating Management's performance. Reciprocally, Management keeps the board of trustees fully informed of the progress of the Issuer and its subsidiaries towards the achievement of their established goals and of all material deviations from the goals or objectives and policies established by the board of trustees in a timely and candid manner.

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

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

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

### **3. Responsibilities of Chair**

The role and responsibilities of the Chair of the board of trustees are set out below:

- (i) the Chair shall be expected to attend and chair meetings of the board of trustees of the Issuer and unitholders of the Issuer;
- (ii) the Chair shall not be expected to and shall not perform policy making functions other than in his or her capacity as a trustee of the Issuer. The Chair shall not have the right or entitlement to bind the Issuer in his or her capacity as Chair;
- (iii) the Chair shall provide direction with respect to the dates and frequencies of board meetings and related committee meetings;

- (iv) the Chair shall ensure that the board understands the boundaries between board and Management responsibilities; and
- (v) the Chair shall ensure that the board of trustees carries out its responsibilities effectively, which will involve the board meeting on a regular basis without management present and may involve assigning responsibility for administering the board's relationship with Management to a committee of the board.

#### **4. Corporate Governance**

Until such time as a separate committee is formed to deal specifically with such matters, the board of trustees as a whole shall be responsible for addressing issues relating to the corporate governance of the Issuer, including the engagement of officers of the REIT (in accordance with the Management Agreement), board composition and general corporate governance practices as follows:

With respect to the engagement of senior Management, and taking into consideration the REIT's external management arrangements and the limitations set forth in the Management Agreement, the board may, as appropriate:

- (i) consult with the Manager regarding the compensation of those executives that devote substantially all of their time to the Issuer;<sup>2</sup>
- (ii) at least annually, review and approve the position description of the Chief Executive Officer and the corporate goals and objectives relevant to the Chief Executive Officer;
- (iii) review and make recommendations to the board of trustees with respect to the compensation of trustees, including incentive compensation plans;
- (iv) approve awards to trustees, officers, employees and consultants of options, and any other equity-based and other incentives, pursuant to the board of trustees' approval of total periodic awards under any of the Issuer's Unit Option Plan, and any other incentive compensation and equity-based plans;
- (v) review key human resources policies (including, without limitation, those relating to management development, succession planning, pay and employment equity, retirement benefits, and long-term incentives and programs) in place and under development and their consistency with the strategy of the Issuer;
- (vi) review management's policies and practices for ensuring that the Issuer complies with legal prohibitions, disclosure and other requirements on making or arranging for personal loans and amending or extending any such loans or arrangements; and
- (vii) select, engage and compensate any outside compensation, nomination or other consultant the board determines to be necessary to permit it to carry out its duties.

With respect to the board composition matters, the board of trustees may, as appropriate:

- (i) review annually the competencies, skills and personal qualities required of board members, as a whole, in light of relevant factors, including:
  - a. the objective of adding value to the Issuer in light of the opportunities and risks facing the Issuer and the Issuer's proposed strategies,

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<sup>2</sup> Section 6.3 of the Management Agreement states that compensation matters should be addressed by the independent trustees.



- b. the need to ensure, to the greatest extent possible, that a majority of the board is comprised of individuals who meet the independence requirements of the applicable regulatory, stock exchange and securities law requirements or other guidelines, and
  - c. the policies of the board with respect to board member tenure, retirement and succession and board member commitments;
- (ii) establish and oversee an appropriately comprehensive orientation program for new board members in order to familiarize them with the Issuer and its business (including the Issuer's reporting and corporate structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, management and the external auditors);
  - (iii) provide continuing education opportunities for trustees, as appropriate, that shall, among other things, assist trustees to maintain or enhance their skills and abilities as trustees, and assist trustees in ensuring that their knowledge and understanding of the Issuer's business remains current;
  - (iv) seek individuals qualified (in context of the needs of the Issuer and any formal criteria established by the board) to become members of the board for recommendation to the board, including whether prospective nominees are able to devote sufficient time and resources to their duties as board members;
  - (v) review and recommend to the board the membership and allocation of board members to the various committees of the board;
  - (vi) establish procedures for the receipt of comments from all board members to be included in an annual assessment of the board's performance, including individual contributions;
  - (vii) at least annually, review and, if necessary, make recommendations to the board with respect to the compensation of board members, the Chair, and those acting as committee chairs to, among other things, ensure their compensation appropriately reflects the responsibilities they are assuming;
  - (viii) appoint and, if appropriate, terminate any search firm to be used to identify board candidates and any compensation consultant to be used to assist in the evaluation of board compensation and to approve the search firm's and compensation consultant's fees and other retention terms;

With respect to corporate governance and compliance, the board may, as appropriate:

- (i) review the size of the board and the number of board members who are independent for the purpose of applicable regulatory, stock exchange and securities law requirements or guidelines and Issuer policies regarding board member independence;
- (ii) review the adequacy of the corporate governance practices of the Issuer;
- (iii) review the practices of the board (including separate meetings of non-management board members) to identify improvements in corporate governance practices;
- (iv) review the powers, mandates and performance, and the membership of the various committees of the board;
- (v) review the relationship between senior Management and the board with a view to ensuring that the board is able to function independently of Management; and
- (vi) review with the Manager the succession plans relating to the position of the Chief Executive Officer and other senior positions with respect to the selections of individuals to occupy these positions.

## **5. Decisions Requiring Prior Approval of the Board of Trustees**

Approval of the board shall be required for:

- (i) the payment of distributions;
- (ii) significant acquisitions/dispositions;
- (iii) related party transactions;
- (iv) the public dissemination of any financial information;
- (v) the issuance or repurchase of securities of the Issuer;
- (vi) the terms of reference of committees of the board; and
- (vii) any other matter that would give rise to a “material change” to the Issuer.

In considering related party transactions, when appropriate, the board of trustees will review a report of an independent financial advisor in making their decision. The foregoing list is intended to specify particular matters requiring board approval and is not intended to be an exhaustive list.

## **6. Measures for Receiving Unitholder Feedback**

All publicly disseminated materials of the Issuer shall provide for a mechanism for feedback of unitholders.

## **7. Meetings**

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

## **8. Meeting Guidelines**

Trustees will be expected to have read and considered the materials sent to them in advance of each meeting, and to be prepared to discuss the matters contained in such materials at the meeting. Administrative matters (e.g., bank signing resolutions, etc.) which require a vote will be batched for voting purposes. Trustees will be expected to ask questions relating to batched items in advance of the meeting. The notice of meeting will highlight significant matters to be dealt with at each meeting so that trustees can focus on reviewing the related materials. Management will be made accessible to trustees at board meetings and committee meetings to fulfill their obligations.

## **9. Remuneration**

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

## **10. Telephone Board Meetings**

A trustee may participate in a meeting of the trustees or in a committee meeting by means of telephone, electronic or such other communications facilities to permit all persons participating in the meeting to communicate with each other and a trustee participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the board of trustees to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time sensitive matters telephone board meetings may be required to be called

in order for trustees to be in a position to better fulfill their legal obligations. Alternatively, management may request the trustees to approve certain matters by unanimous consent.

**11. Expectations of Management**

Management shall be required to report to the board of trustees at the request of the board on the performance of the Issuer, new and proposed initiatives, the Issuer's business and investments, management concerns and any other matter the board or its Chair may deem appropriate. In addition, the board expects Management to promptly report to the Chair any significant developments, changes, transactions or proposals respecting the Issuer or its subsidiaries.

## **APPENDIX A**

### **POLICY OF PRACTICES FOR TRUSTEES**

#### **Attendance at Meetings**

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

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

#### **Preparation for Meetings**

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

#### **Conduct at Meetings**

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

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

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

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

- ask questions of Management and other trustees/managers, at meetings and otherwise, to increase their knowledge of the business of the Issuer;
- familiarize themselves with the risks and challenges facing the business of the Issuer;
- read all internal memoranda and other documents circulated to the trustees, and all reports and other documents issued by the Issuer for external purposes;
- insist on receiving adequate information from Management with respect to a proposal before board approval is requested;

- familiarize themselves with the Issuer's competitors by, among other things, reading relevant news, magazine and trade journal articles; and
- familiarize themselves with the legal and regulatory framework within which the Issuer carries on its business.

### **Personal Conduct**

Trustees are expected to:

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

### **Independent Advice**

In discharging its mandate the board shall have the authority to retain (and authorize the payment by the Issuer of) and receive advice from, special legal, accounting or other advisors and outside consultants if appropriate.

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

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

**APPENDIX B**

**DEFINITIONS**

“**independent trustee**” means a trustee who has no direct or indirect material relationship with the Issuer.<sup>3</sup>

“**material relationship**” means a relationship which could, in the view of the board of trustees of the Issuer, be reasonably expected to interfere with the exercise of a member’s independent judgement. Without limiting the generality of the foregoing, the following individuals are considered to have a material relationship with the Issuer:<sup>4</sup>

- (a) an individual who is, or has been within the last three years, an employee or executive officer<sup>5</sup> of the Issuer;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Issuer
- (c) an individual who:
  - (i) is a partner<sup>6</sup> of a firm that is the Issuer’s internal or external auditor
  - (ii) is an employee of that firm, or
  - (iii) was within the last three years a partner or employee of that firm and personally worked on the Issuer’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
  - (i) is a partner of a firm that is the Issuer’s internal or external auditor,
  - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
  - (iii) was within the last three years a partner or employee of that firm and personally worked on the Issuer’s audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and

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<sup>3</sup> For the purpose of the definitions of “independent trustee” and “material relationship” in this Appendix, “Issuer” includes a subsidiary entity of the Issuer and a parent of the Issuer, as applicable.

<sup>4</sup> An individual will not be considered to have a material relationship with the Issuer solely because he or she had a relationship identified in this definition if that relationship ended before March 30, 2004 or, if such relationship was with a subsidiary entity of the Issuer or a parent of the Issuer, that relationship ended before June 30, 2005. An individual will not be considered to have a material relationship with the Issuer solely because the individual or his or her immediate family member has previously acted as an interim chief executive officer of the Issuer or acts, or has previously acted, as a chair or vice-chair of the board of trustees or of any board committee of the Issuer on a part-time basis.

<sup>5</sup> An “executive officer” includes any individual who performs a policy-making function in respect of the entity.

<sup>6</sup> A partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Issuer received, more than \$75,000 in direct compensation<sup>7</sup> from the Issuer during any 12 month period within the last three years.<sup>8</sup>

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<sup>7</sup> Direct compensation does not include: (a) remuneration for acting as a member of the board of trustees or of any board committee of the Issuer; and (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Issuer if the compensation is not contingent in any way on continued service.

<sup>8</sup> An individual who: (a) has a relationship with the Issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Issuer or any subsidiary entity of the Issuer, other than as remuneration for acting in his or her capacity as a member of the board of trustees or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (b) is an affiliated entity of the Issuer or any of its subsidiary entities, is considered to have a material relationship with the Issuer. The indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by: (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or (b) an entity in which such individual is a partner, member, an officer such as a managing trustee occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Issuer or any subsidiary entity of the Issuer. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Issuer if the compensation is not contingent in any way on continued service.

**EXHIBIT “C”**  
**AUDIT COMMITTEE CHARTER**  
**OF**  
**PARTNERS REAL ESTATE INVESTMENT TRUST**

**PURPOSE**

The Audit Committee (the “Committee”) is appointed by the board of trustees (the “Board”) of Partners Real Estate Investment Trust (the “REIT”) to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the REIT;
- the internal control and financial reporting systems of the REIT;
- the compliance by the REIT with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the REIT’s independent auditors;
- the performance of the REIT’s Chief Financial Officer; and
- any additional duties set out in this charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, financial management, other employees and the Board concerning accounting and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the REIT.

The Committee is not responsible for:

- planning or conducting audits;
- certifying or determining the completeness or accuracy of the REIT’s financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the REIT’s independent auditor.

The fundamental responsibility for the REIT’s financial statements and disclosure rests with management. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements.

**REPORTS**

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the REIT of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the REIT’s financial statements;
- compliance by the REIT with legal or regulatory requirements in respect of financial matters and disclosure;



- the performance and independence of the REIT's independent auditor;
- the effectiveness of systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the REIT; and
- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the REIT's publicly filed documents.

## **COMPOSITION**

The members of the Committee shall be three or more individuals who are appointed by the Board (and may be replaced) by the Board. Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the REIT's financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the REIT, LAPP Global Asset Management Inc., and the REIT's subsidiaries or affiliates (collectively, the "The REIT Group") (other than remuneration for acting in his or her capacity as a Trustee) or be an "affiliated person" of The REIT Group. (For this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.) Without the approval of the Board, no member of the Committee shall concurrently serve on the audit committee of more than two other public companies or on the audit committee of a competitor or client.

## **RESPONSIBILITIES**

### **Independent Auditors**

The Committee shall:

- Recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the REIT.
- Establish the compensation of the independent auditor.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report to the Committee (among other things) any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Adopt policies and procedures for the pre-approval of the retention of the REIT's independent auditor for all audit and permitted non-audit services (subject to any restrictions on such services imposed by applicable legislation), including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Schedule "A".

## **The Audit Process, Financial Statements and Related Disclosure**

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
  - the planning and staffing of the audit by the independent auditor;
  - before public disclosure, the REIT's annual audited financial statements and quarterly unaudited financial statements, the REIT's accompanying disclosure of Management's Discussion and Analysis ("MD&A") and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;
  - the adequacy of the procedures for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements, other than the public disclosure referred to in the immediately preceding paragraph;
  - financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
  - any significant financial reporting issues and judgments made in connection with the preparation of the REIT's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the REIT's financial statements;
  - all critical accounting policies and practices used;
  - all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - the use of "pro forma" or "adjusted" non-GAAP information;
  - the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the REIT's financial statements;
  - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
  - the adequacy of the REIT's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the REIT's consolidated financial statements.

- Review with management the REIT's guidelines and policies with respect to risk assessment and the REIT's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Review with the independent auditor:
  - the quality as well as the acceptability of the accounting principles that have been applied;
  - any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the REIT's response to that letter or communication; and
  - any changes to the REIT's significant auditing and accounting principles and practices suggested by the independent auditor and members of management.
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- Oversee appropriate disclosure of the Committee's charter, and other information required to be disclosed by applicable legislation, in the REIT's Annual Information Form and all other applicable disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the REIT's securityholders.

## **Compliance**

The Committee shall, as it determines appropriate:

- Review with the REIT's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the REIT's financial statements or accounting policies.
- Review with the REIT's Chief Financial Officer legal matters that may have a material impact on the financial statements or accounting policies
- Establish procedures (which are currently set out in the REIT's Whistleblower Policy) for:
  - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of The REIT Group with concerns regarding any accounting or auditing matters.
- Periodically review with management the need for an internal audit function.

## **Delegation**

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

## **MEETINGS**

The Committee shall meet at least quarterly and more frequently as circumstances require. All members of the Committee should strive to be at all meetings. The Committee shall meet separately, periodically, with management and the independent auditors and may request any officer or employee of The REIT Group or the REIT's outside counsel or independent auditor to attend meetings of the Committee or with any members of, or advisors to, the Committee. The Committee also may meet with the investment bankers, financial analysts and rating agencies that provide services to, or follow, the REIT. The Committee may form and delegate authority to individual members and subcommittees where the Committee determines it is appropriate to do so.

## **INDEPENDENT ADVICE**

In discharging its mandate, the Committee shall have the authority to retain, at the expense of the REIT, special advisors as the Committee determines to be necessary to permit it to carry out its duties.

## **ANNUAL EVALUATION**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this charter.
- Review and assess the adequacy of its charter (including with respect to the procedures regarding the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements) and recommend to the Board any improvements to this charter that the Committee determines to be appropriate.

**APPENDIX A**

**Qualifications, Performance and Independence of Independent Auditor**

- Review the experience and qualifications of the senior members of the independent auditor's team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by The REIT Group of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.

**APPENDIX "A"**  
**AMENDED AND RESTATED UNIT OPTION PLAN**

(See attached)



**SECOND AMENDED AND RESTATED UNIT OPTION PLAN  
OF  
PARTNERS REAL ESTATE INVESTMENT TRUST**

**JUNE 6, 2008  
as amended effective June 30, 2010  
as further amended effective April 13, 2012**

1. INTERPRETATION:

For the purposes of this Plan, the following terms shall have the following meanings:

- (a) “**Affiliate**” has the same meaning ascribed to “affiliated companies” in the *Securities Act* (Ontario);
- (b) “**Blackout Period**” means the period during which designated trustees, officers and employees of the Trust (including those of the Manager) cannot trade the Units pursuant to the Trust’s policy respecting restrictions on trustees’, officers’ and employee (including the Manager and its directors, officers and employees) trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Trust or in respect of an Insider, that Insider is subject);
- (c) “**Business Day**” means each day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario, Canada or Victoria, British Columbia;
- (d) “**Cause**” means cause as such term is interpreted from time to time by the courts of Ontario or British Columbia, as the case may be, or, where cause is defined in the employment agreement of an Eligible Person, as defined therein;
- (e) “**Change in Control**” means:
  - (i) the acceptance of an Offer by a sufficient number of holders of voting securities of an entity (other than the Manager or its Affiliates) to constitute the offeror, together with persons acting jointly or in concert with the offeror, being a securityholder of such entity being entitled to exercise more than 50% of the voting rights attaching to the outstanding securities of such entity (provided that prior to the Offer, the offeror was not entitled to exercise more than 50% of the voting rights attaching to the entity);
  - (ii) the completion of a consolidation, merger or amalgamation by an entity whereby the voting securityholders of such entity immediately prior to the consolidation, merger or amalgamation receive less than 50% of the voting rights attaching to the outstanding voting securities of the consolidated, merged or amalgamated entity;
  - (iii) the completion of a sale whereby all or substantially all of an entity’s undertakings and assets become the property of any third party and the voting securityholders of the entity immediately prior to that sale collectively hold less than 50% of the voting rights attaching to the outstanding voting securities of the third party immediately following that sale; or
  - (iv) the adoption by the Trustees of a resolution to the effect that, for the purposes of this Plan, a Change in Control has occurred or that such a Change in Control is imminent,

provided, however, that for the purposes of this Plan, (A) any incremental acquisition, directly or indirectly (other than in connection with a going-private transaction) of additional Units by the Manager, (B) the sale of any voting securities (or equivalent thereof) of an entity (or any successor Person thereto) pursuant to a public offering, shall not constitute a Change in Control, and (C) the Trustees may deem that a Change of Control has not occurred for the purposes of this Plan;

- (f) “**Consultant**” has the meaning ascribed thereto in NI 45-106, and includes the Manager;
- (g) “**Director**” has the meaning ascribed thereto in NI 45-106;
- (h) “**Eligible Person**” means,
  - (i) a Trustee of the Trust or a Director of any Related Entity of the Trust;
  - (ii) an Executive Officer of the Trust or any Related Entity of the Trust;
  - (iii) an employee of the Trust or any Related Entity of the Trust;
  - (iv) a Management Company Employee of the Trust or any Subsidiary, to whom Options can be granted in reliance on prospectus and registration exemptions under applicable securities laws; and
  - (v) a Consultant retained by the Trust or any Related Entity of the Trust;
- (i) “**Executive Officer**” has the meaning ascribed thereto in NI 45-106;
- (j) “**Good Reason**” means the occurrence of any one or more of the following events:
  - (i) the assignment to the Participant of any duties inconsistent in any material respect with the Participant’s then position of employment (including status, offices, titles and reporting relationships), authority, duties or responsibilities, or any other action that when taken as a whole results in a diminution in the Participant’s position, authority, duties or responsibilities, excluding for this purpose any isolated, immaterial and inadvertent action not taken in bad faith and which is remedied within seven Business Days after receipt of notice thereof given by the Participant;
  - (ii) a reduction in the Participant’s base salary without the consent of such Participant or the failure to continue in effect any material benefit or compensation plan, life insurance plan, health and accident plan or disability plan in existence as of the date of this Plan (or a replacement or substitute plan providing the Participant with substantially similar benefits) in which the Participant is participating or the material reduction of the Participant’s benefits under any of such plans (or replacement or substitute plans); or
  - (iii) requiring the Participant to be based at any location other than Toronto, Ontario, except for requirements of travel in the ordinary course of the Participant’s duties;
- (k) “**Independent Trustee**” means the trustees of the Trust who are “independent” (as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committee* in effect on the date hereof and as amended from time to time) both with respect to the Trust and with respect to League Asset Corp. and the Manager;
- (l) “**Insider**” shall have the meaning ascribed thereto in the TSX Rules;
- (m) “**Insider Participation Limit**” means the number of Units:



- (i) issued to Insiders, within any one year period; and
- (ii) issuable to Insiders, at any time,

which cannot exceed 10% of the Trust's total issued and outstanding Units, respectively;

(n) **"Management Company Employees"** means all Directors, Executive Officers and employees of the Manager;

(o) **"Manager"** means the Person(s):

- (i) engaged to provide services to the Trust or a Related Entity of the Trust other than services provided in relation to a distribution;
- (ii) who provides the services under a written contract with the Trust or a Related Entity of the Trust; and
- (iii) who spends or will spend a significant amount of time and attention on the affairs and business of the Trust or a Related Entity of the Trust,

and includes an employee, Executive Officer or Director of the Manager, provided that such Persons spend or will spend a significant amount of time and attention on the affairs and business of the Trust or a Related Entity of the Trust;

(p) **"NI 45-106"** means National Instrument 45-106 – *Prospectus and Registration Exemptions*, in effect on the date hereof and as amended from time to time;

(q) **"Offer"** means a bona fide offer made to all holders of Units to purchase, directly or indirectly, Units;

(r) **"Option"** means an option to purchase Units granted to an Eligible Person pursuant to the terms of this Plan;

(s) **"Participant"** means Eligible Persons to whom Options have been granted;

(t) **"Permitted Assign"** has the meaning ascribed thereto in NI 45-106;

(u) **"Person"** includes individuals, corporations, partnerships, general partnerships, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, and business trusts or other organizations, whether or not legal entities;

(v) **"Plan"** means this Unit Option Plan of the Trust;

(w) **"Related Entity"** has the meaning ascribed thereto in NI 45-106;

(x) **"Subsidiary"** means any Person that is a subsidiary of the Trust as defined under Section 1(4) of the *Securities Act* (Ontario);

(y) **"Trust"** means Partners Real Estate Investment Trust;

(z) **"Trustees"** means the trustees of the Trust, at the relevant time;

(aa) **"TSX"** means the Toronto Stock Exchange;

(bb) **"TSX Rules"** means the rules of the Toronto Stock Exchange Company Manual relating to changes in capital structure of listed companies in connection with security-based compensation arrangements

(currently section 613), as those rules may be amended, renumbered or reclassified from time to time, or any successor rules;

- (cc) “**Unit**” means a unit of the Trust or, in the event of an adjustment contemplated by Article 7 hereof, such other units or securities to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;
- (dd) “**Unit Compensation Arrangement**” means any unit option, unit plan, employee unit purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Units, including a unit purchase from treasury which is financially assisted by the Trust by way of a loan, guarantee or otherwise; and
- (ee) “**Unitholder**” means the unitholders of the Trust.

Words importing the singular number only shall include the plural and vice versa and words importing the masculine shall include the feminine.

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

2. PURPOSE:

The purpose of this Plan is to encourage ownership of the Units by Trustees, Directors, Executive Officers and employees of the Trust, its Subsidiaries and Consultants, including Directors, Executive Officers and employees of the Manager, who are primarily responsible for the management and profitable growth of the Trust’s business and to advance the interests of the Trust by providing additional incentive for superior performance by such persons and to enable the Trust and its Subsidiaries to attract and retain valued Trustees, Directors, Executive Officers, employees and Consultants thereof.

3. ADMINISTRATION:

- (a) The Plan shall be administered by the Trustees. Subject to the limitations of the Plan, the Trustees shall have the authority:
  - (i) to grant options to purchase Units to Eligible Persons;
  - (ii) to determine the terms, limitations, restrictions and conditions respecting such grants;
  - (iii) to interpret the Plan and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to the Plan as it shall from time to time deem advisable; and
  - (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of the Plan as they may deem necessary or advisable.
- (b) The Trustees’ guidelines, rules, regulations, interpretations and determinations shall be conclusive and binding upon the Trust and all other Persons.
- (c) Notwithstanding the foregoing, only the Independent Trustees shall grant Options to Eligible Persons who are Management Company Employees of the Trust or any Subsidiary of the Trust.

## 4. UNITS SUBJECT TO THE PLAN:

- (a) The maximum number of Units which may be reserved and set aside for issue under this Plan and all other equity based compensation plans of the Trust shall not exceed 10% of the issued and outstanding Units at the time of the Option grant (on a non-diluted basis).
- (b) Any Units subject to an Option which for any reason is cancelled, terminated or that have expired without having been exercised shall again be available for grant under the Plan. No fractional Units shall be issued, and the Trustees may determine the manner in which fractional Unit value shall be treated.

## 5. PARTICIPATION:

Options shall be granted under the Plan only to Eligible Persons designated from time to time by the Trustees and in accordance with the terms of this Plan and shall be subject to the approval of such regulatory authorities and stock exchanges as may have jurisdiction.

## 6. TERMS AND CONDITIONS OF OPTIONS:

The terms and conditions of each Option granted under the Plan shall include the following, as well as such other provisions, not inconsistent with the Plan, as may be deemed advisable by the Trustees including those contained in any Option agreement entered into between the Trust and a Participant:

- (a) *Option Price:* The price of any Units in respect of which an Option may be granted shall be fixed by the Trustees but shall not be less than the market price of the Units at the time the Option is granted to the particular Participant. For the purpose of this subparagraph, “**market price**” shall be deemed to be the last closing price of the Units as reported by the TSX or any other principal Canadian stock exchange on which the Units are then listed or admitted to trading (or, if the Units are not so listed, the average of the closing bid and asked prices as reported on any over-the-counter market) on the day immediately preceding the day upon which the Option is granted, or if not so traded, the average between the closing bid and asked prices thereof as reported for the day immediately preceding the day upon which the Option is granted. In the resolution allocating any Option, the Trustees may determine that (i) the date of grant of the Option shall be a future date determined in the manner specified in such resolution, in which case, for the purpose of this subparagraph 6(a), “**market price**” shall be deemed to be the weighted average trading price of the Units as reported by the TSX or any other principal Canadian stock exchange on which the Units are then listed or admitted to trading (or, if the Units are not so listed, the weighted average of the average of the closing bid and asked prices as reported on any over-the-counter market) for the five (5) trading days preceding the date of the grant, and (ii) the date or dates of the vesting of the Option shall be a future date or dates determined in the manner specified in such resolution. The Trustees may also determine that the price per Unit may escalate at a specified rate dependent upon the date on which any Option may be exercised by the Participant.
- (b) *Payment:* The full purchase price of Units purchased under an Option shall be paid to the Trust in cash or certified funds upon the exercise thereof, and upon receipt of payment in full, but subject to the terms of the Plan, the number of Units in respect of which the Option is exercised shall be duly issued as fully paid. A Participant shall have none of the rights of a Unitholder until such time as the Units are issued to such Participant. Unless otherwise determined by the Trust, the Trust shall not offer financial assistance in respect of the exercise of an Option.
- (c) *Term of Option:* Options granted under this Plan may be exercisable over a period not exceeding five (5) years from the date of the grant of the Option. Each Option shall be subject to earlier termination as provided in subparagraph 6(f). Provided the Units are listed on the Toronto Stock Exchange, should the term of an Option expire on a date that falls within a Blackout Period or within nine Business Days following the expiration of a Blackout Period, such expiration date shall be automatically extended

without any further act or formality to that date which is the tenth Business Day after the end of the Blackout Period, such tenth Business Day to be considered the expiration date for such Option for all purposes under the Plan. Notwithstanding Section 8 hereof, the ten Business Day period referred to in this subparagraph 6(c) may not be extended by the Trustees.

- (d) *Representation of Trust:* For Unit options granted to Employees, Consultants or Management Company Employees, the Trust represents that the Participant is a bona fide Employee, Consultant or Management Company Employee, as the case may be.
- (e) *Exercise of Option:* Subject to the provisions contained in subparagraph 6(f), no Option may be exercised unless the Participant is then an Eligible Person. This Plan shall not confer upon the Participant any right with respect to continuation of employment by the Trust, any of its Subsidiaries or the Manager, as the case may be. Absence on leave approved by an officer of the Trust, any of its Subsidiaries, or the Manager, as applicable, authorized to give such approval shall not be considered an interruption of employment for any purpose of the Plan. Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Corporate Secretary of the Trust at its offices in Victoria, Canada of a written notice of exercise specifying the number of Units with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Units then being purchased.
- (f) *Termination of Options:* Any Option granted pursuant hereto, to the extent not validly exercised, will terminate on the earlier of the following dates:
  - (i) the date of expiration specified in the Option agreement or in the resolution of the Trustees granting such Option, as the case may be, being not more than five (5) years after the date upon which the Option was granted;
  - (ii) ninety (90) days after the Participant ceases to be an Eligible Person, other than by reason of retirement, permanent disability or death. Without limitation, and for greater certainty only, this provision will apply regardless of whether the Participant was dismissed with or without cause and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period of notice of termination which would otherwise have permitted a greater portion of the Option to vest with the Participant;
  - (iii) one hundred and eighty (180) days following the date of the death of the Participant during which period the Option may be exercised by the Participant's legal representative or the Person or Persons to whom the deceased Participant's rights under the Option shall pass by will or the applicable laws of descent and distribution, and only to the extent the Participant would have been entitled to exercise the Option on the date of death; and
  - (iv) ninety (90) days after termination of the Participant's employment by reason of permanent disability or retirement under any retirement plan of the Trust, any of its Subsidiaries or the Manager, as applicable, during which ninety (90) day period the Participant may exercise the Option to the extent he was entitled to exercise it at the time of such termination, provided that if the Participant shall die within such ninety (90) day period, then such right shall be extended to ninety (90) days following the date of death of the Participant and shall be exercisable only by the Persons described in clause 6(f)(iii) hereof and only to the extent therein set forth.
- (g) *Non-transferability of Options:* No Option shall be transferable or assignable by the Participant. Notwithstanding the foregoing, a Participant may transfer Options to any Permitted Assign. Upon the death of a Participant, the Participant's Option(s) will become part of the Participant's estate, and any right of the Participant may be exercised by his or her legal representatives, provided such representatives comply with all obligations of the Participant.

- (h) *Restrictions & Legends:* All Options granted under the Plan, and any Units issued upon exercise thereof, shall be subject to such restrictions on trading and the certificates thereof shall bear such legends as is required under applicable securities laws and the rules of the TSX and/or any other stock exchange upon which the Units are then listed for trading.
- (i) *Applicable Laws or Regulations:* The Plan, the grant and exercise of Options hereunder and the Trust's obligation to sell and deliver Units upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of any stock exchange on which the Units are listed for trading and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Trust, be required. The Trust shall not be obligated by any provision of the Plan or the granting of any Option hereunder to issue or sell Units in violation of such laws, rules and regulations or any condition of such approvals. No Option shall be granted and no Units issued or sold hereunder where such grant, issue or sale would require registration of the Plan or the Units under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue or sale of Units hereunder in violation of this provision shall be void. In addition, the Trust shall have no obligation to issue any Units pursuant to the Plan unless such Units shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Units are listed for trading. Units issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.
- (j) *Restrictions on Issuances:* The issuing of Options is subject to the following restrictions:
  - (i) the number of Units reserved for issuance under Options granted to Insiders under the Plan and any other previously established or proposed Unit Compensation Arrangement is limited to the Insider Participation Limit; and
  - (ii) the number of Units reserved for issuance under Options to any one Person under the Plan and any other previously established or proposed Unit Compensation Arrangement may not exceed 5% of the issued and outstanding Units on a non-diluted basis.

## 7. ADJUSTMENTS IN UNITS SUBJECT TO THE PLAN:

- (a) *Subdivisions and Redivisions:* In the event of any subdivision(s) or redivision(s) of the Units at any time while any Option is outstanding into a greater number of Units, the Trust shall thereafter deliver at the time of exercise of any Option, in lieu of the number of Units in respect of which such Option is then being exercised, such greater number of Units as would result from said subdivision(s) or redivision(s) had such Option been exercised before such subdivision(s) or redivision(s) without the Participant making any additional payment or giving any other consideration therefor.
- (b) *Consolidations:* In the event of any consolidation(s) of the Units at any time while any Option is outstanding into a lesser number of Units, the Trust shall thereafter deliver, and the Participant shall accept, at the time of exercise of any Option, in lieu of the number of Units in respect of which such Option is then being exercised, such lesser number of Units as would result from such consolidation(s) had such Option been exercised before such consolidation(s).
- (c) *Reclassifications/Changes:* In the event of any reclassification(s) or change(s) of the Units at any time while any Option is outstanding, the Trust shall thereafter deliver at the time of exercise of any Option hereunder the number of securities of the Trust of the appropriate class or classes resulting from said reclassification(s) or change(s) as the Participant would have been entitled to receive in respect of the number of Units in respect of which such Option is then being exercised had such Option been exercised before such reclassification(s) or change(s).
- (d) *Other Capital Reorganizations:* In the event of any capital reorganization of the Trust at any time while any Option is outstanding, not otherwise covered in this Section or a consolidation, amalgamation or merger with or into any other entity or the sale of the properties and assets as or

substantially as an entirety to any other entity, the Participant if he has not exercised his Option prior to the effective date of such reorganization, consolidation, amalgamation, merger or sale, upon the exercise of such Option thereafter, shall be entitled to receive and shall accept in lieu of the number of Units then subscribed for by him but for the same aggregate consideration payable therefor, the number of other securities or property of the entity resulting from such merger, amalgamation or consolidation to which such sale may be made, as the case may be, that the Participant would have been entitled to receive on such capital reorganization, consolidation, amalgamation, merger or sale if, on the record date or the effective date thereof, the Participant had been the registered holder of the number of Units so subscribed for.

- (e) The Trust shall not be obligated to issue fractional Units in satisfaction of its obligations under the Plan or any Option and the Participant will not be entitled to receive any form of compensation in lieu thereof.
- (f) If at any time the Trust grants to its Unitholders the right to subscribe for and purchase *pro rata* additional securities or of any other corporation or entity, there shall be no adjustments made to the number of Units or other securities subject to the Options in consequence thereof and the Options shall remain unaffected.
- (g) The adjustment in the number of Units issuable pursuant to Options provided for in this section shall be cumulative.
- (h) On the happening of each and every of the foregoing events, the applicable provisions of the Plan and each of them shall, ipso facto, be deemed to be amended accordingly and the Trustees shall take all necessary action so as to make all necessary adjustments in the number and kind of securities subject to any outstanding Options (and the Plan) and the exercise price thereof.

#### 8. CHANGE IN CONTROL:

Upon a Change in Control:

- (a) all Options (whether or not currently exercisable) shall become exercisable immediately upon a direct or indirect Change in Control of the REIT; and
- (b) if, within 90 days preceding, or one year following, a direct or indirect Change in Control of the Manager, a Participant's employment with the Manager is terminated without Cause or a Participant resigns for Good Reason, all Options (whether or not currently exercisable) shall become exercisable effective the date immediately prior to the date of such termination or resignation.

#### 9. AMENDMENT AND TERMINATION OF PLAN AND OPTIONS:

- (a) The Trustees may amend, suspend or terminate:
  - (i) this Plan or any portion thereof, including, without limitation, amendments relating to vesting, termination, or of a "housekeeping" nature, provided that the Trust shall comply with the TSX Rules; or
  - (ii) any Option at any time, provided that such amendment shall not adversely alter or impair any Option previously granted except as permitted by the provisions of Section 7 hereof.
- (b) Notwithstanding the provisions of Section 0 the Trust will be required to obtain Unitholder approval for any amendment related to:
  - (i) a reduction in the exercise price benefitting an Insider;

- (ii) an extension of the term benefitting an Insider;
- (iii) any amendment to remove or to exceed the Insider Participation Limit;
- (iv) an increase in the maximum number of securities issuable under Section 4; and
- (v) amendments to this Section 9.

10. APPROVAL OF PLAN:

The establishment of the Plan shall be subject to approval of the Unitholders to be given by a resolution passed at a meeting of the Unitholders. In addition, all Options granted pursuant to the Plan prior to the approval thereof by the Unitholders shall also be subject to approval of the Unitholders; provided that all Options granted subsequent to such approval shall not require approval by the Unitholders unless such approval is required by the regulatory authorities or stock exchanges having jurisdiction over the affairs of the Trust.

The Plan shall also be subject to acceptance by the stock exchanges having jurisdiction over the affairs of the Trust at the time of the establishment of the Plan and thereafter. The Plan must be accepted by the regulatory authority before Options can be granted under the Plan.

11. EFFECTIVE DATE AND DURATION OF PLAN:

The Plan becomes effective, upon the receipt of the Unitholder and regulatory approval, on the date of its adoption by the Trustees and Options may be granted immediately thereafter. The Plan shall remain in full force and effect until such time as the Trustees shall terminate the Plan, and for so long thereafter as Options remain outstanding in favour of any Participant.

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**APPENDIX "B"**

**ALTERNATE COMPENSATION PLAN**

(See attached)



**PARTNERS REAL ESTATE INVESTMENT TRUST  
TRUSTEES'  
ALTERNATE COMPENSATION PLAN**

**ARTICLE 1  
ESTABLISHMENT AND PURPOSE**

1.01           **Purpose**

(1)       The Trustees' Alternate Compensation Plan for Partners Real Estate Investment Trust is hereby established with a view to allowing trustees' fees to be paid by issuing units in the capital of the Trust (as defined below) to members of the Board who are not full time employees of the Trust ("**Trustees**") to satisfy any amount otherwise payable in cash for trustees' fees.

(2)       The intention of the Board in establishing the Alternate Compensation Plan is to permit the Board, in circumstances considered appropriate by it to:

- (a)       encourage the ownership of equity of the Trust by Trustees;
- (b)       align the interests of Trustees with those of unitholders; and
- (c)       preserve the cash resources of the Trust while meeting the Trust's obligations to pay trustees' fees to Trustees.

**ARTICLE 2  
DEFINITIONS**

For purposes of this Alternate Compensation Plan, unless otherwise defined herein, the following terms will have the following meanings:

- (1)       "**Affiliate**" has the same meaning ascribed to "affiliated companies" in the *Securities Act* (Ontario);
- (2)       "**Award Date**" means, unless otherwise determined by the Board (or the Committee, as the case may be), in respect of a Trustee, the date the Trustees' Fees Equivalent Units are issued and, in any event, no later than the first trading day after the expiry of the Blackout Period following the end of each fiscal quarter.
- (3)       "**Blackout Period**" means the period during which designated trustees, officers and employees of the Trust (including those of the Manager) cannot trade the Units pursuant to the Trust's policy respecting restrictions on trustees', officers' and employee (including the Manager and its directors, officers and employees) trading which is in effect at that time (which, for greater certainty, does not include the period during which a cease trade order is in effect to which the Trust or in respect of an Insider, that Insider is subject).
- (4)       "**Board**" means the board of Trustees of the Trust.
- (5)       "**Business Day**" means any day, other than a Saturday or a Sunday, on which the Toronto Stock Exchange is open for trading.
- (6)       "**Committee**" means the Compensation Committee of the Board or such other committee or persons designated by the Board, including the Board itself, for the purpose of administering the Plan.
- (7)       "**Declaration of Trust**" means the amended and restated declaration of the Trust dated March 27, 2007, as amended and restated with effect on each of June 4, 2010, November 3, 2010, December 15, 2011 and March 29, 2012 and as may be further amended and restated from time to time.
- (8)       "**Employer**" has the meaning set out in Section 5.01 hereof.

- (9) “**Insider**” has the meaning ascribed thereto in the TSX Rules.
- (10) “**Insider Participation Limit**” means the number of Units:
  - (a) issued to Insiders, within any one year period; and
  - (b) issuable to Insiders, at any time,

which cannot exceed 10% of the Trust’s total issued and outstanding Units, respectively.

(11) “**Manager**” means the manager of the Trust as appointed by the Trustees from time to time in accordance with the Declaration of Trust and any duly appointed successor.

(12) “**Option Plan**” means the unit option plan of the Trust as amended from time to time.

(13) “**Participant**” means a Trustee.

(14) “**Plan**” means the Partners Real Estate Investment Trust Alternate Compensation Plan for Trustees as set forth herein, and amended from time to time.

(15) “**Regulatory Authorities**” has the meaning set out in Section 4.01 hereof.

(16) “**Required Taxes**” has the meaning set out in Section 5.01 hereof.

(17) “**Subsidiary**” has the meaning set out in the *Securities Act* (Ontario).

(18) “**Taxes**” has the meaning set out in Section 5.01 hereof.

(19) “**Trust**” means Partners Real Estate Investment Trust and any reference in this Plan to an action by the Board (or the Committee, as the case may be), means an action by or under the authority of the Trust.

(20) “**Trustees**” has the meaning set out in Section 1.01 hereof.

(21) “**Trustee’s Fees**” means the retainer payable to a Trustee for service as a member of the Board as well as board chair fees, board committee chair fees, board committee member fees, board meeting fees and any other fees payable to a Trustee in connection with the performance of his or her duties as a member of the Board.

(22) “**Trustees’ Fees Equivalent Units**” has the meaning set out in Section 4.01 hereof.

(23) “**TSX**” means the Toronto Stock Exchange.

(24) “**TSX Rules**” means the rules of the Toronto Stock Exchange Company Manual relating to changes in capital structure of listed companies in connection with security-based compensation arrangements (currently section 613), as those rules may be amended, renumbered or reclassified from time to time, or any successor rules.

(25) “**Unit Compensation Arrangement**” means any unit option, unit plan, employee unit purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Units, including a unit purchase from treasury which is financially assisted by the Trust by way of a loan, guarantee or otherwise.

(26) “**Units**” means units in the capital of the Trust.

**ARTICLE 3**  
**ADMINISTRATION**

3.01 **Plan Unfunded**

(1) The Plan will be unfunded and will be administered by the Board or the Committee, as determined by the Board.

(2) If the Committee administers the Plan, the Committee will have the power to make recommendations to the Board but the Board reserves the final decision making authority as to the amount, if any, of any payment or cash or Units hereunder.

3.02 **Interpretation and Construction**

The interpretation and construction by the Board or the Committee, as the case may be, of any provisions of the Plan and any rules and resolutions concerning the Plan, unless otherwise determined by the Board, will be final and conclusive and will be applicable with respect to and binding upon all Participants.

3.03 **Administration**

(1) The Committee will, in its sole and absolute discretion, but subject to applicable corporate, securities and tax law requirements and the requirements of the Declaration of Trust:

- (a) interpret and administer the Plan;
- (b) establish, amend and rescind any rules and regulations relating to the Plan; and
- (c) make any other determinations that the Committee deems necessary or desirable for the administration of the Plan.

(2) The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable.

(3) In particular, without limiting the foregoing, the Committee may establish such terms, conditions and limitations in relation to the issuance of Units:

- (a) to any Participant who is not a resident of Canada; or
- (b) otherwise to any Participant,

as it determines to be necessary or advisable having regard to any securities, tax or other laws and regulations or currency considerations which may be applicable to the Trust or to such Participant in connection with the issuance of Units.

(4) For the purposes of this Section 3.03, references to “the Committee” mean the Board where the Board administers the Plan.

3.04 **Third Party Administration**

The Board (or the Committee as the case may be) may appoint the Chief Executive Officer of the Trust and/or any other designated officer of the Trust and/or the Manager or any other qualified third party service provider to act on its behalf and in accordance with the determinations of the Committee to administer the Plan and implement the decisions of the Board or the Committee, as the case may be, and the Board or the Committee, as the case may be, may delegate its authority under the Plan for such purpose.

3.05 **Costs**

The Trust will pay all costs of administering the Plan.

3.06 **Units Reserved for Issuance**

(1) The maximum number of Units reserved for issuance under the Plan is 1% of the Trust's issued and outstanding Units at any given time; provided that the combined number of Units reserved for issuance under the Plan and Option Plan does not exceed 10% of the Company's issued and outstanding Units at any given time.

(2) No Units will be reserved for issuance or issued under this Plan in excess of this number or such other number of Units approved by the unitholders and Regulatory Authorities.

3.07 **Limits with Respect to Insiders**

The issuing of Units under this Plan is subject to the following restrictions:

(1) the number of Units that may be issued to Insiders pursuant to the Plan and any other previously established or proposed Unit Compensation Arrangement is limited to the Insider Participation Limit; and

(2) the number of Units that may be issued to any one Participant under the Plan and any other previously established or proposed Unit Compensation Arrangement may not exceed 5% of the issued and outstanding Units on a non-diluted basis.

**ARTICLE 4**  
**PAYMENTS**

4.01 **Trustees' Fees**

(1) Each Trustee will have the right, at his or her option, to cause the Trust to satisfy all or part of the Trustees' Fees otherwise payable to such Trustee in cash, quarterly, by the allotment and issuance from treasury to such Trustee of such number of Units as will be equivalent to the cash value of the relevant Trustee's Fees (the "**Trustees' Fees Equivalent Units**").

(2) In order to exercise the option set out in Section 4.01(1), the Trustee may, at any time by notice to the Chief Executive Officer of the Trust, request the issuance of Trustees' Fees Equivalent Units from treasury, which Trustees' Fees Equivalent Units may then be formally allotted and issued by the Board.

(3) The issue price of the Trustees' Fees Equivalent Units will be the closing price of the Units on the market with the largest trading volume of the Units on the last trading date preceding the Award Date. If there is no trading of the Units on that date, the issue price will be the closing price on the next previous day on which trading took place, or such other amount as will be determined by the Board and permitted by the stock exchange, exchanges or other markets upon which the Units are from time to time listed for trading and any other applicable regulatory authority (collectively, the "**Regulatory Authorities**").

(4) The right to receive the Trustees' Fees (whether in cash or units) is personal to the Trustee and such right cannot be assigned.

4.02 **Fluctuation in Unit Price**

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of the Units nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

**ARTICLE 5**  
**TAX MATTERS**

5.01 **Withholding Taxes**

Participants will be liable for all federal, state, provincial, local or foreign taxes (“**Taxes**”) of any kind including (without limitation) withholding taxes, social security, pension or other premiums and employment insurance premiums or taxes, arising in respect of the Units issued under this Plan. The satisfaction by the Participant (or the provision therefor to the satisfaction of the Trust) of all such Taxes will be a condition precedent to the receipt of any Units pursuant to the terms of the Plan. In the event that the Trust (or an Affiliate, in either case, the “Employer” for purposes of this Section) is required to withhold, pay or provide for Taxes as a result of the issuance of Units or other transaction contemplated under the Plan, the Trust may require that the Participant make a payment in immediately available funds to the Employer sufficient to cover all Taxes payable in accordance with applicable law (“Required Taxes”), in an amount determined by the Trust in its sole discretion and at the relevant time. Alternatively, the Trust (or the Employer) may in its sole discretion satisfy or provide for any such Required Taxes by (i) retaining (and or liquidating) a sufficient number of Units as would have otherwise been provided to a Participant under the Plan, (ii) satisfying the withholding requirements from a Participant’s other compensation; or (iii) any other method acceptable to the Trust.

**ARTICLE 6**  
**RIGHTS NOT CONFERRED**

6.01 **No Further Rights**

Nothing contained in the Plan gives any Participant any interest or title in or to any Units or any rights as a unitholder until such Participant has actually taken delivery of such Units or any other legal or equitable right against the Trust or a Subsidiary other than as set forth in the Plan.

6.02 **No Right to Employment**

The Plan and any Units granted hereunder will not be construed to confer any right to employment, nor will it confer upon the Participants any right to continue as a trustee of the Trust or a Subsidiary.

**ARTICLE 7**  
**APPROVALS/EFFECTIVE DATE**

7.01 **Effective Date**

(1) The Plan will be effective April 13, 2012 with respect to the Trustee’s Fees payable commencing in and with respect to the 2012 fiscal year; provided that no Units may be issued under the Plan until and unless all required regulatory and unitholder approvals have been obtained with respect to the issuance of Units hereunder.

(2) For the purposes of Trustees’ Fees payable in respect of the first quarter of 2012, the “Award Date” will be deemed to be the date of approval of the Plan by unitholders.

**ARTICLE 8**  
**GENERAL**

8.01 **Amendments**

(1) The Board may, at any time and from time to time, amend, suspend or terminate the Plan without unitholder approval, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any Regulatory Authority.

(2) Notwithstanding the provisions of Section 8.01(1), the Board may not, without the approval of the security holders of the Trust, make amendments to the Plan for any of the following purposes:

- (a) any amendment to remove or to exceed the Insider Participation Limit;

- (b) to increase the maximum number of Units that may be issued pursuant to Section 3.06; and
- (c) to amend the provisions of this Section 8.01.

8.02 **Compliance with Securities Laws**

No issuance of Units will be made pursuant to the Plan when such issuance would not be in compliance with the Trust's insider trading policy or any other similar provision of applicable law. The Board or the Committee, as the case may be, may extend or change applicable election or Award Dates or time periods in its discretion to ensure compliance as it may reasonably determine.

8.03 **Governing Law**

The Plan will be construed in accordance with the laws applicable in the Province of Ontario and the parties will agree that they will attorn to the jurisdiction of the courts of the Province of Ontario with respect to any and all actions brought in relation thereto.

8.04 **Language**

The Trust and the Participants confirm their desire that this document along with all other documents including all notices relating hereto, be written in the English language. La Compagnie et les membres confirment leur volonté que ce document de même que tous les documents, y compris tout avis, s'y rattachant soient rédigés en anglais.

8.05 **For the Protection of the Trustees**

Each of the parties hereto acknowledges that the Trustees have established this Plan solely in their capacity as Trustees, and that the obligations or liabilities (including those arising hereunder or arising in connection herewith or from the matters to which this Plan relates, if any, including without limitation, claims based on negligence or otherwise tortious behaviour) of the Trustees, managers, officers, consultants, agents or employees of the Trust hereunder will not be binding upon, nor will resort be had to the property of, any of the holders of Units of the Trust or any annuitant under a plan of which a holder of Units is a trustee or carrier (an "annuitant"). The obligations or liabilities, if any, of the Trustees, managers, officers or employees of the Trust hereunder will be satisfied only out of the property of the Trust. The provisions of this Section 8.05 will enure to the benefit of the heirs, successors, assigns and personal representatives of the Trustees, managers, officers or employees of the Trust and of the holders of units and annuitants and, to the extent necessary to provide effective enforcement of such provisions, the Trustees of the Trust are hereby acknowledged to be acting, and will be entitled to act as, Trustees for the holders of Units and annuitants. This Section 8.05 will survive the completion of the transactions contemplated by the Plan.



PARTNERS  REIT