



EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS
TO BE HELD ON MARCH 21, 2019**

AND

MANAGEMENT INFORMATION CIRCULAR

FEBRUARY 22, 2019

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover described in this information circular.

LETTER TO UNITHOLDERS

February 22, 2019

Dear Fellow Unitholder:

It is my pleasure to extend to you, on behalf of the board of trustees (the “**Board**”) of European Commercial Real Estate Investment Trust (the “**REIT**”), an invitation to attend a special meeting (the “**Meeting**”) of holders of: (i) trust units (“**Units**”); and (ii) non-participating special voting units of the REIT (collectively, the “**Unitholders**”) to be held at 9:00 a.m. (Toronto time) on March 21, 2019 at the offices of Stikeman Elliott LLP, 199 Bay Street, Commerce Court West, 53rd Floor, Toronto, Ontario.

As you are aware, on December 11, 2018, the REIT announced that it had entered into an agreement (the “**Acquisition Agreement**”) to acquire, indirectly, from Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) a portfolio of multi-residential properties located in the Netherlands (the “**Acquisition Properties**”) comprising 2,091 suites in 41 properties (the “**Transaction**”). In connection with the closing of the Transaction (the “**Closing**”), Unitholders and holders of class B LP units of ECRE Limited Partnership (the “**Class B LP Units**”) will receive a one-time special distribution of \$0.50 per unit funded by CAPREIT, as more particularly described in the accompanying management information circular (the “**Circular**”). The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the special distribution is expected to be shortly after the Closing.

We are very excited about the Transaction, which will create Canada’s first European-focused multi-residential real estate investment trust, and which furthers our strategy to provide access to Europe and deliver reliable income and growth to our Unitholders. The Transaction: (i) simultaneously delivers a step-change in our scale; (ii) refocuses our asset class to multi-residential, which is exhibiting recurring, robust rental growth driven by supply-demand imbalances; (iii) partners the REIT with CAPREIT, a best-in-class multi-residential owner/manager with a 20-year plus track record in Canada and Europe; (iv) positions us for growth in an attractive market with a pipeline funding arrangement; and (v) increases our access to capital with a well-capitalized, cornerstone investor. Given the transformational nature of the Transaction, the REIT also intends to change its name to “European Residential Real Estate Investment Trust” on Closing.

The Transaction will mark a dynamic transformation for the REIT, providing immediate scale and shifting its strategic focus from European commercial properties to European multi-residential assets. The REIT’s assets will increase from approximately \$147 million to approximately \$860 million in value, consisting of the Acquisition Properties and approximately 400,000 square feet of gross leasable office area in three commercial properties that the REIT currently owns. Additionally, the Transaction provides the REIT with a well-capitalized, institutional-quality majority Unitholder in CAPREIT that will support the REIT’s growth initiatives and will act as the external asset and property manager for the REIT and certain of its subsidiaries. CAPREIT currently owns nearly 50,000 Canadian and 3,859 European multi-residential units and has an established European-based property management platform. CAPREIT’s proven multi-residential acquisition and property management expertise will enable the REIT to significantly expand its European multi-residential business, with an initial focus on the Netherlands.

The following summarizes some of the highlights of the Transaction:

- *Attractive Asset Class with Strong Fundamentals:* Generally, European multi-residential assets continue to benefit from high occupancy rates, increasing rents and strong cash flow growth. Growth in rental rates and valuation metrics have generally outpaced those of commercial assets in Europe, and there is currently an attractive yield spread between European multi-residential capitalization rates and debt financing rates. Additionally, the professional management of the European multi-residential

sector is early in its maturation and provides opportunities for organic growth via asset management initiatives.

- *Significant Opportunity to Fuel Future Growth:* Significant external and organic growth opportunities are available to be realized through further acquisitions and enhancement of under-managed assets. The REIT intends to pursue property acquisitions directly, and will, upon Closing, enter into a pipeline agreement with CAPREIT (as more particularly described in the Circular) to ensure access to capital to take advantage of attractive, accretive acquisition opportunities.
- *Alignment of the REIT's Interests with Majority Unitholder:* CAPREIT's majority ownership of the REIT ensures that its interests will be aligned with Unitholders. CAPREIT is committed to the success of the REIT and intends to retain a significant long-term ownership interest in the REIT. As the REIT increases its size and liquidity, CAPREIT may subscribe for future issuances of Units of the REIT.
- *Industry-Leading Platform:* The REIT will be managed by CAPREIT pursuant to long-term asset and property management agreements (as more particularly described in the Circular). CAPREIT has a 21-year proven record of growing cash flows and enhancing value in multi-residential properties in Canada and has an existing property management platform in Europe. CAPREIT is Canada's largest multi-residential owner and has a best-in-class management platform consisting of approximately 900 employees.
- *Attractive Transaction for Unitholders:* Unitholders and holders of Class B LP Units, will receive a \$0.50 per unit special distribution funded by CAPREIT, which represents approximately 13% of the closing price of the Units on the TSX Venture Exchange (the "TSXV") on December 10, 2018 (the day prior to the announcement of the Transaction) of \$3.77 and is equivalent to approximately six previous quarterly distributions from the REIT. In addition, the REIT will satisfy a portion of the purchase price for the Acquisition Properties by issuing Class B LP Units to CAPREIT at a price of \$4.00 per unit, which represents a premium of approximately 6% to the closing price of the Units on the day prior to the announcement of the Transaction of \$3.77.

Following Closing, it is expected that existing Board trustees Ira Gluskin, Jan Arie Breure and I will continue as trustees of the REIT. As part of the Transaction, CAPREIT will be entitled to nominate three trustees to the Board. Pursuant to an investor rights agreement to be entered into on Closing (as more particularly described in the Circular), CAPREIT will be entitled to nominate three trustees to the Board subject to its ownership remaining above 20%. Subject to TSXV approval and election at the Meeting, it is proposed that Harold Burke, Gina Cody and Michael Stein (being nominees of CAPREIT), will become trustees of the REIT. Another independent trustee, to be selected by the REIT's new continuing Board, is expected to be appointed in the months following Closing. Following Closing, it is expected that I will continue acting as Chief Executive Officer of the REIT and as an employee of the Manager (as defined herein) of the REIT (an affiliate of CAPREIT), as more particularly described in the Circular.

The REIT established a special committee of independent trustees (the "**Independent Committee**") to review and negotiate the terms of the Transaction. The Independent Committee unanimously determined that the Transaction was in the best interests of the REIT and its Unitholders and recommended its approval by the Board. In making its recommendation, the Independent Committee relied, among other factors, upon an opinion of its financial advisor, Scotia Capital Inc., that the Transaction is fair from a financial point of view to Unitholders. Each of the REIT's trustees (with interested trustees abstaining) unanimously supports the Transaction and recommends that Unitholders vote in favour of the resolutions more particularly described in the Circular.

<p style="text-align: center;">THE BOARD RECOMMENDS THAT THE UNITHOLDERS VOTE IN FAVOUR OF THE RESOLUTIONS SET OUT IN THE CIRCULAR.</p>
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Certain trustees and officers of the REIT, who collectively hold approximately 12.8%¹ of the Units, have entered into voting and support agreements with CAPREIT in support of the Transaction and intend to vote their Units IN FAVOUR of the resolutions set out in the Circular.

The enclosed Circular contains a detailed description of the Transaction, a detailed description of certain amendments to the REIT's declaration of trust that Unitholders will be asked to approve in connection with the Transaction, detailed biographies of CAPREIT's nominees to the Board, certain financial and other information relating to the Acquisition Properties and certain *pro forma* financial information regarding the REIT after giving effect to the Transaction. **Please give this material careful consideration and, if you require assistance, consult your financial, tax, legal or other professional advisors to determine the particular impact (including tax impact) of the Transaction upon you, having regard to your own particular circumstances.**

You can complete and return the enclosed form of proxy in a number of ways. Please see the enclosed Notice of Special Meeting and Circular for information on how to vote your Units and / or special voting units of the REIT. Your vote must be received by 9:00 a.m. (Toronto time) on March 19, 2019 (or if the Meeting is adjourned or postponed, on the second last business day prior to the date of the adjourned or postponed Meeting). If you hold your Units and / or special voting units of the REIT through an intermediary such as a broker or investment dealer, your intermediary may require you to submit your vote at an earlier date and/or time.

Completion of the Acquisition is subject to the satisfaction of certain closing conditions, including the receipt of Unitholder, lender and TSXV approval. As such, there is no assurance that the Acquisition will be completed or, if completed, will be on terms that are the same as those disclosed in the Circular. If completion of the Acquisition does not take place as contemplated on or before March 31, 2019, the REIT will not realize the benefits described in the Circular and could suffer adverse consequences, including loss of investor confidence.

This is an important matter affecting the future of the REIT and your vote is important regardless of the number of Units and / or special voting units of the REIT you own. The Board and management thank you for your continued confidence, and we look forward to seeing you on March 21, 2019.

Yours very truly,

"Phillip Burns"

Phillip Burns
President, CEO and Trustee

¹ Includes the holdings of Phillip Burns and David Ehrlich, who beneficially own 723,243 Voting Units and 196,800 Voting Units, respectively, which collectively represent approximately 5.4% Voting Units, and whose votes will be excluded from the approval of the matters to be voted on at the Meeting.

NOTICE OF SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of trust units (the “**Units**”) of European Commercial Real Estate Investment Trust (the “**REIT**”) and non-participating special voting units (the “**Special Voting Units**”, and together with the Units, the “**Voting Units**”) of the REIT will be held at 9:00 a.m. (Toronto time) on March 21, 2019 at the offices of Stikeman Elliott LLP, 199 Bay Street, Commerce Court West, 53rd Floor, Toronto, Ontario, for the following purposes:

1. to consider and, if thought fit, pass, with or without amendment, a resolution, in the form of Appendix “B” to the accompanying management information circular dated February 22, 2019 (the “**Circular**”), approving:
 - (a) the indirect acquisition (the “**Acquisition**”) by the REIT of a portfolio of 41 multi-residential properties representing an aggregate of 2,091 residential suites located in the Netherlands (the “**Acquisition Properties**”) from Canadian Apartment Properties Real Estate Investment Trust and its applicable subsidiaries (“**CAPREIT**”), as more particularly described in the Circular, for an aggregate purchase price of \$633,588,660, subject to certain purchase price adjustments, to be satisfied by a combination of:
 - (i) the assumption of \$307,023,820 (based on the Canadian / Euro dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties; and
 - (ii) \$326,564,840, by the issuance of 81,641,210 class B limited partnership units of ECRE Limited Partnership (the “**Class B LP Units**”) to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit; and
 - (b) all other matters relating to the Acquisition, as more particularly described in the Circular;
2. to consider, and if deemed advisable, approve a resolution, with or without amendment, in the form of Appendix “C” to the Circular, authorizing and approving certain amendments to the amended and restated declaration of trust of the REIT dated May 3, 2017, as more particularly described in the Circular;
3. to consider, and if deemed advisable, approve a resolution, with or without amendment, in the form of Appendix “E” to the Circular, fixing the number of trustees of the REIT (the “**Trustees**”) at six, as more particularly described in the Circular;
4. to elect Harold Burke, Gina Cody and Michael Stein as new Trustees, conditional on and effective upon the completion of the Acquisition, as more particularly described in the Circular; and
5. to transact such other or further business as may properly come before the Meeting or any adjournment or postponement thereof.

Each person who is a holder of record of Voting Units at the close of business on February 19, 2019 (the “**Record Date**”) is entitled to receive notice of, and to attend and vote at, the Meeting, and any adjournment or postponement thereof.

Registered Unitholders unable to attend the Meeting in person are requested to read the Circular and the form of proxy which accompanies this Notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the REIT's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. To be effective, proxies must be received by Computershare Investor Services Inc. not later than 9:00 a.m. on March 19, 2019 or 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment or postponement of the Meeting. Late proxies may be accepted or rejected by the chair of the Meeting in his or her discretion, and the chair is under no obligation to accept or reject any particular late proxy.

Non-registered Unitholders who received the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.

The voting rights attached to the Units represented by a proxy in the enclosed form of proxy will be voted in accordance with the instructions indicated thereon. If no instructions are given, the voting rights attached to such Units will be voted IN FAVOUR OF the resolutions set out in the Circular.

The Circular provides additional information relating to proxies and the matters to be dealt with at the Meeting, and forms part of this Notice.

DATED at Toronto, Ontario this 22nd day of February, 2019.

BY ORDER OF THE BOARD OF TRUSTEES,

(signed) "*Ira Gluskin*"

Ira Gluskin
Chair of Special Committee

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GENERAL INFORMATION

This Circular is furnished in connection with the solicitation of proxies by or on behalf of management of the REIT for use at the meeting of the Unitholders of the REIT to be held on March 21, 2019 at the offices of Stikeman Elliott LLP, 199 Bay Street, Commerce Court West, 53rd Floor, Toronto, Ontario and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by the REIT or management. Information contained in this Circular is given as of the date of this Circular unless otherwise specifically stated.

All historical financial statements and financial information therefrom included or incorporated by reference herein pertaining to the REIT have been prepared in accordance with IFRS and all historical financial statements and financial information therefrom included or incorporated by reference herein pertaining to the Acquisition Properties have been prepared and presented in accordance with IFRS. The pro forma financial statements have been prepared on a basis consistent with IFRS accounting principles. Please see Appendix "J" and Appendix "K".

MEANING OF CERTAIN REFERENCES

Certain terms used in this Circular are defined under "Glossary". Certain financial information contained in this Circular is disclosed in Euros. In this Circular, references to "\$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "€" or "Euros" are to Euros. Amounts are stated in Canadian dollars unless otherwise indicated. Unless the context otherwise requires, all references in this Circular to the "REIT" refer to the REIT and its subsidiary entities on a consolidated basis; and in the case of references to matters undertaken by a predecessor in interest to the REIT or its subsidiary entities, include each such predecessor in interest.

References to "management" in this Circular mean the persons acting in the capacity of the REIT's Chief Executive Officer, the REIT's Chief Financial Officer and the persons who are the REIT's executive officers or who are acting in the capacities of the executive officers of the REIT and are officers or employees of Maple Knoll, the REIT's current asset manager. Any statements in this Circular made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact, certain information contained herein constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements concerning the Acquisition referred to in this Circular, including necessary approvals and other conditions required to complete the Acquisition, the expected costs and benefits of the Acquisition, the expected Acquisition Closing Date, payment of distributions, including the Special Distribution, and any other statements regarding the REIT’s expectations, intentions, plans and beliefs. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “budget”, “forecast”, “predict”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions.

Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to: the completion of the Acquisition within the expected timeframe; that there will be no material delays in obtaining required Unitholder approvals in connection with the Acquisition and that such approvals will be obtained; that the Acquisition Agreement will not be amended or terminated; that the payment of monthly distributions will continue through to the Acquisition Closing Date; the effect of the Acquisition on the financial performance of the REIT; the statements regarding the financial outlook of the Acquisition Properties as described under the heading “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition”; the ability of the REIT to obtain necessary financing or to be able to implement its business strategies; that the Canadian capital markets will continue to provide the REIT with access to equity and/or debt at reasonable rates when required; the level of activity in the REIT’s existing income-producing properties’ leasing business and the future multi-residential rental business; the European real estate industry, generally, and the Netherlands, Germany and Belgium, specifically (including property ownership risks, liquidity of real estate investments, competition, government regulation, environmental matters, and fixed costs, recent market volatility and increased expenses); that European economies will remain stable over the next 12 months; the REIT’s relationship with CAPREIT (including potential conflicts of interest with CAPREIT and dependence on CAPREIT); exchange rate risk and the global, Canadian and European economies generally. Although management of the REIT believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements or information will prove to be accurate.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, risks relating to: completion of the Acquisition, including completion of the conditions precedent to the Acquisition Agreement, some of which are outside of the REIT’s and CAPREIT’s control; the receipt and the timing of receipt of the Unitholder approvals; failure to realize expected returns on the Acquisition; the risk that the market price of the Units may be materially adversely affected if the Acquisition is not completed or its completion is materially delayed; a material adverse change or other circumstance that could give rise to the termination of the Acquisition Agreement; the REIT being required to pay CAPREIT the Termination Fee; the Acquisition Agreement restricting the REIT from taking specified actions without the consent of CAPREIT until the Acquisition is completed; material adverse changes in the business or affairs of the REIT; the REIT relying on CAPREIT with respect to the asset management of the Acquisition Properties and any properties acquired by the REIT in the future; CAPREIT obtaining a significant ownership interest in the REIT as a result of the Acquisition, and potential conflicts of interest with trustees and executive officers of the REIT and representatives of CAPREIT; the use of the Appraisal; the Fairness Opinion; costs associated with the Acquisition; competitive factors in the industries in which the REIT operates; and interest rates, prevailing economic conditions and other factors, many of which are beyond

the control of the REIT; and other risks described in the REIT's current annual information form posted under its profile on SEDAR at www.sedar.com. See also "Risk Factors" in this Circular.

Although management of the REIT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information in this Circular, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the forward-looking statements and information in this Circular will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements and information. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. Except as required by applicable law, the REIT disclaims any intention or obligation to update or revise any of the forward-looking statements or forward-looking information in this Circular, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements and information. All of the forward-looking statements made, and forward-looking information contained, in this Circular is qualified by these cautionary statements.

NON-IFRS MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”) are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate businesses.

The REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT’s ability to pay distributions, while FFO is an important measure of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO and AFFO is net income.

“FFO” is defined by the REIT as net income (loss) in accordance with IFRS, excluding: (i) fair value adjustments on the REIT’s properties; (ii) gains (or losses) from sales of the REIT’s properties; (iii) amortization of leasing costs and tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) certain acquisition related, structuring, and other non-recurring costs; (vi) distributions on exchangeable units in interest expense; (vii) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties; (viii) foreign exchange gains or losses; and (ix) fair value adjustment of interest rate swaps.

“AFFO” is defined by the REIT as FFO subject to the following adjustments: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing fees; (iii) differences resulting from recognizing property revenues on a straight-line basis; (iv) deferred unit compensation expense; and (v) a reserve for normalized maintenance capital expenditures and leasing costs, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees of the REIT in their discretion.

“NOI” is defined as property revenue, less property operating expenses. NOI is a widely used operating performance indicator in the real estate industry and is presented in the consolidated statements of income (loss) and comprehensive income (loss) as net rental income. Management has chosen to refer to net rental income as NOI in all instances.

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

Reconciliation of the REIT’s FFO and AFFO to net income is provided in the MD&A of the REIT for the three and nine months ended September 30, 2018.

GLOSSARY

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

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

“Acquisition Agreement” means the securities purchase agreement between the REIT and CAPREIT made as of December 10, 2018, pursuant to which the REIT will acquire the Acquisition Properties, as described under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition”.

“Acquisition Closing Date” means the date upon which the REIT completes the Acquisition, which is expected to occur in the first quarter of 2019.

“Acquisition Fee” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Management Fees”.

“Acquisition Properties” means 41 multi-residential properties representing an aggregate of 2,091 residential suites and certain additional ancillary commercial space and parking facilities, located in the cities of Amsterdam, Utrecht, The Hague, Cuijk, IJsselstein, Enschede, Gouda, Heerenveen, Huizen, Koog aan de Zaan, Landgraaf, Meppel, Oirschot, Oldenzaal, Oss, Rijswijk, Scherpenzeel, Sittard, Uden, Venlo, Venray and Warnsveld, in the Netherlands.

“Acquisition Proposal” means, other than the transactions contemplated by the Acquisition Agreement, any offer, proposal or inquiry (written or oral) from any person or group of persons other than CAPREIT (or any subsidiary of CAPREIT) after the date of the Acquisition Agreement relating to, in each case whether in a single transaction or a series of related transactions: (i) any direct or indirect sale, disposition, alliance or joint venture (or any lease, license, supply agreement or other arrangement having the same economic effect as the foregoing) of assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the REIT or involving 20% or more of the voting or equity securities of the REIT or any of its subsidiaries (or rights or interests in such voting or equity securities); (ii) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in such person or group of persons beneficially owning 20% or more of any class of voting, equity or other securities of the REIT or any of its subsidiaries (including securities convertible or exercisable or exchangeable for voting, equity or other securities of the REIT or any of its subsidiaries); (iii) any plan of arrangement, merger, amalgamation, consolidation, securities exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving the REIT or any of its subsidiaries; or (iv) any other similar transaction or series of transactions involving the REIT or any of its subsidiaries.

“Acquisition Resolution” means the resolution set forth in Appendix “B” to this Circular.

“Affiliate” of a person means any other person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities or interests, by contract, by virtue of provisions contained in Constating Documents or otherwise; and for certainty and without limitation, a person is deemed to control another person if: (i) the second person is a corporation or a trust that issues voting securities, when the first person owns securities (other than by way of security only), directly or indirectly, of the second person entitling the first person to exercise more than 50% of the votes

exercisable at any meeting of that second person, together with the right to elect a majority of the directors or trustees, as applicable, of the second person; (ii) the second person is a partnership, other than a limited partnership, when the first person holds more than 50% of the interests of the partnership or the right to exercise more than 50% of the votes exercisable at any meeting of partners of that partnership; (iii) the second person is a limited partnership, when the first person is the general partner of the limited partnership or controls the general partner of the limited partnership; or (iv) the second person is a trust that does not issue voting securities, when the first person controls the trustees of such trust.

“**AFFO**” has the meaning ascribed thereto under “Non-IFRS Measures”.

“**Amended Maple Knoll Management Agreement**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Amended Maple Knoll Management Agreement”.

“**Ancillary Agreement**” means any agreement, certificate or other instrument that is ancillary to the Acquisition Agreement.

“**Annual Asset Management Fee**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Management Fees”.

“**Annual Commercial Asset Management Fee**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Amended Maple Knoll Management Agreement”.

“**Appraisal**” means the appraisal conducted by Cushman & Wakefield in regards to the Acquisition Properties, dated December 4, 2018.

“**Assumed Mortgages**” means all of the existing mortgage debt and term loan liabilities associated with the Acquisition Properties, which are to be assumed by the REIT in connection with the Acquisition, as described under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition”.

“**Board**” or “**Board of Trustees**” means the board of Trustees of the REIT, as constituted from time to time.

“**Board Size Resolution**” means the resolution set forth in Appendix “E” to this Circular.

“**Brussels Property**” means the property located at the address municipally known as 1 Rue Adolphe Lavallée, 1080 Brussels, Belgium.

“**Capex Fee**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Management Fees”.

“**CAPREIT**” means Canadian Apartment Properties Real Estate Investment Trust and its applicable subsidiaries.

“**CAPREIT LP**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Services Agreement”.

“CAPREIT Material Adverse Effect” means any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances is or would reasonably be expected to be material and adverse to Holding BV and its subsidiaries, taken as a whole, including their operations, results of operations, condition (financial or otherwise) or liabilities (contingent or otherwise), except any such change, event, occurrence, effect, state of facts or circumstance resulting from: (a) any change affecting the real estate industry in the Netherlands as a whole; (b) any change in currency exchange, interest or inflation rates or securities or general economic, financial or credit market conditions in the Netherlands or elsewhere; (c) any change in applicable laws or generally accepted accounting principles; (d) any matter which has been expressly disclosed by CAPREIT or its subsidiaries in CAPREIT’s disclosure letter dated December 10, 2018 and delivered to the REIT with the Acquisition Agreement; (e) the failure of CAPREIT to meet any internal or published projections, forecasts or estimates of revenues, earnings or cash flows (it being understood that the causes underlying such failure may be taken into account in determining whether a CAPREIT Material Adverse Effect has occurred); (f) any actions taken (or omitted to be taken) by CAPREIT and its subsidiaries that is consented to by the REIT expressly in writing; (g) the announcement of the Acquisition Agreement; or (h) any change in the market price or trading volume of any securities of CAPREIT (it being understood that the causes underlying such change in market price or trading volume may be taken into account in determining whether a CAPREIT Material Adverse Effect has occurred); provided, however, that (i) with respect to clauses (a) through to and including (c), such matter does not have a materially disproportionate effect on the CAPREIT and its subsidiaries, taken as a whole, including their operations, results of operations, condition (financial or otherwise) or liabilities (contingent or otherwise), relative to other comparable companies and entities operating in the real estate industry in the Netherlands; and (ii) references in certain sections of this Circular to dollar amounts are not intended to be, and shall not be deemed to be, illustrative for purposes of determining whether a “CAPREIT Material Adverse Effect” has occurred.

“CAPREIT Member” means any trustee or officer of CAPREIT.

“CBCA” means the *Canada Business Corporations Act*.

“CFA” means a “controlled foreign affiliate” as defined in the Tax Act.

“Change in Recommendation” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Acquisition Agreement – Termination of the Acquisition Agreement”.

“Circular” means this management information circular, including the schedules.

“Class B LP Units” means the non-voting class B limited partnership units of the Partnership, which are exchangeable for Units of the REIT pursuant to the terms of the limited partnership agreement of the Partnership.

“Client” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Property Management Agreement”.

“Closing” means the closing of the Acquisition.

“Code of Conduct” means the REIT’s written code of conduct, which applies to all of the REIT’s Trustees, officers and employees.

“Commercial Properties” means collectively, the Düsseldorf Property, the Landshut Property and the Brussels Property.

“Computershare” means Computershare Trust Company of Canada, the registrar and transfer agent of the REIT.

“Confidentiality Agreement” means the mutual confidentiality and standstill agreement between the REIT and CAPREIT, dated November 15, 2018.

“Constating Documents” means: (a) articles of incorporation, amalgamation or continuation, as applicable, and by-laws; (b) declarations of trust; (c) partnership agreements; or (d) other applicable governing instruments, and all amendments thereto.

“Control Person” has the meaning ascribed thereto in the TSXV Corporate Finance Manual.

“CRA” means the Canada Revenue Agency.

“Current Maple Knoll Management Agreement” means the amended and restated asset management agreement between the REIT and its current asset manager, Maple Knoll, dated May 3, 2017.

“Cushman & Wakefield” means Cushman & Wakefield Netherlands B.V., the appraiser that prepared the Appraisal for the properties comprising the Acquisition Properties.

“Declaration of Trust” means the amended and restated declaration of trust of the REIT made as of May 3, 2017, as it may be further amended, supplemented or amended and restated from time to time.

“Declaration of Trust Amendments Resolution” means the resolution set forth in Appendix “C” to this Circular.

“Demand Registration” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“Demand Registration Right” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“Disclosure Policy” means the disclosure policy of the Board.

“Disposition Fee” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Amended Maple Knoll Management Agreement”.

“DPSP” means deferred profit sharing plan within the meaning of the Tax Act.

“Düsseldorf Property” means the property located at the address municipally known as Bismarckstraße 101, Düsseldorf, Germany.

“ECRE LP” or the **“Partnership”** means ECRE Limited Partnership, a limited partnership formed under the laws of Ontario pursuant to the ECRE LP Agreement.

“ECRE LP Agreement” means the limited partnership agreement of ECRE LP between the General Partner, as general partner, and each Person who is admitted to the partnership in accordance with the terms of the agreement, as the same may be amended and/or restated from time to time.

“Environmental Consultant” means SGS Search Ingenieursbureau B.V., the independent environmental consultant that prepared the Environmental Reports and the Property Condition Assessments.

“Environmental Reports” means, the environmental reports dated from December 8, 2016 to September 19, 2017, prepared by the Environmental Consultant in regards to the Acquisition Properties, as more particularly described in “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Environmental and Property Condition Assessment of Acquisition Properties”.

“Exchange Agreement” means the exchange agreement to be entered into on Closing substantially on the terms described in this Circular among the REIT, ECRE LP, the General Partner, and each Person who from time to time becomes or is deemed to become a party thereto by reason of his, her or its registered ownership of Class B LP Units, as the same may be amended, supplemented or restated from time to time.

“Excluded Issuances” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“Fairness Opinion” means the opinion of Scotia Capital that, as of December 10, 2018, and subject to the assumptions, limitations and qualifications on which the opinion is based, the Acquisition is fair, from a financial point of view, to the Unitholders.

“FAPI” means “foreign accrual property income” as defined in the Tax Act.

“FFO” has the meaning ascribed thereto under “Non-IFRS Measures”.

“Financing Fee” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Management Fees”.

“General Partner” means ECRE General Partner Corp., a corporation incorporated under the laws of Ontario and a wholly-owned subsidiary of the REIT.

“Gross Book Value” means the value of the REIT’s assets as presented in the REIT’s balance sheet in accordance with IFRS.

“Holders” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Consequences”.

“Holding BV” means CAPREIT NL Holding BV.

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

“Indebtedness” means (without duplication) on a consolidated basis:

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

operating facility) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions;

- (c) any obligation of the REIT issued or assumed as the deferred purchase price of property;
- (d) any capital lease obligation of the REIT; and
- (e) any obligation of the type referred to in subsections (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, other than such an obligation in connection with a property that has been disposed of by the REIT for which the purchaser has assumed such obligation and provided the REIT with an indemnity or similar arrangement therefor;

provided that (i) for the purposes of subsections (a) through (d), an obligation (other than convertible debentures) will constitute Indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS, (ii) obligations referred to in subsections (a) through (c) exclude trade accounts payables, security deposits, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, (iii) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (iv) Units and exchangeable securities will not constitute Indebtedness.

“Independent Trustee” means a Trustee who, in relation to the REIT, is “independent” within the meaning of NI 58-101, as replaced or amended from time to time (including any successor rule or policy thereto).

“Interested Parties” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Fairness Opinion”.

“Intermediary” means an intermediary that a Non-Registered Holder may deal with in respect of its Units such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, RDSPs, TFSAs and similar plans.

“Investor Rights Agreement” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“IPO” has the meaning ascribed thereto under “CAPREIT”.

“IRES” has the meaning ascribed thereto under “CAPREIT”.

“Landshut Property” means the property located at the address municipally known as E.ON-Allee 1-5, Kiem-Pauli-Str. 2, 82152 Landshut, Germany.

“LRE” means “loss restriction event”, as it relates to the Tax Act.

“LTT Payment” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Acquisition Agreement”.

“Management Fees” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Management Fees”.

“**Manager**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement”.

“**Maple Knoll**” means Maple Knoll Capital Ltd.

“**Maple Knoll Management Agreement Initial Term**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Amended Maple Knoll Management Agreement”.

“**Matching Period**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Acquisition Agreement – CAPREIT’s Right to Match”.

“**MD&A**” means management’s discussion and analysis.

“**Meeting**” means the special meeting of Unitholders of record on the Record Date to be held on March 21, 2019 at 9:00 a.m. for the purposes of, among other things, approving the Acquisition Resolution, and any adjournment or postponement thereof.

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

“**Minister**” means the Minister of Finance (Canada).

“**New Management Agreement**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement”.

“**New Trustees Election Resolution**” means the resolution set forth under “Particulars of Matters to be Acted Upon at the Meeting – Election of New Trustees”.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**NOI**” has the meaning ascribed thereto under “Non-IFRS Measures”.

“**Non-Registered Holder**” means a non-registered beneficial holder of Units whose Units are registered either: (i) in the name of an Intermediary that such holder deals with in respect of the Units, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, RDSPs, TFSAs and similar plans; or (ii) in the name of a clearing agency (such as CDS & Co.) of which the Intermediary is a participant.

“**Non-Resident**” means a person who is a “non-resident” within the meaning of the Tax Act or a partnership other than a Canadian partnership for the purposes of the Tax Act.

“**Non-Restricted Trustee**” means a Trustee who is: (i) an Independent Trustee; and (ii) not a CAPREIT Member.

“**Note**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“**Notice**” means the notice of Meeting accompanying this Circular.

“**OBCA**” means the *Business Corporations Act* (Ontario), as it may be amended from time to time, and the regulations promulgated thereunder.

“Opportunity” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement – Right of First Opportunity”.

“Other Suitable Property” means a property or properties (that are not Pipeline Properties) directly or indirectly held from time to time by CAPREIT, that comply with the investment guidelines of the REIT, as set out in the Declaration of Trust.

“Outside Date” means: (i) March 31, 2019, provided that either the REIT or CAPREIT may elect by notice in writing delivered prior to the Outside Date to extend the Outside Date by a period of 15 business days if the Acquisition Closing Date has not occurred by the Outside Date; or (ii) such earlier or later date as the REIT and CAPREIT may agree in writing.

“Participation Notice” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Percentage of Outstanding Units” means the percentage equal to the quotient obtained when (i) the aggregate number of issued and outstanding Units beneficially owned by CAPREIT, or over which CAPREIT exercises control or direction (including, for the purposes of this calculation, securities convertible into Units that are owned by CAPREIT or over which CAPREIT exercises control or direction), is divided by (ii) the aggregate number of issued and outstanding Units (including, for the purposes of this calculation, securities convertible into Units owned by CAPREIT or over which CAPREIT exercises control or direction), in each case, as at the time of calculation and, for avoidance of doubt otherwise on a non-diluted basis.

“person” means an individual, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or governmental entity, and pronouns have a similarly extended meaning.

“Piggy-Back Registration” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“Piggy-Back Units” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“Pipeline Acquisition Costs” means, collectively, the purchase price paid by CAPREIT for a Pipeline Property or Other Suitable Property, as applicable (less any third party indebtedness), the Underwriting Fee, due diligence costs, financing fees, any capital expenditures incurred by CAPREIT, any other costs incurred in accordance with the Pipeline Agreement, any applicable acquisition related taxes and duties, and all other third party acquisition costs reasonably incurred by CAPREIT in respect of the acquisition of a Pipeline Property.

“Pipeline Acquisition Price” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Pipeline Agreement” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Pipeline Call Option” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Pipeline Closing Date” means the date of completion of each acquisition by the REIT of a Pipeline SPV, Pipeline Property or Other Suitable Property, as the case may be, pursuant to the Pipeline Agreement.

“Pipeline Properties” means properties that may be acquired pursuant to the Pipeline Agreement, comply with the investment guidelines of the REIT, as set out in the Declaration of Trust, do not contravene the investment policy or Constatng Documents of CAPREIT, and have been approved by the Board (including with respect to the terms of acquisition thereof).

“Pipeline Put Option” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Pipeline SPV” means any wholly-owned special purpose vehicle incorporated by CAPREIT or one of its subsidiaries for the purpose of participating in property sale processes and acquiring properties pursuant to the Pipeline Agreement.

“Pipeline SPV Shares” means the issued and outstanding capital of a Pipeline SPV.

“Plans” means collectively, trusts governed by RRSPs, RRIFs, RESPs, RDSPs, DPSPs and TFSA, and **“Plan”** means any of them.

“Property Condition Assessments” means the baseline property condition assessments dated from December 8, 2016, to August 31, 2017, prepared by the Environmental Consultant in regards to the Acquisition Properties, as more particularly described in “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Environmental and Property Condition Assessment of Acquisition Properties”.

“Property Management Agreement” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Property Management Agreement”.

“Property Manager” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Property Management Agreement”.

“Proposed Declaration of Trust Amendments” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust”.

“Proxy Nominees” means the persons named in the accompanying form of proxy, Phillip Burns, or failing him, Fredric Waks.

“Purchased Asset” means a Pipeline Property, an Other Suitable Property or Pipeline SPV Shares, as applicable.

“RDSP” means registered disability savings plan within the meaning of the Tax Act.

“Record Date” means February 19, 2019.

“Registered Holder” means a registered Unitholder, as of the Record Date.

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

“REIT Material Adverse Effect” means any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances is or would reasonably be expected to be material and adverse to the REIT and its subsidiaries, taken as a whole, including their respective operations, results of operations, condition (financial or otherwise) or liabilities (contingent or otherwise), except any such change, event, occurrence, effect, state of facts or circumstance resulting from: (a) any change affecting the real estate industry in the Netherlands, Germany or Brussels, in each case, as a whole; (b) any change in currency exchange, interest or inflation rates or securities or general economic, financial or credit market conditions in the Netherlands, Germany or Brussels or elsewhere; (c) any change in applicable laws or generally accepted accounting principles; (d) any matter which has been expressly disclosed by the REIT in the REIT’s disclosure letter dated December 10, 2018 and delivered to CAPREIT with the Acquisition Agreement; (e) the failure of the REIT to meet any internal or published projections, forecasts or estimates of revenues, earnings or cash flows (it being understood that the causes underlying such failure may be taken into account in determining whether a REIT Material Adverse Effect has occurred); (f) any actions taken (or omitted to be taken) by the REIT or its subsidiaries that is consented to by CAPREIT expressly in writing; (g) the announcement of the Acquisition Agreement; or (h) any change in the market price or trading volume of any securities of the REIT (it being understood that the causes underlying such change in market price or trading volume may be taken into account in determining whether a REIT Material Adverse Effect has occurred); provided, however, that (i) with respect to clauses (a) through to and including (c), such matter does not have a materially disproportionate effect on the REIT and its subsidiaries, taken as a whole, including their respective operations, results of operations, condition (financial or otherwise) or liabilities (financial or otherwise), relative to other comparable companies and entities operating in the real estate industry in the Netherlands, Germany or Brussels; and (ii) references in certain sections of this Circular to dollar amounts are not intended to be, and shall not be deemed to be, illustrative for purposes of determining whether a “REIT Material Adverse Effect” has occurred.

“RESP” means registered education savings plan within the meaning of the Tax Act.

“Reverse Takeover” has the meaning ascribed thereto in Section 1.1 of TSXV Policy 5.2.

“Revolving Credit Facility” means the credit agreement dated June 30, 2017 between the REIT and Canadian Imperial Bank of Commerce, as extended as at June 30, 2018.

“RRIFs” means “registered retirement income funds”, as defined in the Tax Act.

“RRSPs” means “registered retirement savings plans”, as defined in the Tax Act.

“Scotia Capital” means Scotia Capital Inc.

“Securities Laws” means the *Securities Act* (Ontario) and any other applicable provincial securities laws.

“Services” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Services Agreement”.

“Services Agreement” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Services Agreement”.

“SIFT” means a specified investment flow-through trust or partnership for the purpose of the Tax Act.

“SIFT Rules” means the provisions of the Tax Act that apply to a SIFT and its investors, taking into account all proposed amendments to such rules.

“Special Committee” means the committee of Independent Trustees of the REIT, consisting of Ira Gluskin (Chair), Fredric Waks and Jan Arie Breure, established by the REIT for the purposes of supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition and making recommendations to the Trustees in respect of matters that it considers relevant with respect to the Acquisition and ensuring that the REIT completes such Acquisition in compliance with the Declaration of Trust, applicable law and the applicable policies of the TSXV.

“Special Distribution” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution”.

“Special Voting Units” means non-participating special voting units of the REIT and, for greater certainty, does not mean Units, and **“Special Voting Unit”** means one of them.

“Subsidiary Notes” mean promissory notes of a subsidiary of the REIT having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance.

“Suitable Property Investment” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“Superior Proposal” means any unsolicited bona fide written Acquisition Proposal from person(s) who are an arm’s length third person(s), made after the date of the Acquisition Agreement, to acquire not less than all of the outstanding Units or all or substantially all of the assets of the REIT on a consolidated basis that: (i) complies with Securities Laws and did not result from or involve a breach of the Acquisition Agreement, the exclusivity provisions contained in the Confidentiality Agreement or any other agreement between the person making the Acquisition Proposal and the REIT or any of its subsidiaries; (ii) is, in the opinion of the Board (after consultation with outside legal counsel and financial advisors), reasonably capable of being completed without undue delay relative to the Acquisition, taking into account all financial, legal, regulatory and other aspects of such proposal and the person(s) making such proposal; (iii) is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available to the satisfaction of the Board, acting in good faith (after the receipt of advice from its financial advisors and outside legal counsel); (iv) is not subject to any due diligence condition; (v) the Board determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the person(s) making such Acquisition Proposal, would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to Unitholders, than the Acquisition and the other transactions contemplated by the Acquisition Agreement (including any amendments to the terms and conditions of the Acquisition and the Acquisition Agreement proposed by CAPREIT pursuant to the Acquisition Agreement); and (vi) in the event that the REIT does not have the financial resources to pay the Termination Fee, the terms of such Acquisition Proposal provide that the person(s) making such Acquisition Proposal shall advance or otherwise provide the REIT the cash required for the REIT to pay the Termination Fee and such amount shall be advanced or provided on or before the date such Termination Fee becomes payable.

“Superior Proposal Notice” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Acquisition Agreement – CAPREIT’s Right to Match”.

“Supporting Unitholders” means each of those persons set out in the REIT disclosure letter including all of the trustees and officers of the REIT.

“**Tax Act**” means the *Income Tax Act*, R.S.C. 1985 (5th Supp.) c.1, as amended.

“**Tax Proposals**” has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Consequences”.

“**Termination Fee**” means the \$3 million termination payment payable to CAPREIT by the REIT upon the occurrence of certain events under the terms of the Acquisition Agreement.

“**TFSA**” means “tax-free savings account” within the meaning of the Tax Act.

“**The Ring Portfolio**” means the following Acquisition Properties: (i) Oeverpad 220-294, Amsterdam; (ii) Oeverpad 364-438, Amsterdam; (iii) Nilda Pintostraat 3-41, Isabella Richaardsstraat 6-8, Amsterdam; (iv) Bijlmerdreef 790-934, Isabella Richaardsstraat 2-4, Amsterdam; (v) Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33, Amsterdam; (vi) Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20, Amsterdam; (vii) Efua Sutherlandstraat 19-59, Amsterdam; (viii) Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16, Amsterdam; (ix) Auriollaan 2-112, Utrecht; (x) Marshallaan 293-395, Utrecht; (xi) Marshallaan 296-398, Utrecht; (xii) Monnetlaan 1-111, Utrecht; (xiii) Oudstraat 1-27, Ijsselstein (Utrecht); (xiv) Lau Mazirellaan 33-157, The Hague; (xv) Anna Blamanplein 26-123, The Hague; (xvi) Poldermolenplein 3-55, Poldermolendreef 53-123, Middenmolenplein 6-60, Gouda; (xvii) Bielzen 1-48, Stationsstreat 7-421, Heerenveen; (xviii) Antoni van Leeuwenhoekhof 1-6, Hugo de Grootsingel 3-13, Huizen; and (xix) Kraaijenkampzoom 50-72, Ellekampzoom 59-81, Kluiverkamp 2-58, Koog aan de Zaan.

“**Top-Up Right**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“**Top-Up Securities**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement”.

“**Total Commitment**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”.

“**Transaction Resolutions**” means, collectively, the Acquisition Resolution and the Declaration of Trust Amendments Resolution.

“**Trustee Nominees**” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – Election of New Trustees”.

“**Trustees**” means the trustees of the REIT from time to time.

“**TSXV**” means the TSX Venture Exchange.

“**TSXV Policy 5.2**” means Policy 5.2 (Changes of Business and Reverse Takeovers) of the TSXV Corporate Finance Manual.

“**Underwriting Fee**” means an amount that is equal to one percent of the purchase price of: (i) a Pipeline Property; or (ii) Other Suitable Property except as may have been owned by CAPREIT on the date of the Acquisition Agreement.

“**Unit Option**” means a non-assignable, non-transferable and exercisable for a period of up to 10 years option to acquire a Unit at an exercise price to be determined pursuant to TSXV rules and the REIT’s unit

option plan dated May 3, 2017, as re-approved by the Unitholders on May 24, 2018, providing for the issuance of Unit Options.

“Unit Option Plan” means the REIT’s “rolling” Unit Option plan.

“Unitholder” means a registered and beneficial holder of Units.

“Units” means the participating units of interest in the REIT issued pursuant to the Declaration of Trust and having the attributes described therein, and a **“Unit”** means one of them.

“Voting and Support Agreements” means, collectively, the voting and support agreements dated prior to the mailing of the Circular, between CAPREIT and each of the Supporting Unitholders, substantially in the form of Exhibit IV to the Acquisition Agreement.

“Voting Units” means, collectively, the Units and the Special Voting Units.

“Waiving Distribution Holders” has the meaning ascribed thereto under “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution”.

“Working Capital” means, with respect to a Pipeline SPV, the aggregate current assets of the Pipeline SPV less the aggregate current liabilities of the Pipeline SPV, in each case as at the Pipeline Closing Date, calculated in accordance with IFRS.

SUMMARY

The following is a summary of information relating to the REIT, the Acquisition and the Acquisition Properties, and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Appendices attached hereto.

The Meeting

The Meeting will be held at 9:00 a.m. (Toronto time) on March 21, 2019 at the offices of Stikeman Elliott LLP, 199 Bay Street, Commerce Court West, 53rd Floor, Toronto, Ontario, for the purposes set forth in the Notice that accompanies this Circular. Unitholders will be asked at the Meeting to consider, and if deemed advisable, to approve certain special business, including Unitholder resolutions authorizing: (i) the Acquisition; (ii) certain amendments to the Declaration of Trust, as more particularly described in the Circular; and (iii) the fixing of the number of Trustees at six, as well as electing Harold Burke, Gina Cody and Michael Stein as new Trustees, for the purposes of giving effect to the matters contemplated by the Acquisition Agreement.

The Board has fixed February 19, 2019 as the Record Date for determining the Unitholders entitled to receive notice of and vote at the Meeting.

See "Particulars of Matters to be Acted Upon at the Meeting".

The REIT

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head and registered office address of the REIT is 11 Church Street, Suite 401, Toronto, Ontario.

The Acquisition will mark a dynamic transformation for the REIT, providing immediate scale and shifting its strategic focus from European commercial properties to European multi-residential assets. The REIT's assets will increase from approximately \$147 million to approximately \$860 million in value, consisting of the Acquisition Properties and approximately 400,000 square feet of gross leasable office area in three commercial properties that the REIT currently owns. Additionally, the Acquisition provides the REIT with a well-capitalized, institutional-quality majority Unitholder in CAPREIT that will support the REIT's growth initiatives and will act as the external asset and property manager for the REIT and certain of its subsidiaries. See "The REIT".

CAPREIT

CAPREIT is Canada's largest residential landlord owning interests in 51,528 residential units, comprised of 44,935 residential suites and 32 manufactured home communities comprising 6,593 land lease sites. CAPREIT owns and operates a portfolio of multi-residential properties, including apartments, townhomes, and manufactured home communities primarily located in and near major urban centres across Canada and the Netherlands. CAPREIT's concentration on the residential real estate market is aimed at solid year-over-year income growth in a portfolio with stable occupancy and strong geographic diversification. See "CAPREIT".

The Acquisition

The REIT has agreed to indirectly acquire a portfolio of 41 multi-residential properties from CAPREIT containing 2,091 residential suites and certain additional ancillary commercial space and parking facilities, located in the cities of Amsterdam, Utrecht, The Hague, Cuijk, Ijsselstein, Enschede, Gouda, Heerenveen, Huizen, Koog aan de Zaan, Landgraaf, Meppel, Oirschot, Oldenzaal, Oss, Rijswijk,

Scherpenzeel, Sittard, Uden, Venlo, Venray and Warnsveld, in the Netherlands. The aggregate purchase price for the indirect acquisition of the Acquisition Properties is \$633,588,660, subject to certain purchase price adjustments, and will be satisfied by a combination of: (i) \$326,564,840, by the issuance of 81,641,210 Class B LP Units to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit; and (ii) the assumption of \$307,023,820 (based on the Euro / Canadian dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties. The purchase price was determined based on the Appraisal, converted using a Euro / Canadian dollar exchange rate of 1.502. It is expected that CAPREIT and ECRE Limited Partnership will make a joint election such that the indirect transfer of the Acquisition Properties from CAPREIT to ECRE Limited Partnership will occur on a fully or partially tax-deferred basis for CAPREIT's Canadian federal income tax purposes. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Appraisal". In addition, in connection with the Acquisition, Unitholders and holders of Class B LP Units will receive a one-time special distribution of \$0.50 per unit funded by CAPREIT. The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the Special Distribution is expected to be shortly after the Closing, subject to the approval by the Unitholders of the Transaction Resolutions. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition".

The purchase price for the Acquisition Properties was established by negotiation between the Special Committee and CAPREIT, after the consideration of, among other things, the Fairness Opinion, the Appraisal, the Environmental Reports, the Property Condition Assessments and other financial, market and detailed property-related information deemed appropriate and sufficient for such purposes. See "Particulars of Matters to be Acted Upon at the Meeting".

Recommendation of the Special Committee and Board

Based upon the recommendations of the Special Committee and the factors referred to above (including without limitation, the Fairness Opinion and advice received from the Special Committee's legal and financial advisors), the Trustees unanimously: (i) resolved that the Acquisition is fair to Unitholders; (ii) determined that the Acquisition is, and the entering into of the Acquisition Agreement was, in the best interests of the REIT; (iii) approved the Acquisition Agreement and all other agreements deemed necessary to complete or related to the Acquisition; and (iv) resolved to recommend that Unitholders vote IN FAVOUR of the Acquisition Resolution at the Meeting. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Recommendation of the Special Committee and Board".

Fairness Opinion

On October 10, 2018, the Special Committee formally retained Scotia Capital as financial advisor to perform such financial advisory and investment banking services for the Special Committee as are customary in transactions similar to the Acquisition, including providing financial advice and assistance to the Special Committee in evaluating the Acquisition. Scotia Capital is of the opinion that, as at December 10, 2018 (being the date of the Fairness Opinion), the Acquisition is fair, from a financial point of view, to the Unitholders.

In considering the fairness of the Acquisition from a financial point of view to the Unitholders, Scotia Capital considered and relied upon the following: (i) a comparison of the results of a net asset value analysis of the REIT with the *pro forma* REIT after giving effect to the Acquisition; (ii) a comparison of the multiples implied by the Acquisition to multiples paid in selected precedent transactions; and (iii) a comparison of the Acquisition to the recent market trading prices of the Units. Scotia Capital also reviewed and compared selected multiples for Canadian real estate entities whose securities are publicly

traded to the multiples implied by the Acquisition. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Fairness Opinion”.

Exchange of Existing Class B LP Units

A condition of Closing is that the REIT and CAPREIT receive evidence that all of the Class B LP Units (other than the Class B LP Units to be issued to CAPREIT) have been exchanged for Units. The REIT intends to effect the automatic exchange of all of the outstanding Class B LP Units (other than the Class B LP Units to be issued to CAPREIT) pursuant to Section 4.1 of the Exchange Agreement upon the aggregate number of Units for which the Class B LP Units are exchangeable being less than 1% of the total number of Units and Class B LP Units issued and outstanding as at May 3, 2017. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Exchange of Existing Class B LP Units”.

Special Distribution

Pursuant to the terms of the Acquisition Agreement, CAPREIT has agreed to fund a Special Distribution in the amount of \$0.50 per Unit and per Class B LP Unit. The aggregate amount of the Special Distribution is expected to be approximately \$8 million. Each Unitholder and holder of Class B LP Units of record will be entitled to receive the Special Distribution, and Unitholders and holders of Class B LP Units of record shall have the option to receive the Special Distribution in either cash or in Units, based on a deemed issue price of \$4.00 per Unit. Any remainder from the funds provided to the REIT by CAPREIT for the Special Distribution, following the completion of the Special Distribution by the REIT, will be used for the REIT’s general trust purposes. The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the Special Distribution is expected to be shortly after the Closing. The Special Distribution will not be payable to CAPREIT in respect of the Class B LP Units that will be issued to CAPREIT on Closing. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution”.

Acquisition Agreement

The Acquisition will be completed pursuant to the Acquisition Agreement and will be conditional upon the satisfaction of certain conditions, including lender consents, the Unitholder approvals contemplated by this Circular, TSXV approval, the exchange of all Class B LP Units for Units and the amending of the Current Maple Knoll Management Agreement. The Closing is expected to be on or about March 29, 2019.

The Acquisition Agreement contains representations and warranties typical of those contained in acquisition agreements negotiated between parties dealing at arm’s length (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital of applicable parties, leasing matters, the existence of work orders and covenants of the vendor, relating to outstanding lender undertakings and the resolution of outstanding work orders pertaining to the Acquisition Properties).

Pursuant to the Acquisition Agreement, each of the REIT and CAPREIT has covenanted, among other things, to perform, or cause its applicable subsidiaries to perform, all obligations and to do or cause to be done all other acts and things as may be necessary or desirable in order to consummate, and make effective, as soon as reasonably practicable, the transactions contemplated by the Acquisition Agreement and any Ancillary Agreement.

Among other things, the Acquisition Agreement includes a non-solicitation covenant for the REIT and its subsidiaries, a Superior Proposal provision and a provision granting CAPREIT the right to match any Superior Proposal, all in accordance with the terms of the Acquisition Agreement and as more

particularly described in “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Acquisition Agreement”.

Pipeline Agreement

On Closing, CAPREIT will enter into the Pipeline Agreement with the REIT pursuant to which CAPREIT, for a period ending on the two-year anniversary of the entering into of the Pipeline Agreement, will make up to \$250,000,000 (inclusive of Pipeline Acquisition Costs) available to acquire Pipeline Properties in the form of Suitable Property Investments. Once any part of the Total Commitment has been repaid, that part of the Total Commitment will be available for re-use under the terms of the Pipeline Agreement. See “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Pipeline Agreement”.

New Management Agreement

On Closing, CAPREIT LP and CanLiving BV (collectively, being the Manager) will enter into the New Management Agreement with, *inter alia*, the REIT, whereby the Manager will assume the role of asset manager of the REIT. Subject to certain exceptions described in this Circular, the Manager shall provide the REIT with a right of first opportunity on all acquisition or investment opportunities in each multi-residential rental property located in Europe identified by the Manager or any of its Affiliates that fit within the REIT’s investment policy. See “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - New Management Agreement”.

Amended Maple Knoll Management Agreement

Upon Closing, the Current Maple Knoll Management Agreement will be amended and replaced with the Amended Maple Knoll Management Agreement pursuant to which Maple Knoll will act as the asset manager to the REIT in respect of the REIT’s Commercial Properties. See “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Amended Maple Knoll Management Agreement”.

Property Management Agreement

On Closing, CanLiving BV, a subsidiary of CAPREIT, and certain subsidiaries of the REIT, will enter into agreements, whereby CanLiving BV will assume the role of property manager for certain subsidiaries of the REIT. See “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Property Management Agreement”.

Investor Rights Agreement

On Closing, the REIT and CAPREIT will enter into an investor rights agreement (the “**Investor Rights Agreement**”) setting out CAPREIT’s rights as a significant Unitholder. Pursuant to the Investor Rights Agreement, CAPREIT shall be granted, among other things, certain nomination, registration, pre-emptive, information and inspection, and consent rights, all as more particularly described in “Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Investor Rights Agreement”.

Services Agreement

On Closing, the Manager will enter into the Services Agreement with, *inter alia*, the REIT, pursuant to which the Manager will provide the REIT and certain of its subsidiaries with certain administrative services, including financial, information technology, internal audit and other support services as may be reasonably required from time to time. The Manager will provide these Services to the REIT on a cost recovery basis pursuant to which the REIT will reimburse the Manager for all reasonable costs and

expenses incurred by the Manager in connection with providing the Services, plus applicable taxes. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Services Agreement”.

CAPREIT as New Control Person and Reverse Takeover

As part of the purchase price for the Acquisition Properties, CAPREIT will acquire 81,641,210 Class B LP Units, which are exchangeable for Units pursuant to the terms of the limited partnership agreement of the Partnership and the Exchange Agreement, and if exchanged for Units, would represent approximately 83% of the issued and outstanding Units following Closing. Therefore, as a result of the Acquisition, CAPREIT will become a new Control Person of the REIT.

Further, in the event that the REIT has insufficient availability under its credit facilities to fund any land transfer tax liability incurred as a result of the transactions contemplated by the Acquisition Agreement or as otherwise required under the Acquisition Agreement and so notifies CAPREIT, CAPREIT will subscribe for at least \$12 million of Class B LP Units at a price of \$4.00 per Class B LP Unit.

In addition, CAPREIT will enter into the following agreements with the REIT on Closing: (i) the Pipeline Agreement, pursuant to which CAPREIT may be issued additional Units, Class B LP Units, or a Note (that may be convertible into Units or Class B LP Units) as consideration for potential future property acquisitions by the REIT; (ii) the New Management Agreement, pursuant to which the Manager will act as the asset manager of the REIT and may elect to receive all or a portion of the Management Fees payable to the Manager under the New Management Agreement in the form of Units; (iii) the Property Management Agreement, pursuant to which the Property Manager will act as the property manager for certain subsidiaries of the REIT; (iv) the Investor Rights Agreement, pursuant to which CAPREIT shall be granted certain nomination, pre-emptive and registration rights, as well as the right to acquire additional Units by exercising its Top-Up Right; and (v) the Services Agreement, pursuant to which the Manager will provide the REIT and certain of its subsidiaries with certain administrative services.

Based on the foregoing, particularly in regards to the creation of a new Control Person, the Acquisition is a “Reverse Takeover”, as such term is defined in TSXV Policy 5.2. Pursuant to Section 4 of TSXV Policy 5.2, the REIT is required to obtain disinterested Unitholder approval for a Reverse Takeover. The approval of the Acquisition Resolution by a majority of the disinterested Unitholders present in person or represented by proxy at the Meeting shall constitute disinterested Unitholder approval for the purposes of Section 4 of TSXV Policy 5.2. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – CAPREIT as New Control Person and Reverse Takeover”.

Transaction Approvals

Disinterested Unitholder Approval

Pursuant to Section 4 of TSXV Policy 5.2, the REIT is required to obtain disinterested Unitholder approval for a Reverse Takeover (which the Acquisition is under TSXV Policy 5.2 because it will result in CAPREIT becoming a new Control Person of the REIT). The approval of the Acquisition Resolution by a majority of the disinterested Unitholders present in person or represented by proxy at the Meeting shall constitute disinterested Unitholder approval for the purposes of Section 4 of TSXV Policy 5.2. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – CAPREIT as New Control Person and Reverse Takeover”.

TSXV Approval

The REIT is seeking the approval of the Acquisition from the TSXV. It is expected that conditions for the receipt of final approval from the TSXV will include approval of a majority of the disinterested

Unitholders noted above, and certain other customary conditions. Closing of the Acquisition is subject to the REIT obtaining the approval of the TSXV. **As of the date of this Circular the REIT has not received the conditional approval of the TSXV.**

Description of the Acquisition Properties

The Acquisition Properties consist of 41 properties representing an aggregate of 2,091 residential suites and certain additional ancillary commercial space and parking facilities, located in the cities of Amsterdam, Utrecht, The Hague, Cuijk, IJsselstein, Enschede, Gouda, Heerenveen, Huizen, Koog aan de Zaan, Landgraaf, Meppel, Oirschot, Oldenzaal, Oss, Rijswijk, Scherpenzeel, Sittard, Uden, Venlo, Venray and Warnsveld, in the Netherlands. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Description of the Acquisition Properties”.

Amendments to the Declaration of Trust

At the Meeting, Unitholders will be asked to consider, and if deemed advisable, approve, with or without amendment, each of the four resolutions comprising the Declaration of Trust Amendments Resolution, the full text of which is set forth in Appendix “C” to this Circular, authorizing certain amendments to the Declaration of Trust summarized below and as more particularly reflected in the consolidated blacklined copy of the Declaration of Trust attached as Appendix “D” to this Circular (collectively, the “**Proposed Declaration of Trust Amendments**”).

Proposed Declaration of Trust Amendments

Independent Trustee Matters

As a result of the Acquisition, CAPREIT will be able to effect certain control over the REIT’s operations and activities. Additionally, as a result of the activities carried on by both the REIT and CAPREIT in investing in certain European real estate, there is a potential for conflicts of interest to arise between the parties. In an effort to mitigate such potential for conflicts of interest that would adversely affect the REIT and its Unitholders, and as a matter of good governance, management proposes to amend the Declaration of Trust to provide that certain matters which have the potential to give rise to a conflict of interest between the REIT and CAPREIT and its subsidiaries or with any related party of the REIT, must be approved by a majority of the Non-Restricted Trustees, in addition to a majority of the Trustees generally. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – CAPREIT as New Control Person and Reverse Takeover”, “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Independent Trustee Matters” and “Risk Factors”.

Special Distributions

Following completion of the Acquisition, the REIT proposes to make a Special Distribution in the amount of \$0.50 per unit to Unitholders and holders of Class B LP Units prior to completion of the Acquisition. Eligible Unitholders will have the right to elect to receive such Special Distribution in either cash or additional Units based on a deemed issue price of \$4.00 per Unit or Class B LP Unit. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution”. As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving the addition of a new Section 10.2 to the Declaration of Trust granting the Trustees the right to declare to be payable and/or make distributions, from time to time, out of income, net realized taxable capital gains, capital or other items, in any year, in such amount or amounts, and on such dates as the Trustees may determine, to Unitholders (including any Trust Unitholders that have otherwise contractually waived the right to receive regular distributions that are

declared payable to Trust Unitholders pursuant to Section 10.1) of record on such dates as the Trustees may determine in accordance with the Declaration of Trust. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Special Distributions”.

Monthly Distributions

Following the second quarter of 2019 and subject to the Closing, the REIT intends to change from making quarterly distributions to making monthly distributions, subject to the discretion of the Board. While the amount of the monthly distribution has yet to be determined, it is expected to have a target AFFO payout ratio in the range of 80% to 90%. ECRE LP will make corresponding cash distributions to holders of Class B LP Units. As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving the addition of a new Section 12.1(j) to the Declaration of Trust granting the Trustees the right to amend the frequency of a distribution made by the REIT or any of its subsidiaries so long as the frequency of such distribution is either monthly or quarterly. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Monthly Distributions”.

Operating Policies

Under the REIT’s operating policies set out at Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust, the REIT (or its applicable subsidiaries) shall, in connection with any property it intends to acquire: (i) conduct or receive an independent appraisal and an engineering survey with respect to the physical condition of such property (including capital replacement programs); and (ii) obtain or review a Phase I environmental audit (or reliance letter from an environmental consultant in respect of a Phase I environmental audit) of each such property, dated within 18 months of the date of acquisition. Although CAPREIT commissioned the Appraisal for all of the Acquisition Properties, the REIT has not obtained appraisals for the Acquisition Properties that the REIT can formally rely on. In addition, engineering surveys and Phase I environmental audits dated within 18 months of the date of acquisition were obtained in accordance with Section 5.2 of the Declaration of the Trust for some, but not all of the Acquisition Properties. The REIT, however, was nonetheless satisfied with the substance of the reports and the due diligence conducted on the Acquisition Properties. In addition, there are certain properties currently owned by CAPREIT which may be sold to the REIT under the Pipeline Agreement that may not have recent environmental reports or physical condition reports. Based on the foregoing, the REIT’s operating policies require amendment in order to complete the Acquisition and to complete certain potential acquisitions under the Pipeline Agreement.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing an amendment to Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust permitting the REIT to acquire all of the properties comprising the Acquisition Properties and to acquire certain properties currently owned by CAPREIT under the Pipeline Agreement notwithstanding that it has not obtained appraisals, engineering surveys or Phase I environmental audits from within the prior 18-month period for certain properties comprising the Acquisition Properties. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Operating Policies”.

Definition of “Gross Book Value”

In an effort to reflect current industry standards for calculating the gross book value of the REIT and provide for a more flexible debt incurrence test based on the value of the REIT’s assets at the time of measurement of debt to gross book value, the Trustees propose to amend the definition of “Gross Book

Value” in Section 1.1 of the Declaration of Trust to reflect that “Gross Book Value” will be based on the total assets of the REIT as shown in its then most recent consolidated balance sheet. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Definition of “Gross Book Value””.

Fixing the Number of Trustees

In connection with the Acquisition, the REIT proposes to increase the current number of Trustees from five to six, provided that the Acquisition Resolution and the Declaration of Trust Amendments Resolution (each, as described above) are both approved at the Meeting. See “Particulars of Matters to be Acted Upon at the Meeting – Fixing the Number of Trustees”.

Election of New Trustees

Following Closing, it is expected that existing Trustees Ira Gluskin, Jan Arie Breure and Phillip Burns will continue as Trustees of the REIT. As part of the Acquisition, pursuant to the Investor Rights Agreement, CAPREIT will be entitled to nominate three Trustees of the REIT. Subject to TSXV approval, it is proposed that Harold Burke, Gina Cody and Michael Stein, being nominees of CAPREIT, will be appointed as Trustees of the REIT upon completion of the Acquisition. In the future, pursuant to the Investor Rights Agreement, CAPREIT will be entitled to nominate: (i) three Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding; (ii) two Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 10% of the Units outstanding and equal to or less than 20% of the Units outstanding; and (iii) one Trustee, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 5% of the Units outstanding and equal to or less than 10% of the Units outstanding.

Contemporaneously with the foregoing anticipated changes to the Board, existing Trustees Frederic Waks and David Ehrlich will resign from the Board. Another Independent Trustee, to be selected by the Board, is expected to be appointed in the months following Closing, which would further increase the size of the Board to seven Trustees. This increase would be effected pursuant to the powers of the Board set out in the Declaration of Trust. See “Particulars of Matters to be Acted Upon at the Meeting – Election of New Trustees”.

Risk Factors

In considering approval of the Acquisition, Unitholders should carefully consider the risks related to the Acquisition described in “Risk Factors” below and the section entitled “Risk Factors” contained in the REIT’s annual information form for the year ended December 31, 2017, as well as other information disclosed or incorporated by reference in this Circular, before determining whether to vote in favour of the Transaction Resolutions. See “Risk Factors”.

Interests of Experts

PricewaterhouseCoopers LLP are the auditors of the REIT and have confirmed that they are independent with respect to the REIT within the meaning of the Rules of Professional Conduct of The Institute of Chartered Professional Accountants of Ontario.

Arm’s Length Transaction

The Acquisition is an arm’s length transaction, the terms of which were determined pursuant to arm’s length negotiations between the parties. Specifically, CAPREIT is arm’s length of the REIT. CAPREIT does not own any securities of the REIT and prior to entering into the Acquisition Agreement, CAPREIT

had not dealings with the REIT. David Ehrlich, who is a trustee of CAPREIT, recused himself from voting as a Trustee of the REIT on matters relating to the Acquisition.

Market for Securities

The closing price of the Units on the TSXV on December 10, 2018, being the day prior to the announcement of the Acquisition, was \$3.77 per Unit. The closing price of the Units on the TSXV on February 21, 2019, being the last trading day prior to the date of this Circular, was \$4.20 per Unit.

Consolidated Capitalization of the REIT

The following table sets forth the consolidated capitalization of the REIT as at September 30, 2018 and the pro forma consolidated capitalization of the REIT as at September 30, 2018 after giving effect to the Acquisition, including the issuance of 81,641,210 Class B LP Units, at a deemed issue price of \$4.00 per Class B LP Unit, as partial consideration for the acquisition of Acquisition Properties. The table should be read in conjunction with the REIT's and the Acquisition Properties' financial statements and notes thereto included as Appendix "J" to this Circular or incorporated by reference in this Circular.

(000's)	As at September 30, 2018	As at September 30, 2018
	(unaudited)	(unaudited - <i>pro forma</i> after giving effect to the Acquisition, including the issuance of Class B LP Units as partial consideration for the indirect acquisition of the Acquisition Properties)
Indebtedness		
Mortgages (net of mortgage premium and unamortized financing costs and includes term loans).....	\$73,255	\$391,262
Revolving Credit Facility.....	-	-
Class B LP Units ⁽¹⁾	\$2,894	\$326,565
Unitholders' Equity		
Units.....	\$64,767	\$67,486
(Authorized - unlimited)		
Special Voting Units.....	-	-
(Authorized - unlimited)		
Total Capitalization	\$140,916	\$785,313

Note:

(1) The Class B LP Units are exchangeable, on a one for one basis, for Units, and have economic and voting rights equivalent, in all material respects, to Units, and should be included when considering the total number of Units outstanding.

Information contained in this Circular is given as at February 22, 2019, unless otherwise specifically stated.

PROXY SOLICITATION INFORMATION

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of the REIT for use at the Meeting and any adjournment or postponement thereof.

Solicitations of proxies will be primarily by mail, but may also be solicited personally or by telephone, facsimile, oral communication or in person by officers or trustees of the REIT, at a nominal cost. In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Voting Units held of record by such persons and the REIT may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the REIT.

In accordance with the terms of the Acquisition Agreement, CAPREIT is permitted at its expense to, on behalf of the management of the REIT, directly or through a soliciting dealer approved in writing by the REIT, actively solicit proxies in favour of the resolutions to be voted on at the Meeting, including without limitation, the Transaction Resolutions, on behalf of management of the REIT in compliance with all applicable laws.

Registered Holders

A Unitholder is a Registered Holder if shown on the Record Date on the list of Unitholders kept by Computershare, as registrar and transfer agent of the REIT. Registered Holders will receive with this Circular a form of proxy from Computershare representing the Voting Units held by the Registered Holder.

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

Appointment of Proxies

The persons named in the accompanying form of proxy, Phillip Burns, or failing him, Fredric Waks, have been selected by the Board as Proxy Nominees, and have indicated their willingness to represent Unitholders who appoint them as their proxy for the Meeting.

The Proxy Nominees named in the accompanying form of proxy are trustees or officers of the REIT. A Unitholder has the right to designate a person (who need not be a Unitholder) other than the Proxy Nominees to represent him, her or it at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the enclosed form of proxy the name of the person to be designated or by completing another proper form of proxy. Such Unitholder should notify the nominee of the appointment, obtain his or her consent to act as proxy and should provide instructions on how the Voting Units held by the Unitholder are to be voted. In any case, a form of proxy should be dated and executed by the Unitholder or an attorney authorized in writing, with proof of such authorization attached where an attorney has executed the form of proxy.

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 and any adjournment or postponement thereof.

Registered Holders unable to attend the Meeting in person are requested to complete, sign and date the accompanying form of proxy, and to return it, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, to the REIT's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by fax at 1-866-249-7775 or 1-416-263-9524. To be effective, proxies must be received by Computershare Investor Services Inc. not later than 9:00 a.m. on March 19, 2019 or 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment or postponement of the Meeting. Late proxies may be accepted or rejected by the chair of the Meeting in his or her discretion, and the chair is under no obligation to accept or reject any particular late proxy. Non-Registered Holders who receive the proxy through an Intermediary must deliver the proxy in accordance with the instructions given by such Intermediary.

Revocation of Proxies

A Unitholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been held pursuant to its authority by an instrument in writing executed by the Unitholder or by the Unitholder's attorney duly authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized and deposited at either the above mentioned office of Computershare Investor Services Inc. by not later than 9:00 a.m. on March 19, 2019 or 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjournment or postponement of the Meeting. Late proxies may be accepted or rejected by the chair of the Meeting in his or her discretion, and the chair is under no obligation to accept or reject any particular late proxy. Notwithstanding the foregoing, if a Registered Holder attends personally at the Meeting, such Registered Holder may revoke the proxy and vote in person.

Advice to Beneficial Unitholders

In many cases, Voting Units beneficially owned by 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 Voting Units. Intermediaries include banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered education savings plans, registered disability savings plans, tax-free savings accounts (as such terms are used in the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time) and similar plans; or
- (b) in the name of a depository or clearing agency (such as CDS & Co.) of which the Intermediary is a participant.

Non-Registered Holders do not appear on the list of Unitholders of the REIT maintained by Computershare.

In accordance with Securities Laws, the REIT has distributed copies of the meeting materials to Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service company to forward the meeting materials to Non-Registered Holders. Non-Registered Holders, other than non-objecting beneficial owners, will receive either a voting instruction form or, less frequently, a

form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the Voting Units they beneficially own. Non-Registered Holders who have not waived the right to receive meeting materials should follow the procedures set out below, depending on which type of form they receive:

- (a) **Voting Instruction Form.** In most cases, a Non-Registered Holder will receive, as part of the meeting materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder; or
- (b) **Form of Proxy.** Less frequently, a Non-Registered Holder will receive, as part of the meeting materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Voting Units beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must complete the form of proxy and deposit it with Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, as described above. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must insert the Non-Registered Holder's (or such other person's) name in the blank space provided.

Non-Registered Holders should carefully follow the instructions on the form of proxy or voting instruction form that they receive from their Intermediary in order to vote the Voting Units that are held through that Intermediary.

Non-Objecting Beneficial Owners

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

Voting of Proxies

The persons named in the accompanying form of proxy will vote the Voting Units in respect of which they are appointed in accordance with the direction of the Unitholder appointing them. **In the absence of such direction, the Voting Units represented by such Unitholder's proxy or voting instruction form will be voted by the persons named in the enclosed form of proxy: (i) IN FAVOUR OF the Acquisition Resolution; (ii) IN FAVOUR OF the Declaration of Trust Amendments Resolution; (iii) IN FAVOUR**

OF the Board Size Resolution; and (iv) IN FAVOUR OF the election of each of Harold Burke, Gina Cody and Michael Stein, as Trustees.

Exercise of Discretion of Proxy

The accompanying form of proxy confers discretionary authority upon the persons named therein, including the Proxy Nominees, with respect to any amendments or variations to matters identified in the Notice and this Circular and with respect to matters that may properly come before the Meeting. As of the date of this Circular, management of the REIT does not know of any amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice and this Circular. With respect to amendments to matters identified in the Notice or other matters that may properly come before the Meeting or any adjournment or postponement thereof, Voting Units represented by properly executed proxies will be voted by the persons so designated in their discretion.

No Other Business

The REIT knows of no matter to come before the Meeting other than those set forth above and in the Notice. However if any other matters do arise, the Proxy Nominees named in the proxy intend to vote on any poll, in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters set out in the Notice and other matters which may properly come before the Meeting or any adjournment or postponement of the Meeting.

Voting Securities and Principal Holders

On the date of the accompanying Notice, the REIT is authorized to issue an unlimited number of Units and Special Voting Units which, as of the date of the Notice, there are 16,277,179 Units, issued and outstanding as fully paid and non-assessable, and 692,585 Special Voting Units, which at all times correspond to the issued and outstanding number of Class B LP Units. All issued and outstanding Voting Units carry the right to one vote.

Each person who is a holder of Voting Units of record at the close of business on the Record Date will be entitled to notice of, and to attend and vote at, the Meeting.

To the best of the knowledge of the REIT, no person or company owns of record or beneficially, directly or indirectly, or exercises control or direction over more than 10% of any class of Voting Units.

VOTING AT MEETING AND QUORUM

Unless otherwise required by law or the Declaration of Trust, any matter coming before the Meeting or any adjournment or postponement thereof shall be decided by the majority of the votes duly cast in respect of the matter by Unitholders entitled to vote thereon.

The Board has fixed February 19, 2019 as the Record Date for the purpose of determining which Unitholders are entitled to receive the Notice and vote at the Meeting or any adjournment or postponement thereof, either in person or by proxy. No person acquiring Voting Units after that date shall, in respect of such Voting Units, be entitled to receive the Notice and vote at the Meeting or any adjournment or postponement thereof.

As of the Record Date, the REIT had 16,277,179 outstanding Units, each carrying the right to one vote per Unit at the Meeting, and 692,585 outstanding Special Voting Units, each carrying the right to one vote per Special Voting Unit at the Meeting. The Units are listed on the TSXV under the symbol "ERE.UN".

The quorum at the Meeting or any adjournment or postponement thereof (other than an adjournment for lack of quorum) shall be two or more individuals present in person or represented by proxy representing in the aggregate not less than 10% of the total number of outstanding Voting Units on the Record Date.

THE REIT

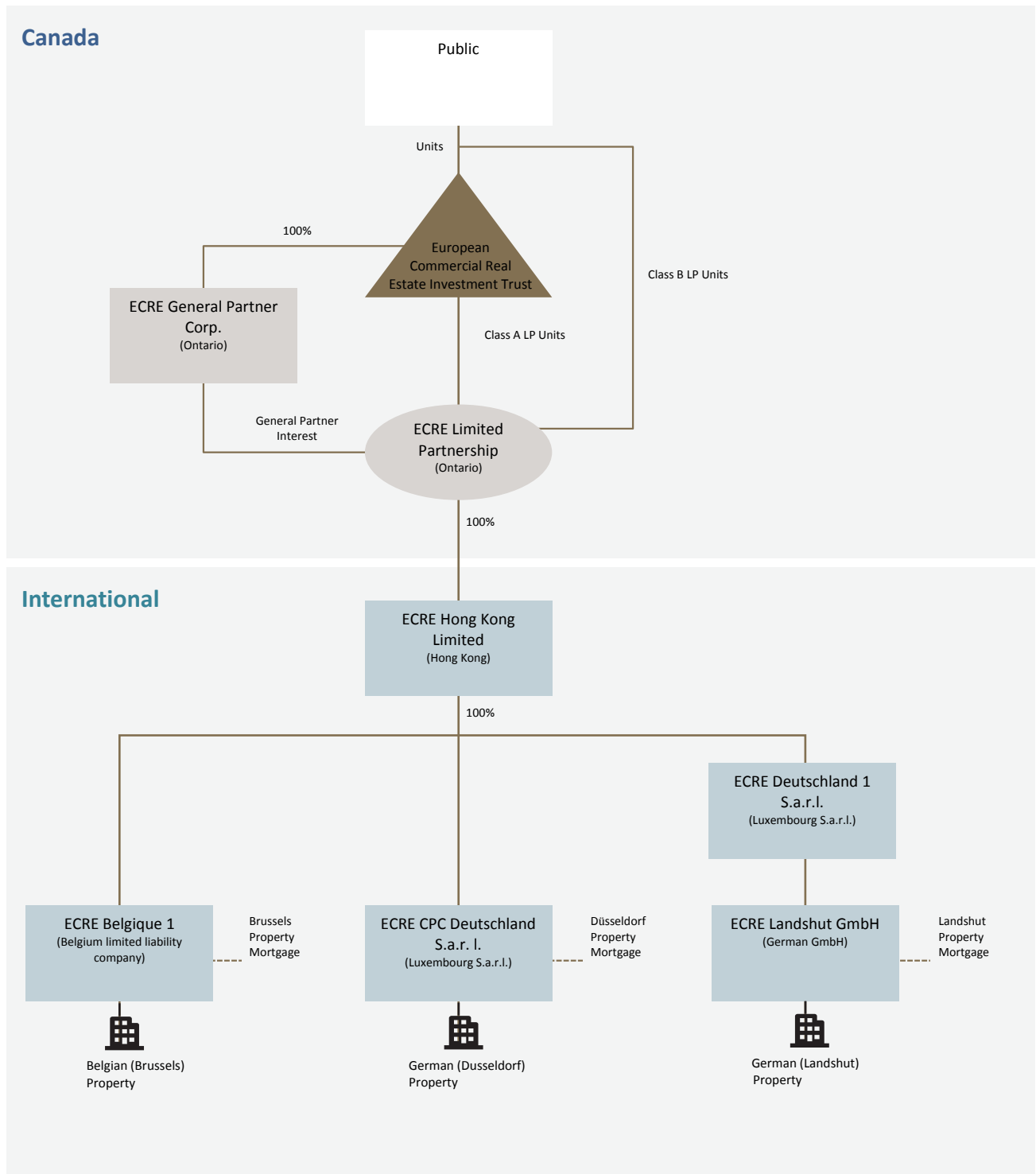
Name and Incorporation

The REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head and registered office address of the REIT is 11 Church Street, Suite 401, Toronto, Ontario.

The Acquisition will mark a dynamic transformation for the REIT, providing immediate scale and shifting its strategic focus from European commercial properties to European multi-residential assets. The REIT's assets will increase from approximately \$147 million to approximately \$860 million in value, consisting of the Acquisition Properties and approximately 400,000 square feet of gross leasable office area in three commercial properties that the REIT currently owns. Additionally, the Acquisition provides the REIT with a well-capitalized, institutional-quality majority Unitholder in CAPREIT that will support the REIT's growth initiatives and will act as the external asset and property manager for the REIT and certain of its subsidiaries. CAPREIT currently owns nearly 50,000 Canadian and 3,859 European multi-residential units and has an established European-based property management platform. CAPREIT's proven multi-residential acquisition and property management expertise will enable the REIT to significantly expand its European multi-residential business, with an initial focus on the Netherlands.

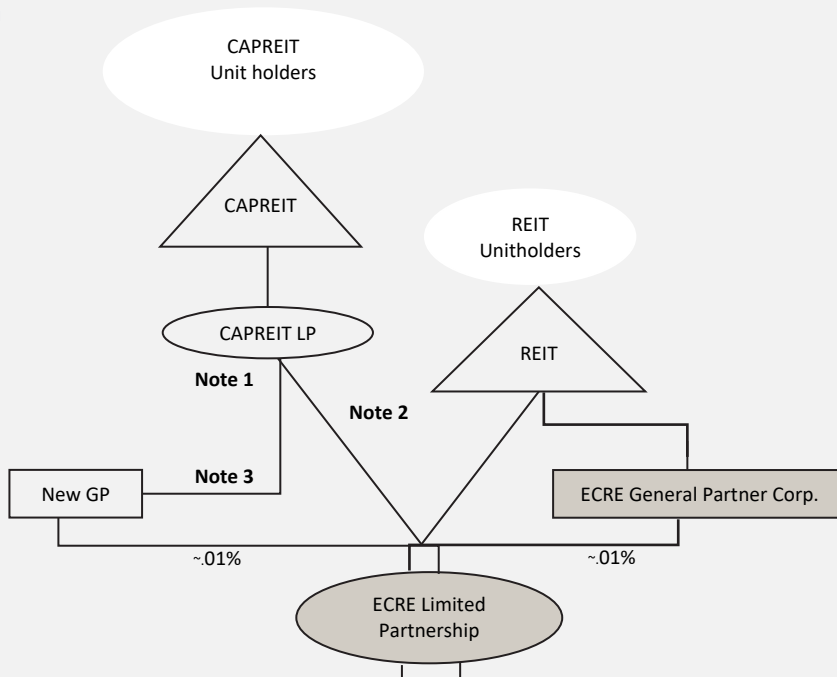
Organizational Structure

The following chart summarizes the organizational structure of the REIT prior to Closing:

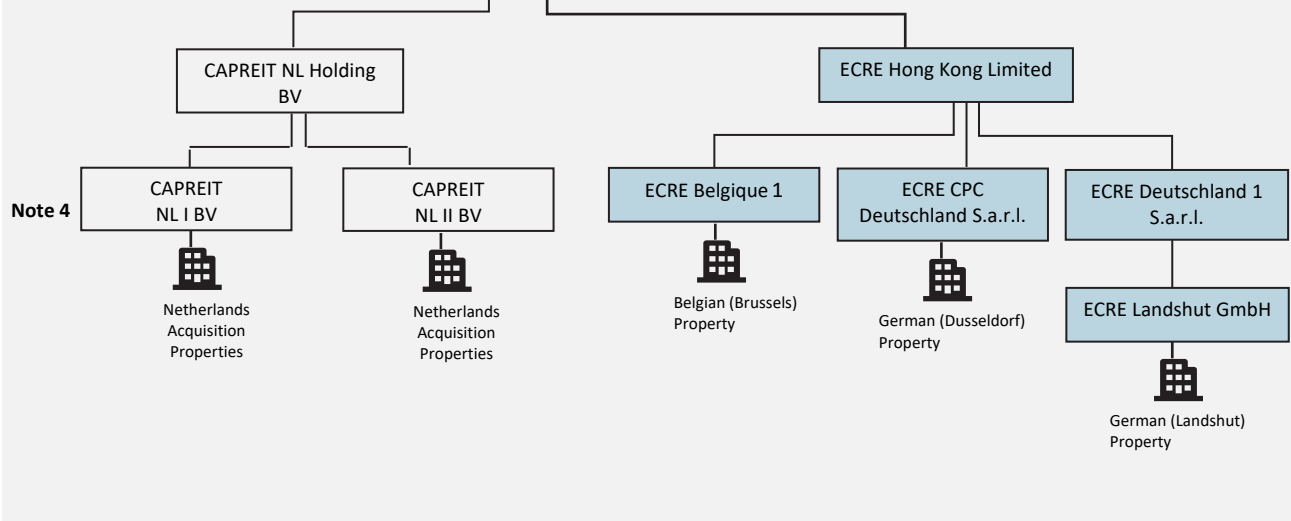


The following chart summarizes the expected organizational structure of the REIT post-Closing:

Canada



International



Note 1: Asset and property management services provided to the REIT and its subsidiaries by CanLiving BV (not shown), a Dutch entity jointly held by CAPREIT LP and CAPREIT GP.

Note 2: CAPREIT LP owns Class B LP Units that are exchangeable for units of the REIT.

Note 3: CAPREIT GP (not shown) is the general partner of CAPREIT LP; New GP is directly held by a Stichting Administratiekantoor (not shown) incorporated under the laws of the Netherlands.

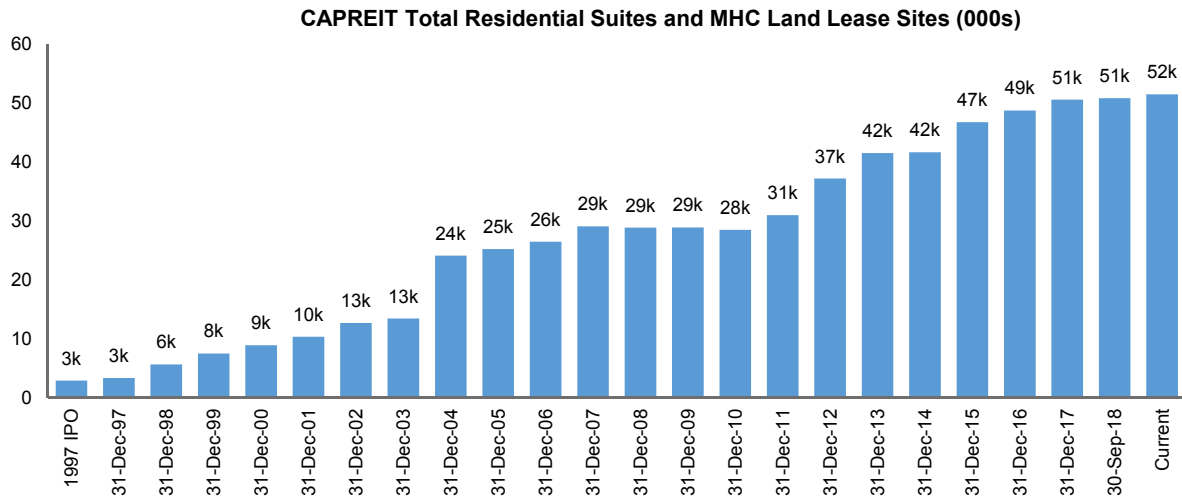
Note 4: CAPREIT NL 1 BV and CAPREIT NL II BV are the indirect holders of the Netherlands Acquisition Properties.

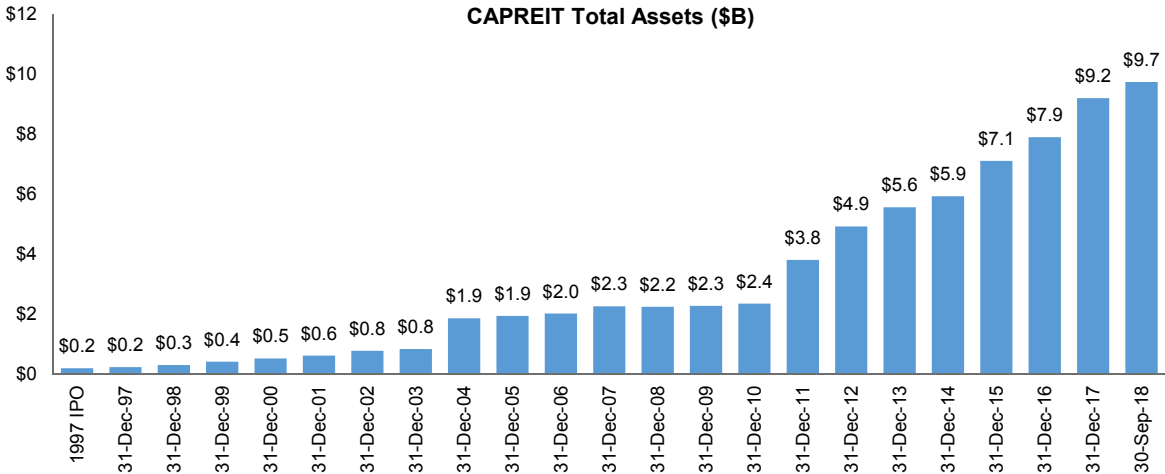
CAPREIT

CAPREIT is Canada’s largest residential landlord owning interests in 51,528 residential units, comprised of 44,935 residential suites and 32 manufactured home communities comprising 6,593 land lease sites. CAPREIT owns and operates a portfolio of multi-residential properties, including apartments, townhomes, and manufactured home communities primarily located in and near major urban centres across Canada and the Netherlands. CAPREIT’s concentration on the residential real estate market is aimed at solid year-over-year income growth in a portfolio with stable occupancy and strong geographic diversification.

Since its initial public offering (“IPO”) in May 1997, CAPREIT has acquired over 48,000 residential units, representing an average of over 2,000 residential unit acquisitions per year. CAPREIT’s multi-residential portfolio value has grown from approximately \$175 million at the time of its IPO to \$9,355 million as at September 30, 2018, demonstrating CAPREIT’s ability to rapidly grow its balance sheet through its active acquisition program. CAPREIT has also completed over \$1 billion of capital expenditures, and has expertise in efficiently deploying capital to maintain and enhance its multi-residential properties.

Since its IPO, CAPREIT has increased its distributions 15 times, growing its distribution per unit by approximately 86%. CAPREIT has also maintained a conservative leverage profile, with a debt to gross book value of approximately 41% as at September 30, 2018. CAPREIT’s success in executing accretive acquisitions, improving organic growth, and enhancing operating efficiencies, while maintaining a conservative balance sheet, have contributed to strong returns for CAPREIT unitholders. Since its IPO to December 31, 2018, the total return for CAPREIT unitholders has been approximately 1,883%, representing a cumulative annual total return of approximately 15%. Over the past 5 years, the cumulative annual total return for CAPREIT’s unitholders has been approximately 21%.





CAPREIT has grown its best-in-class management platform and global expertise over the past 21 years to include over 900 employees across Canada and the Netherlands.

CAPREIT made its first European multi-residential investment in Ireland in September 2013, with the acquisition of 338 residential units across four properties in the Greater Dublin Area, for approximately €42 million. In April, 2014, CAPREIT created Irish Residential Properties REIT Plc (“**IRES**”) and listed IRES on the Irish Stock Exchange in connection with a €200 million initial public offering. Since 2014, with CAPREIT as its manager, IRES’ portfolio has grown to 2,679 suites representing a value of approximately €921.3 million as of December 31, 2018. Since IRES’ initial public offering, to December 31, 2018, IRES has delivered its shareholders a total return of approximately 52%, representing a cumulative annual total return of approximately 9%.

CAPREIT’s first investment in the Netherlands was in December 2016, when it acquired a portfolio of eight properties with 568 suites. Since December 2016, CAPREIT has established a local office in the Netherlands and expanded its portfolio to 3,859 suites. The REIT will be CAPREIT’s platform for growth in Europe, and the REIT will leverage CAPREIT’s track record as a reputable bidder and its significant balance sheet to grow this platform. CAPREIT is confident that there is significant acquisition and organic growth opportunities in the Netherlands, and throughout Europe, and CAPREIT is committed to supporting the REIT’s future growth and success.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

THE ACQUISITION

Overview

The REIT has agreed to indirectly acquire a portfolio of 41 multi-residential properties from CAPREIT containing 2,091 residential suites and certain additional ancillary commercial space and parking facilities, located in the cities of Amsterdam, Utrecht, The Hague, Cuijk, Ijsselstein, Enschede, Gouda, Heerenveen, Huizen, Koog aan de Zaan, Landgraaf, Meppel, Oirschot, Oldenzaal, Oss, Rijswijk, Scherpenzeel, Sittard, Uden, Venlo, Venray and Warnsveld, in the Netherlands. The aggregate purchase price for the indirect acquisition of the Acquisition Properties is \$633,588,660, subject to certain purchase price adjustments, and will be satisfied by a combination of: (i) \$326,564,840, by the issuance of 81,641,210 Class B LP Units to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit; and (ii) the assumption of \$307,023,820 (based on the Euro / Canadian dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties. The purchase price was determined based on the Appraisal, converted using a Euro / Canadian dollar exchange rate of 1.502. It is expected that CAPREIT and ECRE Limited Partnership will make a joint election such that the indirect transfer of the Acquisition Properties from CAPREIT to ECRE Limited Partnership will occur on a fully or partially tax-deferred basis for CAPREIT's Canadian federal income tax purposes. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Appraisal". In addition, in connection with the Acquisition, Unitholders and holders of Class B LP Units will receive a one-time special distribution of \$0.50 per unit funded by CAPREIT. The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the Special Distribution is expected to be shortly after the Closing, subject to the approval by the Unitholders of the Transaction Resolutions. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition".

The Assumed Mortgages, which are comprised of all of the existing mortgage debt and liabilities associated with the Acquisition Properties, have an effective weighted average interest rate of 1.9% and an expected weighted average term to maturity of approximately 5.3 years as at December 31, 2018. As at January 31, 2018, the Acquisition Properties have an occupancy rate of approximately 98.5%. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Description of the Acquisition Properties".

The Acquisition will be completed pursuant to the Acquisition Agreement and will be conditional upon the satisfaction of certain conditions, including lender consents, the Unitholder approvals contemplated by this Circular, TSXV approval, the exchange of all Class B LP Units for Units and the amending of the Current Maple Knoll Management Agreement. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Acquisition Agreement". The Closing is expected to be on or about March 29, 2019.

The purchase price for the Acquisition Properties was established by negotiation between the Special Committee and CAPREIT, after the consideration of, among other things, the Fairness Opinion, the Appraisal, the Environmental Reports, the Property Condition Assessments and other financial, market and detailed property-related information deemed appropriate and sufficient for such purposes. See "Particulars of Matters to be Acted Upon at the Meeting".

Highlights of the Acquisition are as follows:

- (a) **Attractive Asset Class with Strong Fundamentals:** Generally, European multi-residential assets continue to benefit from high occupancy rates, increasing rents and strong cash flow growth. Growth in rental rates and valuation metrics have generally outpaced those of commercial assets in Europe, and there is currently an attractive yield spread between European multi-residential capitalization rates and debt financing rates. Additionally, the professional management of the European multi-residential sector is early in its maturation and provides opportunities for organic growth via asset management initiatives.
- (b) **Significant Opportunity to Fuel Future Growth:** Significant external and organic growth opportunities are available to be realized through further acquisitions and enhancement of under-managed assets. The REIT intends to pursue property acquisitions directly, and will, upon Closing, enter into the Pipeline Agreement with CAPREIT to ensure access to capital to take advantage of attractive, accretive acquisition opportunities.
- (c) **Alignment of the REIT's Interest with Majority Unitholder:** CAPREIT's majority ownership of the REIT will ensure that CAPREIT's interests will be aligned with Unitholders. CAPREIT is committed to the success of the REIT and intends to retain a significant long-term ownership interest in the REIT. As the REIT increases its size and liquidity, CAPREIT may subscribe for future issuances of Units by the REIT.
- (d) **Industry-Leading Platform:** The REIT will be managed by CAPREIT pursuant to long-term asset and property management agreements. CAPREIT has a 21-year proven record of growing cash flows and enhancing value in multi-residential properties in Canada and has an existing property management platform in Europe. CAPREIT is Canada's largest multi-residential owner and has a best-in-class management platform consisting of approximately 900 employees.
- (e) **Attractive Transaction for Unitholders:** Unitholders and holders of Class B LP Units, will receive the Special Distribution funded by CAPREIT, which represents approximately 13% of the closing price of the Units on the TSXV on December 10, 2018 (the day prior to the announcement of the Acquisition) of \$3.77 and is equivalent to approximately six previous quarterly distributions from the REIT. In addition, the REIT will satisfy a portion of the purchase price for the Acquisition Properties by issuing Class B LP Units to CAPREIT at a price of \$4.00 per unit, which represents a premium of approximately 6% to the closing price of the Units on the day prior to the announcement of the Acquisition of \$3.77.

The Board established the Special Committee, which is comprised of three Independent Trustees, for the purposes of, among other things: (i) organizing, instituting and supervising the process to be carried out by the REIT and its professional advisors in connection with the identification, development and evaluation of strategic alternatives for the REIT, including, without limitation, the Acquisition, all in the manner and to the extent determined by the Special Committee; and (ii) ensuring that the REIT completes such Acquisition in compliance with the Declaration of Trust, applicable law and the applicable policies of the TSXV.

On December 10, 2018, the Special Committee unanimously recommended to the Trustees that they recommend that Unitholders vote IN FAVOUR of the Acquisition and the Transaction Resolutions at the Meeting. The Trustees (other than David Ehrlich who recused himself, as he is a trustee of CAPREIT) unanimously recommend that Unitholders vote IN FAVOUR of the Acquisition and the Transaction Resolutions at the Meeting. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Recommendation of the Special Committee and Board".

In regards to the Acquisition: (i) Phillip Burns is expected to enter into a new employment agreement with the post-Acquisition Manager of the REIT (an Affiliate of CAPREIT), while continuing as Chief Executive Officer of the REIT; and (ii) David Ehrlich is considered a Non-Arm's Length Party, as such term is defined in the TSXV Corporate Finance Manual. Accordingly, any votes from Mr. Burns and Mr. Ehrlich on any matters to be voted on at the Meeting will be excluded from the approval.

Special Committee Oversight

The Board established the Special Committee on September 18, 2018 in response to receiving a non-binding letter from CAPREIT expressing its interest in pursuing a transaction involving all or a portion of CAPREIT's multi-family properties situated in the Netherlands. The Special Committee was comprised of Independent Trustees of the REIT, and consisted of Ira Gluskin (Chair), Fredric Waks and Jan Arie Breure. In connection with its mandate, the Special Committee retained Scotia Capital as its financial advisor and Miller Thomson LLP as its legal advisor.

The principal purpose of the Special Committee was to, among other things: (i) organize, institute and supervise the process to be carried out by the REIT and its professional advisors in connection with the identification, development and evaluation of the Acquisition and any other strategic alternatives for the REIT, all in the manner and to the extent determined by the Special Committee; (ii) make recommendations to the Trustees in respect of matters that it considers relevant in respect of the foregoing, including with respect to the Acquisition; (iii) finalize and disseminate any public disclosure to be made by the REIT with respect to any proposed transaction and the announcement of any and all such matters relating to the REIT; (iv) approve all transaction documentation relating to any proposed transaction and the execution thereof by the REIT; (v) if required or considered appropriate, supervise the preparation of a fairness opinion in connection with any proposed transaction, and review with the provider of such opinion the key factors, methodologies and assumptions used in preparing the opinion; (vi) make recommendations to the Trustees as to whether any proposal is in the best interests of the REIT, as to the fairness of any proposed transaction to the REIT and whether to proceed with any proposed transaction, and any other matters the Special Committee may determine are necessary or advisable; and (vii) if required, ensure that the REIT completes any proposed transaction in compliance with the Declaration of Trust, applicable law and the applicable policies of the TSXV.

The Special Committee met on numerous occasions, between September 18, 2018 and December 10, 2018, with the REIT's advisors, with management and *in camera* to, among other things: (i) review any strategic alternatives; (ii) review and evaluate the Acquisition, including its financial and other terms and any special benefits accruing to any interested party; (iii) discuss details of the Acquisition with management and other representatives of the REIT; (iv) review, together with its financial and legal advisors, any revisions to the terms or structure of the Acquisition that the Special Committee believed were necessary or advisable; and (v) conduct, review and participate in and supervise the negotiations pertaining to the Acquisition.

On December 7, 2018, the Special Committee met to consider the Acquisition. During the meeting, members of management and the Special Committee's financial and legal advisors formally presented the settled terms of the Acquisition. Representatives of the Special Committee's legal advisor reviewed with the Special Committee the material terms of the proposed definitive agreements to give effect to the Acquisition. Following a discussion of the terms, Scotia Capital reviewed terms of the Acquisition from a financial point of view to Unitholders. The Special Committee received a presentation from Scotia Capital who also confirmed that it would be in a position to deliver its opinion to the Special Committee on December 10, 2018.

On December 10, 2018, the Special Committee met to further discuss the proposed Acquisition. Scotia Capital provided its verbal opinion to the Special Committee that the Acquisition was, subject to the assumptions, limitations and qualifications on which the opinion is based, fair, from a financial point of view, to the Unitholders. Scotia Capital's opinion was subject to a number of assumptions and limitations which the Special Committee believed were reasonable under the circumstances. After giving consideration to, among other things, the Fairness Opinion, the Appraisal, the Environmental Reports, the Property Condition Assessments and other financial, market and detailed property-related information deemed appropriate and sufficient for such purposes and the anticipated benefits to the REIT and its Unitholders, the Special Committee unanimously resolved that the Acquisition was in the best interests of the REIT and its Unitholders, and unanimously recommended the Acquisition to the Trustees and the Trustees unanimously approved the Acquisition (other than David Ehrlich who recused himself, as he is a trustee of CAPREIT).

Recommendation of the Special Committee and Board

Based upon the recommendations of the Special Committee and the factors referred to above (including without limitation, the Fairness Opinion and advice received from the Special Committee's legal and financial advisors), the Trustees unanimously: (i) resolved that the Acquisition is fair to Unitholders; (ii) determined that the Acquisition is, and the entering into of the Acquisition Agreement was, in the best interests of the REIT; (iii) approved the Acquisition Agreement and all other agreements deemed necessary to complete or related to the Acquisition; and (iv) resolved to recommend that Unitholders vote IN FAVOUR of the Acquisition Resolution at the Meeting.

The foregoing discussion of the information and factors reviewed by the Special Committee and the Board is not intended to be exhaustive. In view of the wide variety of factors considered by the Special Committee, the Special Committee did not find it practicable to, and therefore did not, quantify or otherwise assign relative weight to specific factors in making its determination. The conclusions and recommendations of the Special Committee and the Trustees were made after consideration of all of the above-noted factors in light of the collective knowledge of the operations, financial condition and prospects of the REIT and was also based upon the advice of its advisors.

Unitholders should consider the Acquisition carefully and come to their own conclusion as to whether or not to vote in favour of the Acquisition Resolution.

The Trustees (other than David Ehrlich who recused himself) unanimously recommend that Unitholders vote IN FAVOUR of the Acquisition and the Transaction Resolutions at the Meeting.

Fairness Opinion

Overview

On October 10, 2018, the Special Committee formally retained Scotia Capital pursuant to an engagement letter (the "Engagement Letter") as financial advisor to perform such financial advisory and investment banking services for the Special Committee as are customary in transactions similar to the Acquisition including providing financial advice and assistance to the Special Committee in evaluating the Acquisition. Pursuant to the Engagement Letter, the Special Committee requested that Scotia Capital provide an opinion as to the fairness, from a financial point of view, of the Acquisition to the Unitholders. Under the terms of the Engagement Letter, the REIT has agreed to pay Scotia Capital a fee for its services as financial advisor. The fees that Scotia Capital will receive for its advisory services are contingent upon the completion of the Acquisition. In addition, Scotia Capital is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the REIT in certain circumstances.

Credentials of Scotia Capital

Scotia Capital represents the global corporate and investment banking and capital markets business of Scotiabank Group (“**Scotiabank**”), one of North America’s premier financial institutions. In Canada, Scotia Capital is one of the country’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing fairness opinions.

The Fairness Opinion represents the opinion of Scotia Capital as a firm. The form and content of the Fairness Opinion have been approved for release by a committee of senior investment banking professionals of Scotia Capital, each of whom is experienced in merger, acquisition, divestiture, fairness opinion and valuation matters.

Relationship with Interested Parties

Neither Scotia Capital nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the REIT, CAPREIT or any of their respective associates or affiliates (collectively, the “**Interested Parties**”). Neither Scotia Capital nor any of its affiliates has been engaged to provide any financial advisory services, nor has Scotia Capital or any of its affiliates participated in any financing, involving the Interested Parties within the past two years, other than pursuant to the Engagement Letter and as described herein. In the past two years, Scotia Capital and affiliates of Scotia Capital have been engaged in the following capacities for the Interested Parties: (i) participated in public equity offerings of the REIT; (ii) lender to CAPREIT; and (iii) participated in public equity offerings of CAPREIT. There are no material understandings, agreements or commitments between Scotia Capital and the Interested Parties with respect to any future business dealings. Scotia Capital may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties. In addition, the Bank of Nova Scotia, of which Scotia Capital is a wholly-owned subsidiary, or one or more affiliates of the Bank of Nova Scotia, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scotia Capital acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere and, as such, it and Scotiabank may have had and may have positions in the securities of the Interested Parties from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotia Capital conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties, or with respect to the Acquisition.

Conclusion

Based upon and subject to the assumptions, limitations and other considerations set forth in the Fairness Opinion and such other matters considered relevant by Scotia Capital, Scotia Capital is of the opinion that, as at December 10, 2018 (being the date of the Fairness Opinion), the Acquisition is fair, from a financial point of view, to the Unitholders.

In considering the fairness of the Acquisition from a financial point of view to the Unitholders, Scotia Capital considered and relied upon the following: (i) a comparison of the results of a net asset value analysis of the REIT with the *pro forma* REIT after giving effect to the Acquisition; (ii) a comparison of the multiples implied by the Acquisition to multiples paid in selected precedent transactions; and (iii) a

comparison of the Acquisition to the recent market trading prices of the Units. Scotia Capital also reviewed and compared selected multiples for Canadian real estate entities whose securities are publicly traded to the multiples implied by the Acquisition.

The full text of the Fairness Opinion describes the scope of review, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Scotia Capital. The Fairness Opinion is attached as Appendix "A" and forms part of this Circular. The Fairness Opinion is directed only to the fairness, from a financial point of view, of the terms of the Acquisition to the Unitholders. The Fairness Opinion does not address the relative merits of the Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Acquisition. The Fairness Opinion does not constitute a recommendation by Scotia Capital to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Acquisition.

Acquisition Agreement

The following is a summary of the material attributes and characteristics of the Acquisition Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Acquisition Agreement, which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A Unitholder should refer to the terms of the Acquisition Agreement for a complete description of the representations, warranties and indemnities being provided in favour of, and by, the REIT, and related limitations under the Acquisition Agreement.

Overview

Pursuant to the Acquisition Agreement, the REIT has agreed to indirectly acquire, through the acquisition of all of the issued and outstanding securities of Holding BV, the Acquisition Properties for an aggregate purchase price of \$633,588,660, which was determined based on the Appraisal, subject to certain purchase price adjustments, to be satisfied by a combination of: (i) the assumption of \$307,023,820 (based on the Euro / Canadian dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties; and (ii) \$326,564,840 by the issuance of 81,641,210 Class B LP Units to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit. In addition, in connection with the Acquisition, Unitholders and holders of Class B LP Units will receive a one-time special distribution of \$0.50 per unit funded by CAPREIT. The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the Special Distribution is expected to be shortly after the Closing. See "Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution".

Representations and Warranties

The Acquisition Agreement contains representations and warranties typical of those contained in acquisition agreements negotiated between parties dealing at arm's length (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital of applicable parties, leasing matters, the existence of work orders and covenants of the vendor, relating to outstanding lender undertakings and the resolution of outstanding work orders pertaining to the Acquisition Properties).

Covenants

General

Pursuant to the Acquisition Agreement, each of the REIT and CAPREIT has covenanted, among other things, to perform, or cause its applicable subsidiaries to perform, all obligations and to do or cause to be done all other acts and things as may be necessary or desirable in order to consummate, and make effective, as soon as reasonably practicable, the transactions contemplated by the Acquisition Agreement and any Ancillary Agreement, including using commercially reasonable efforts to satisfy, or cause the satisfaction of, the conditions precedent to its obligations under the Acquisition Agreement to the extent same is within its control.

The Acquisition Agreement also contains covenants relating to, among other things: (i) the reimbursement by the REIT (either in the form of cash or through the issuance of Class B LP Units at \$4.00 per Class B LP Unit (the “LTT Payment”)) of any land transfer or related taxes that are incurred by CAPREIT in connection with the pre-Acquisition reorganization involving the entities holding the Acquisition Properties, subject to the conditions set forth in the Acquisition Agreement; (ii) the REIT making reasonable commercial efforts to submit an application to the Dutch tax authorities, substantially similar in substance to the application made by CAPREIT to the Dutch tax authorities, for a ruling that the purchase of all of the capital of Holding BV, which are being purchased pursuant to the Acquisition Agreement, may qualify for the Dutch domestic dividend withholding tax exemption; (iii) the REIT using its commercially reasonable efforts to obtain and maintain in force the TSXV approvals contemplated by the Acquisition Agreement; (iv) the obligation of each party to notify the other party of any material adverse change; and (v) each party using commercially reasonable efforts to implement the transaction steps applicable to it (or any applicable subsidiaries) at the time and in the manner outlined in the Acquisition Agreement.

Conduct of CAPREIT’s Business Prior to Closing

During the period from the date of the Acquisition Agreement until Closing, CAPREIT will cause Holding BV and its subsidiaries to conduct their business in the ordinary course and in accordance with applicable law, and to use commercially reasonable efforts to maintain and preserve its business organization, properties (including the Acquisition Properties), employees, goodwill and business relationships with tenants, suppliers and other persons with which Holding BV and its subsidiaries have material business relations.

Conduct of the REIT’s Business Prior to Closing

During the period from the date of the Acquisition Agreement until Closing, the REIT will, and will cause each of its subsidiaries to, conduct its business in the ordinary course and in accordance with applicable laws, and use commercially reasonable efforts to maintain and preserve its and its subsidiaries’ business organization, properties, employees, goodwill and business relationships with tenants, suppliers and other persons with which the REIT or any of its subsidiaries has material business relations.

The REIT has also agreed to a number of negative covenants related to carrying on its business until Closing including, among other things, not amending its Constatng Documents or selling, licensing, leasing, transferring, or otherwise disposing of any of its assets.

Non-Solicitation Covenant

The Acquisition Agreement provides that, except in accordance with such agreement, the REIT and its subsidiaries will not, directly or indirectly, through any of its or of any of its subsidiaries' representatives, and will not permit any such person to:

- (a) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the REIT or any of its subsidiaries or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
- (b) enter into or otherwise engage or participate in any discussions or negotiations with any person (other than CAPREIT and its Affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal, provided that the REIT may (i) advise any person of the restrictions of the Acquisition Agreement, and (ii) advise any person making an Acquisition Proposal that the Board has determined that such Acquisition Proposal does not constitute, or is not reasonably expected to constitute or lead to, a Superior Proposal; or
- (c) make a Change in Recommendation.

The Acquisition Agreement further provides that the REIT will, and will cause its subsidiaries and its representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiation or other activities commenced prior to the date of the Acquisition Agreement with any person (other than CAPREIT and its subsidiaries) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection therewith the REIT will: (a) discontinue access to and disclosure of all information, including any data room and any confidential information, properties, facilities, books and records of the REIT or any of its subsidiaries; and (b) within two business days of the date of the Acquisition Agreement, to the extent it is permitted to do so, request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding the REIT or any of its subsidiaries provided to any such person other than CAPREIT and its subsidiaries and (ii) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the REIT or any of its subsidiaries, to the extent that such information has not previously been returned or destroyed, using its commercially reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

The Acquisition Agreement further provides that the REIT will take all necessary action to enforce each confidentiality, standstill, use, business purpose or similar agreement or restriction to which the REIT or any of its subsidiaries is a party, and neither the REIT, nor any of its subsidiaries nor any of their respective representatives will, without the prior written consent of CAPREIT (which may be withheld or delayed in CAPREIT's sole and absolute discretion), release any person from, or waive, amend, suspend or otherwise modify such person's obligations respecting the REIT or any of its subsidiaries, under any confidentiality, standstill, use, business purpose or similar agreement or restriction to which the REIT or any of its subsidiaries is a party, it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement or restriction as a result of entering into an announcement of the Acquisition Agreement by the REIT pursuant to the express terms of any such agreement or restriction, shall not be a violation of the Acquisition Agreement.

Notice to CAPREIT of Acquisition Proposals

If the REIT or any of its subsidiaries, or any of their respective representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the REIT or any of its subsidiaries, including but not limited to information, access or disclosure relating to the properties, facilities, books or records of the REIT or any of its subsidiaries, the REIT will promptly notify CAPREIT, at first orally, and then, and in any event within 24 hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all persons making the Acquisition Proposal, inquiry, proposal, offer or request, and shall provide CAPREIT with copies of all documents, correspondence or other material received in respect of, from or on behalf of any such person and such other details of such Acquisition Proposal, inquiry, proposal, offer or request as CAPREIT may reasonably request. The REIT will keep CAPREIT reasonably informed on a current basis of the status of developments and negotiations with respect to any Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall provide to CAPREIT copies of all material or substantive correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent or communicated to the REIT or its representatives by or on behalf of any person making such Acquisition Proposal, inquiry, proposal, offer or request.

Ability to Respond to a Superior Proposal

If at any time, prior to obtaining the Unitholders' approval of the Transaction Resolutions, the REIT receives an unsolicited written bona fide Acquisition Proposal, the REIT may engage in or participate in discussions or negotiations with such person regarding such Acquisition Proposal and may provide copies of, access to or disclosure of confidential information, properties, facilities, books or records of the REIT or its subsidiaries, if and only if:

- (a) the Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal, and, after consultation with its outside legal counsel, that the failure to engage in such discussions or negotiations would be inconsistent with its fiduciary duties;
- (b) such person was not restricted from making such Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, use, business purpose or similar restriction with the REIT or its subsidiaries;
- (c) the REIT has been, and continues to be, in compliance with its obligations under the Acquisition Agreement and the exclusivity provisions contained in the Confidentiality Agreement;
- (d) the REIT enters into a confidentiality and standstill agreement with such person on terms no less favourable to the REIT than those in the Confidentiality Agreement; and
- (e) the REIT promptly provides CAPREIT with (i) prior written notice stating the REIT's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure, (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in the Acquisition Agreement and (iii) any non-public information concerning the

REIT and its subsidiaries provided to such other person which was not previously provided to CAPREIT.

CAPREIT's Right to Match

If the REIT receives an Acquisition Proposal that constitutes a Superior Proposal prior to obtaining the Unitholders' approval of the Transaction Resolutions, the Board may, subject to compliance with certain termination provisions of the Acquisition Agreement, enter into a definitive agreement with respect to such Superior Proposal, if and only if:

- (a) the person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill, non-disclosure, use, business purpose or similar restriction;
- (b) the REIT has been, and continues to be, in compliance with its obligations under the non-solicitation provisions of the Acquisition Agreement and the exclusivity provisions contained in the Confidentiality Agreement;
- (c) the REIT has delivered to CAPREIT a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to enter into such definitive agreement with respect to such Superior Proposal, together with a written notice from the Board regarding the value and financial terms that the Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Superior Proposal (the "**Superior Proposal Notice**");
- (d) the REIT has provided to CAPREIT a copy of the proposed definitive agreement for the Superior Proposal and all supporting materials, including any financing documents supplied to the REIT in connection therewith;
- (e) at least five business days (the "**Matching Period**") have elapsed from the date that is the later of the date on which CAPREIT received the Superior Proposal Notice and the date on which CAPREIT received the materials set out in paragraph (d) above;
- (f) during any Matching Period, CAPREIT has had the opportunity (but not the obligation), in accordance with the Acquisition Agreement, to offer to amend the Acquisition Agreement and the Acquisition in order for such Acquisition Proposal to cease to be a Superior Proposal;
- (g) after the Matching Period, the Board (i) has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (and, if applicable, compared to the terms of the Acquisition as proposed to be amended by CAPREIT in accordance with the terms of the Acquisition Agreement) and (ii) has determined, in good faith, after consultation with its outside legal counsel that the failure of the Board to enter into a definitive agreement with respect to such Superior Proposal would be inconsistent with their fiduciary duties to the REIT;
- (h) such Superior Proposal does not (i) require the REIT or any other person to seek to interfere with the attempted successful completion of the Acquisition or any alternative transaction pursued by CAPREIT pursuant to the terms of the Voting and Support

Agreements (including requiring the REIT to delay, adjourn, postpone or cancel the Meeting) or (ii) provide for the payment of any break, termination or other fees or expenses or confer any rights or options to acquire assets or securities of the REIT or any of its subsidiaries to any person in the event that the REIT or any of its subsidiaries completes the Acquisition or any other similar transaction with CAPREIT agreed to prior to the termination of the Acquisition Agreement or pursuant to the Voting and Support Agreements; and

- (i) prior to or concurrently with the entering into of such definitive agreement, the REIT terminates the Acquisition Agreement pursuant to the terms of the Acquisition Agreement and pays the Termination Fee in accordance with the terms of the Acquisition Agreement.

During the Matching Period, or such longer period as the REIT may approve for such purpose: (a) the Board shall review any offer made by CAPREIT to amend the terms of the Acquisition Agreement and the Acquisition in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the REIT shall, and shall cause its representatives to, negotiate in good faith with CAPREIT to make such amendments to the terms of the Acquisition Agreement and the Acquisition as would enable CAPREIT to proceed with the transactions contemplated by the Acquisition Agreement on such amended terms. If the Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the REIT shall promptly so advise CAPREIT, and the REIT and CAPREIT shall amend the Acquisition Agreement to reflect such offer made by CAPREIT, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by Unitholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of the Acquisition Agreement, and CAPREIT shall be afforded a new five-business day Matching Period.

Under the Acquisition Agreement, the Board has agreed to promptly reaffirm its recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or the Board determines that a proposed amendment to the terms of the Acquisition Agreement would result in an Acquisition Proposal no longer being a Superior Proposal. The REIT will provide CAPREIT and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by CAPREIT and its counsel.

If the REIT provides a Superior Proposal Notice to CAPREIT after a date that is less than 10 business days before the Meeting, the REIT shall either proceed with or shall postpone or adjourn the Meeting, as directed by CAPREIT, to a date that is not more than 10 business days after the scheduled date of the Meeting, but in any event, to a date that is not less than seven business days prior to the Outside Date.

The Acquisition Agreement does not prevent the Board from complying with Securities Laws relating to the provision of a directors' circular in respect of an Acquisition Proposal that is not a Superior Proposal.

Conditions

The Acquisition Agreement contains, among others, certain customary conditions to the completion of the Acquisition in favour of each of the REIT and CAPREIT, including:

- (a) the Transaction Resolutions have been approved and adopted by the Unitholders at the Meeting in accordance with the REIT's Constatng Documents and applicable laws;
- (b) no applicable law is in effect that makes consummation of the Acquisition illegal or otherwise prohibits or enjoins the REIT and/or its subsidiaries or CAPREIT and/or its subsidiaries from consummating the Acquisition or the other transactions contemplated by the Acquisition Agreement;
- (c) there is no action or proceeding (whether, for greater certainty, by a governmental entity or any other person other than the REIT or CAPREIT or their Affiliates) pending or threatened in any jurisdiction that is reasonably likely to (i) enjoin or prohibit the Acquisition or the other transactions contemplated by the Acquisition Agreement, (ii) enjoin or prohibit CAPREIT's ability to acquire, hold or exercise full rights of ownership over any securities of the REIT or (iii) if the Acquisition is consummated, have a CAPREIT Material Adverse Effect or a REIT Material Adverse Effect;
- (d) evidence that all of the Class B LP Units (other than the Class B LP Units to be issued to CAPREIT) have been exchanged for Units in accordance with the Acquisition Agreement;
- (e) evidence that the Amended Maple Knoll Management Agreement, replacing the Current Maple Knoll Management Agreement, has been duly executed by such parties;
- (f) the final TSXV approval in regards to the transactions contemplated by the Acquisition Agreement shall have been obtained, subject only to customary conditions; and
- (g) the entering into of the Pipeline Agreement, the New Management Agreement and the Investor Rights Agreement.

The Acquisition Agreement contains certain customary conditions to the completion of the Acquisition for the sole benefit of the REIT, including:

- (a) conditions related to covenants to be performed by CAPREIT and the correctness of representations and warranties provided by CAPREIT;
- (b) since the date of the Acquisition Agreement until Closing, there will not have occurred and be continuing a CAPREIT Material Adverse Effect;
- (c) the funding of the Special Distribution by CAPREIT to the REIT; and
- (d) CAPREIT will have obtained the lender consents required by the Acquisition Agreement.

The Acquisition Agreement contains certain customary conditions to the completion of the Acquisition for the sole benefit of CAPREIT, including:

- (a) conditions related to covenants to be performed by the REIT and the correctness of representations and warranties provided by the REIT;
- (b) since the date of the Acquisition Agreement until Closing, there will not have occurred and be continuing a REIT Material Adverse Effect;

- (c) CAPREIT's receipt of the LTT Payment in accordance with the terms of the Acquisition Agreement;
- (d) the entering into of the Amended Maple Knoll Management Agreement replacing the Current Maple Knoll Management Agreement; and
- (e) the REIT will have obtained the lender consents required by the Acquisition Agreement.

Termination of the Acquisition Agreement

The Acquisition Agreement may be terminated prior to Closing by:

- (a) the mutual written agreement of the REIT and CAPREIT;
- (b) either the REIT or CAPREIT, if:
 - (i) Closing does not occur on or prior to the Outside Date, provided that the REIT or CAPREIT may not terminate the Acquisition Agreement if the failure of Closing to so occur has been caused by, or is a result of, a breach by such party of any of its representations or warranties or the failure by such party or any of its subsidiaries to perform any of their respective covenants or agreements under the Acquisition Agreement or any Ancillary Agreement;
 - (ii) after the date of the Acquisition Agreement, any applicable law is enacted or made (or any applicable law is amended) that makes the consummation of any of the transactions contemplated by the Acquisition Agreement or any Ancillary Agreement illegal or otherwise prohibited or enjoins or prohibits the consummation of any of the transactions contemplated by the Acquisition Agreement or any Ancillary Agreement and such law (if applicable) or enjoinder or prohibition shall have become final and non-appealable, provided the party seeking to terminate the Acquisition Agreement pursuant to this provision has used its commercially reasonable efforts to, as applicable, appeal or overturn such applicable law or otherwise have it lifted or rendered non-applicable in respect of any of the transactions contemplated by the Acquisition Agreement;
 - (iii) the Transaction Resolutions are not approved by the Unitholders at the Meeting in accordance with the REIT's Constating Documents, applicable law and the rules and policies of the TSXV; or
 - (iv) the non-fulfillment of any of the conditions of Closing set forth in the Acquisition Agreement that have not been waived by the applicable party;
- (c) CAPREIT, if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the REIT or any of its subsidiaries under the Acquisition Agreement occurs that would cause any condition of Closing regarding the REIT's representations and warranties, or the REIT's covenants, to not be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of the Acquisition

Agreement, provided that CAPREIT or its applicable subsidiaries are not then in breach of the Acquisition Agreement so as to cause any condition of Closing regarding CAPREIT's representations and warranties, or CAPREIT's covenants, to not be satisfied;

- (ii) the Board or any committee of the Board: (A) fails to unanimously recommend (with interested members of the Board abstaining) or withdraws, amends, modifies or qualifies, or publicly proposes or states an intention to withdraw, amend, modify or qualify, the Board's recommendation that Unitholders vote in favour of the Transaction Resolutions; (B) accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend, an Acquisition Proposal or takes no position or a neutral position, in each case with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than five business days (or beyond the third business day prior to the date of the Meeting, if sooner); (C) accepts, approves, endorses, recommends or executes or enters into (other than a confidentiality and standstill agreement permitted by and in accordance with the Acquisition Agreement) or publicly proposes to accept, approve, endorse, recommend or execute or enter into any agreement, letter of intent, understanding or arrangement relating to an Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal; (D) fails to publicly reaffirm the Board's recommendation that Unitholders vote in favour of the Transaction Resolutions (without qualification) within five business days after having been requested in writing by CAPREIT to do so (collectively, a "**Change in Recommendation**"); or (E) the REIT breaches the non-solicitation provisions of the Acquisition Agreement in any material respect; or
 - (iii) since the date of the Acquisition Agreement, there has occurred a REIT Material Adverse Effect; or
- (d) the REIT, if:
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of CAPREIT or any of its applicable subsidiaries under the Acquisition Agreement occurs that would cause any condition of Closing regarding CAPREIT's representations and warranties, or CAPREIT's covenants, to not be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of the Acquisition Agreement; provided that the REIT or its subsidiaries are not then in breach of the Acquisition Agreement so as to cause any condition of Closing regarding the REIT's representations and warranties, or the REIT's covenants, to not be satisfied;
 - (ii) prior to the approval by the Unitholders of the Transaction Resolutions, the Board authorizes the REIT to enter into a written agreement (other than a confidentiality agreement permitted by and in accordance with the terms of the Acquisition Agreement) with respect to a Superior Proposal in accordance with the terms of the Acquisition Agreement, provided the REIT is then in compliance with the non-solicitation provisions of the Acquisition Agreement and that prior to or concurrent with such termination, the REIT pays the Termination Fee to CAPREIT in accordance with the terms of the Acquisition Agreement; or

- (iii) since the date of the Acquisition Agreement, there has occurred and is continuing a CAPREIT Material Adverse Effect.

Termination Fee

In certain circumstances, upon the termination of the Acquisition Agreement, including: (i) by CAPREIT, in the event that there is a Change in Recommendation or the REIT has breached its non-solicitation covenants in the Acquisition Agreement; or (ii) by the REIT, in connection with a Superior Proposal, the REIT will be required to pay the Termination Fee to CAPREIT.

In addition, the Termination Fee will be payable by the REIT to CAPREIT if the Acquisition Agreement is terminated in either of the following circumstances: (a) Unitholders fail to approve the Transaction Resolutions; or (b) Closing does not occur on or prior to the Outside Date, if, in each case, (i) prior to such termination, an Acquisition Proposal is made or publicly announced or otherwise publicly disclosed by any person (other than by CAPREIT) or any person (other than CAPREIT) shall have publicly announced an intention to make an Acquisition Proposal and (ii) within 12 months following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) is consummated, or (B) the REIT or one or more of its subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in (i) above) and such Acquisition Proposal is later consummated (whether or not within 12 months after such termination).

Expenses

Except as expressly otherwise provided in the Acquisition Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Acquisition Agreement, the Acquisition and the other transactions contemplated thereunder, shall be paid by the party to the Acquisition Agreement incurring such expenses, whether or not the Acquisition is consummated.

Guarantees

Each of CAPREIT and the REIT unconditionally and irrevocably guarantees in favour of the other the due and punctual performance by its subsidiaries (which are subsidiaries of the applicable party immediately prior to Closing) of their respective obligations under the Acquisition Agreement. Each of CAPREIT and the REIT agrees that the other shall not have to proceed first against the applicable subsidiary in respect of any such matter before exercising its rights under this guarantee against CAPREIT or the REIT, as applicable, and agrees to be liable for all guaranteed obligations as if it were the principal obligor of such obligations.

Exchange of Existing Class B LP Units

A condition of Closing is that the REIT and CAPREIT receive evidence that all of the Class B LP Units (other than the Class B LP Units to be issued to CAPREIT) have been exchanged for Units. The REIT intends to effect the automatic exchange of all of the outstanding Class B LP Units (other than the Class B LP Units to be issued to CAPREIT) pursuant to Section 4.1 of the Exchange Agreement upon the aggregate number of Units for which the Class B LP Units are exchangeable being less than 1% of the total number of Units and Class B LP Units issued and outstanding as at May 3, 2017.

Special Distribution

Pursuant to the terms of the Acquisition Agreement, CAPREIT has agreed to fund a special distribution in the amount of \$0.50 per Unit and per Class B LP Unit (the “**Special Distribution**”). The aggregate amount of the Special Distribution is expected to be approximately \$8 million. Each Unitholder and holder of Class B LP Units of record will be entitled to receive the Special Distribution, and Unitholders and holders of Class B LP Units of record shall have the option to receive the Special Distribution in either cash or in Units, based on a deemed issue price of \$4.00 per Unit. Any remainder from the funds provided to the REIT by CAPREIT for the Special Distribution, following the completion of the Special Distribution by the REIT, will be used for the REIT’s general trust purposes. The record date for determining the Unitholders and holders of Class B LP Units that will be eligible to receive the Special Distribution is expected to be shortly after the Closing. See “Certain Canadian Federal Income Tax Consequences” below. The Special Distribution will not be payable to CAPREIT in respect of the Class B LP Units that will be issued to CAPREIT on Closing.

Certain Unitholders and holders of Class B LP Units, including certain of the Trustees and officers of the REIT (the “**Waiving Distribution Holders**”), had contractually agreed to waive their right to receive distributions otherwise payable to them on certain of their Units and Class B LP Units until the earlier of the achievement of a certain AFFO payout ratio or May 2, 2020. In light of the Acquisition, the contractual waiver with the Waiving Distribution Holders will be terminated prior to Closing.

Class B LP Units to be issued to CAPREIT

As payment of a portion of the purchase price for the Acquisition Properties, the REIT will issue CAPREIT Class B LP Units. The following is a summary of the material attributes of the Class B LP Units.

Class B LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of the Class B LP Units are entitled to receive distributions paid by ECRE LP, which distributions or advances will be equal to, to the greatest extent practicable, the amount of distributions paid by the REIT to Unitholders. Except under certain circumstances or as required by law, the holders of the Class B LP Units shall not have the right to exercise any votes in respect of matters to be decided by the limited partners of ECRE LP.

Each of the holders of Class B LP Units will receive one Special Voting Unit for each Class B LP Unit held. Each Special Voting Unit will, initially, entitle the holder to one vote at meetings of voting Unitholders, subject to the customary anti-dilution adjustments. Each Special Voting Unit is intended to be, to the greatest extent practicable, the voting equivalent of Units and accordingly, will entitle the holders thereof to a number of votes at any meeting of voting Unitholders equal to the number of Units which may be obtained upon the exchange of the Class B LP Units to which the Special Voting Unit relates. However, other than voting rights, the holders of Special Voting Units will have no rights (whether as to distributions or otherwise, other than the right to receive nominal consideration on a redemption thereof) in respect of the REIT. Any certificates representing a Class B LP Unit will be deemed to include a Special Voting Unit entitling the holder to one vote at all meetings of voting Unitholders for each Special Voting Unit held, subject to the customary anti-dilution adjustments set out in the Declaration of Trust.

Each Class B LP Unit is indirectly exchangeable for one Unit, subject to the customary anti-dilution adjustments set out in the ECRE LP Agreement and the Exchange Agreement and in certain other circumstances. Class B LP Units may not be transferred except in connection with an exchange for Units or those certain limited exceptions set out in the ECRE LP Agreement. The Class B LP Units will not be listed on the TSXV or on any other stock exchange or quotation system.

Exchange Agreement

In accordance with and subject to the ECRE LP Agreement and the Exchange Agreement, each holder of Class B LP Units has the right to exchange any or all Class B LP Units held from time to time by such holder of Class B LP Units into Units in accordance with the provisions of the ECRE LP Agreement and the Exchange Agreement. Subject to the provisions of the Exchange Agreement, the REIT, together with the General Partner and ECRE LP, confirms that each holder of Class B LP Units has the right (the “**Exchange Right**”), exercisable at any time and from time to time, to require the REIT and ECRE LP to exchange all or any part of the Class B LP Units held from time to time by such holder of Class B LP Units into Units in accordance with the provisions of the ECRE LP Agreement and the Exchange Agreement.

Pipeline Agreement

The following is a summary of the material attributes and characteristics of the Pipeline Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Pipeline Agreement, the form of which is attached as Exhibit II to the Acquisition Agreement that has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A Unitholder should refer to the form of Pipeline Agreement for a full description of the terms and conditions of such agreement.

On Closing, CAPREIT will enter into a pipeline agreement with the REIT (the “**Pipeline Agreement**”) pursuant to which CAPREIT, for a period ending on the two-year anniversary of the entering into of the Pipeline Agreement, will make up to \$250,000,000 (inclusive of Pipeline Acquisition Costs) (the “**Total Commitment**”) available to acquire Pipeline Properties that comply with the REIT’s investment policy and do not contravene the investment policy or Constating Documents of CAPREIT or CAPREIT LP for which the REIT wishes to purchase but is unable to do so (a “**Suitable Property Investment**”). Once any part of the Total Commitment has been repaid, that part of the Total Commitment will be available for reuse under the terms of the Pipeline Agreement.

If the REIT wishes to participate in a sale process in respect of a specified Suitable Property Investment and is unable to do so, the REIT shall be entitled to request, upon delivery of a written notice to CAPREIT (a “**Participation Notice**”), that CAPREIT (or, at CAPREIT’s option, a subsidiary of CAPREIT or a Pipeline SPV) acquire, subject to certain approvals, such Suitable Property Investment on the terms specified in the Participation Notice.

Subject to the terms of the Pipeline Agreement, CAPREIT will have the right to require the REIT (or an Affiliate thereof) to acquire, directly or indirectly through the purchase of a Pipeline Property, an Other Suitable Property or Pipeline SPV Shares (the “**Pipeline Put Option**”) at any time at the Pipeline Acquisition Price (as defined below). A condition of any Pipeline Put Option in respect of an Other Suitable Property is that such acquisition must, after receipt by the REIT of a Pipeline Put Option, be approved by the REIT’s Independent Trustees excluding any CAPREIT Member.

For a period of one year following: (i) the acquisition by CAPREIT of a Pipeline Property; or (ii) the acquisition by CAPREIT of any Other Suitable Property held from time to time by CAPREIT after June 30, 2019, the REIT shall have the right to require CAPREIT to sell the Pipeline Property (or Pipeline SPV Shares, as the case may be) or the Other Suitable Property acquired after June 30, 2019, to the REIT (the “**Pipeline Call Option**”) at the Pipeline Acquisition Price. The Pipeline Agreement and any transactions completed pursuant to the terms of such agreement are subject to the policies of the TSXV and prior TSXV approval for so long as the REIT is on such exchange.

The price payable by the REIT for the Pipeline Property, Pipeline SPV Shares, or the Other Suitable Property, as the case may be, under a Pipeline Put Option or Pipeline Call Option (the “**Pipeline Acquisition Price**”), shall be as follows (unless otherwise agreed by the parties in writing):

- (a) if the Pipeline Closing Date occurs prior to the date that is six months from the date of acquisition of a Pipeline Property or Other Suitable Property by CAPREIT, the Pipeline Acquisition Costs;
- (b) if the Pipeline Closing Date occurs after the date referred to in paragraph (a) above but prior to the date that is twelve months from the date of acquisition of a Pipeline Property or Other Suitable Property by CAPREIT, the greater of:
 - (i) the fair market value of the Pipeline Property or Other Suitable Property, as applicable, on the Pipeline Closing Date; and
 - (ii) the Pipeline Acquisition Costs; and
- (c) if the Pipeline Closing Date occurs more than twelve months from the date of acquisition of the Pipeline Property or Other Suitable Property by CAPREIT, a price mutually agreed to by the parties but, in any case, not less than the Pipeline Acquisition Costs,

in the case of an acquisition of Pipeline SPV Shares, plus or minus the amount by which the Working Capital exceeds or is less than zero.

When the REIT acquires such properties from CAPREIT or its Affiliates, CAPREIT will have the option of receiving consideration from the REIT for the acquired properties in the form of cash, Units, Class B LP Units, a promissory note (that may be convertible into Units or Class B LP Units) (a “**Note**”) or a combination of cash, Units, Class B LP Units or Notes in satisfaction of the Pipeline Acquisition Price.

If the Pipeline Closing Date occurs on or before June 30, 2019, the number of Units necessary to satisfy the Pipeline Acquisition Price will be based on a price of \$4.00 per Unit (subject to the approval of the TSXV). If the Pipeline Closing Date occurs after June 30, 2019, the number of Units necessary to satisfy the Pipeline Acquisition Price will be calculated by dividing the Pipeline Acquisition Price by the market value on the relevant payment date (subject to the approval of the TSXV). In the event that the TSXV requires a different price per Unit than as set forth in the Pipeline Agreement, such price per Unit shall be determinative.

Under the Pipeline Agreement, CAPREIT shall, and shall ensure that any relevant Pipeline SPV or subsidiary of CAPREIT shall, between the date of acquisition of any Purchased Asset, and the date of disposal of such Purchased Asset to the REIT:

- (a) carry on the business of such Pipeline Property, Other Suitable Property or Pipeline SPV, as the case may be, in the ordinary and usual course and in compliance with all applicable laws and in a manner consistent with the practices adopted by the REIT with its property investments;
- (b) give the REIT reasonable access to the Other Suitable Property and Pipeline Property, as applicable, and the relevant information, books of account, records and documents of any relevant purchaser as the REIT may reasonably require;

- (c) maintain insurance coverage in a commercially reasonable manner against all losses and liabilities of the relevant purchaser, including business interruption, and all other risks that are normally insured against by the REIT with respect to its own investments; and
- (d) at its own cost, ensure that the Manager shall provide property management services in respect of the Pipeline Properties in the same manner and with the same level of care and diligence as the Manager provides to the REIT pursuant to the New Management Agreement.

After the Pipeline Closing Date, all sums received by CAPREIT as payment under policies of insurance against losses or liabilities of any Pipeline Property, Other Suitable Property, Pipeline SPV or subsidiary of CAPREIT, as the case may be, shall be held by CAPREIT for the benefit of the REIT and shall be transferred by CAPREIT to the REIT upon the REIT's request.

New Management Agreement

The following is a summary of the material attributes and characteristics of the New Management Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the New Management Agreement, the form of which is attached as Exhibit III to the Acquisition Agreement that has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A Unitholder should refer to the form of New Management Agreement for a full description of the terms and conditions of such agreement.

Management Services

On Closing, CAPREIT Limited Partnership ("**CAPREIT LP**") and CanLiving BV (together with CAPREIT LP, the "**Manager**") will enter into a management agreement with, *inter alia*, the REIT (the "**New Management Agreement**"), whereby the Manager will assume the role of asset manager of the REIT.

Pursuant to the New Management Agreement, the Manager will, among other things, perform the following duties for the REIT (and, if applicable, any Affiliate of the REIT):

- (a) provide the services of a senior management team (including a chief executive officer and chief financial officer of the REIT) to provide advisory, consultation and investment management services and monitor the financial performance of the REIT;
- (b) advise the Trustees on strategic matters, including potential acquisitions, dispositions, financings and development;
- (c) identify, evaluate, recommend and assist in the structuring of acquisition, disposition and other transactions;
- (d) advise and assist with borrowings, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;
- (e) make recommendations with respect to the payment of distributions;
- (f) provide advice in connection with the preparation of business plans and annual budgets, implement such plans and budgets and monitor the financial performance of the REIT;
- (g) advise the REIT with respect to investor relations strategies and activities;

- (h) advise with respect to regulatory compliance requirements, risk management policies and certain litigation matters; and
- (i) any additional services as may from time to time be agreed to in writing by the REIT and the Manager for which the Manager will be compensated on terms to be agreed upon between the Manager and the REIT prior to the provision of such services.

Management Fees

In performing its obligations under the New Management Agreement, the Manager will be entitled to receive the following fees from the REIT or its subsidiaries:

- (a) a base annual asset management fee (the “**Annual Asset Management Fee**”) in the amount of 0.35% of the historical purchase price of the REIT’s properties (other than in respect of the Commercial Properties), equal to €1,476,405 for the initial portfolio, including the Acquisition Properties and excluding the Commercial Properties, notwithstanding that the purchase price was converted to Canadian dollars;
- (b) a capital expenditure fee (the “**Capex Fee**”) equal to 5.0% of all hard construction costs incurred on each capital project (other than in respect of the Commercial Properties) with costs in excess of €1,000,000, excluding work done on behalf of tenants or any maintenance expenditures, plus applicable taxes;
- (c) an acquisition fee (the “**Acquisition Fee**”) in the amount of (i) 1.0% of the purchase price paid by the REIT or one or more of its subsidiaries for the purchase of a residential or commercial real property of the REIT located in Europe, on the first €100,000,000 of such properties acquired in each fiscal year, (ii) 0.75% of the purchase price paid by the REIT or one or more of its subsidiaries for the purchase of such a property, on the next €100,000,000 of such properties acquired in each fiscal year, and (iii) 0.50% of the purchase price paid by the REIT or one or more of its subsidiaries for the purchase of such a property, on properties in excess of €200,000,000 acquired in each fiscal year; and
- (d) a financing fee (the “**Financing Fee**”) equal to 0.25% of the debt and equity of all financing or refinancing transactions completed for the REIT or any of its subsidiaries, which is intended to cover the actual expenses incurred by the Manager in supplying services to the REIT relating to financing transactions. To the extent that the Financing Fees paid by the REIT exceed the actual amount of such expenses, the Manager will reimburse the REIT for the difference. To the extent that the Financing Fees charged by the Manager are less than the actual amount of such expenses, the REIT will pay the difference as an additional Financing Fee amount

(the Annual Asset Management Fee, the Capex Fee, the Acquisition Fee and the Financing Fee are hereinafter together referred to as the “**Management Fees**”). Any amount payable under the New Management Agreement will be exclusive of applicable taxes, which will, where it is chargeable, be paid in addition to the amount in question. Notwithstanding the foregoing, in the event that the Amended Maple Knoll Management Agreement is terminated, the Manager will also be entitled to the Management Fees in respect of any remaining Commercial Properties from the date of such termination.

Pursuant to the New Management Agreement, the Manager will have the option to elect to receive all or a portion of the Management Fees payable to it in the form of Units or other equity incentive awards of the REIT, as may be available from time to time. The number of Units issued to the Manager will be calculated by dividing the fees payable to the Manager by the market value of the Units on the relevant

payment date. The “market value” for this purpose will be the weighted average trading price of the Units on the principal exchange on which the Units are quoted for trading for the five trading days immediately preceding the relevant payment date.

In addition, the REIT will reimburse the Manager for all reasonable out-of-pocket costs and expenses paid by the Manager in connection with the performance of services described in the New Management Agreement or such other services which the Manager and the REIT agree in writing are to be provided from time to time by the Manager.

Right of First Opportunity

Pursuant to the New Management Agreement, the Manager shall provide the REIT with a right of first opportunity on all acquisition or investment opportunities in each multi-residential rental property located in Europe identified by the Manager or any of its Affiliates that fit within the REIT’s investment policy (each, an “**Opportunity**”).

Notwithstanding the foregoing, the aforementioned right of first opportunity will not apply to: (i) any Opportunity that relates to property located in Ireland; or (ii) any interest of the Manager or any of its Affiliates in any property that was previously a declined Opportunity by the REIT.

Term and Termination

The New Management Agreement is for a term of 10 years and is renewable for further five-year terms, unless and until the New Management Agreement is terminated in accordance with the provisions thereof. Subject only to the termination provisions in the New Management Agreement, the Manager will automatically be rehired at the expiration of each term. The Manager has the right, at any time, but upon 180 days’ notice, to terminate the New Management Agreement for any reason; provided, however, the Manager may not terminate the New Management Agreement during the initial term of the New Management Agreement.

The REIT will have the right to terminate the New Management Agreement in the event of default or insolvency of the Manager (within the meaning of the New Management Agreement) by giving notice to the Manager, which notice shall provide the reason for termination in reasonable detail and shall be effective in accordance with the provisions of the New Management Agreement. The REIT may terminate the New Management Agreement at the end of a term if the Non-Restricted Trustees of the REIT determine that the Manager has not been meeting its obligations under the New Management Agreement and such termination is approved by at least two-thirds of the votes cast by Unitholders at a meeting of Unitholders called and held for such purpose, provided that the REIT provides the Manager with at least 12 months’ prior written notice of such termination.

Amended Maple Knoll Management Agreement

The following is a summary of the material attributes and characteristics of the Amended Maple Knoll Management Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Amended Maple Knoll Management Agreement.

Upon Closing, the Current Maple Knoll Management Agreement will be amended and replaced with an amended asset management agreement pursuant to which Maple Knoll will act as the asset manager to the REIT in respect of the REIT’s existing Commercial Properties (the “**Amended Maple Knoll Management Agreement**”). Pursuant to the Amended Maple Knoll Management Agreement, Maple Knoll will, among other things, perform the following services for the REIT (and, if applicable, any

Affiliate of the REIT), among other services, in respect of the Commercial Properties: (i) providing advisory, consultation and investment management services and monitoring the financial performance of the Commercial Properties; (ii) advising the Board on strategic matters, including potential dispositions, financings, development and redevelopment of the Commercial Properties; (iii) providing guidance to property managers on operating and capital expenditures; (iv) identifying, evaluating, recommending, negotiating and assisting in the structuring of dispositions and other transactions in respect of the Commercial Properties; (v) advising and assisting with borrowings, including assisting in dealings with banks and other lenders; (vi) assisting with the maintenance of the books and financial records of the Commercial Properties; (vii) supervising and coordinating all leasing services (including research to find potential tenants, contacting potential tenants, coordination of potential third-party brokers, negotiations with tenants and support in finalization of the leasing agreements) in respect of the Commercial Properties; (viii) overseeing third party property management services performed on the Commercial Properties; and (ix) providing construction management services; supervising property expansions, capital projects for the REIT's Commercial Properties. Maple Knoll and its affiliates may also continue providing services to other clients.

Management Fees in respect of the Commercial Properties

In performing its obligations under the Amended Maple Knoll Management Agreement, Maple Knoll is entitled to receive the following fees from the REIT:

- (a) An annual asset management fee (the “**Annual Commercial Asset Management Fee**”) in the amount of 0.50% of the historical gross acquisition price of the Commercial Properties plus applicable tax;
- (b) A disposition fee (“**Disposition Fee**”) in the amount of 1% of the total gross proceeds associated with any Commercial Property disposed of by the REIT or its Subsidiaries payable on completion of each disposition plus applicable tax;
- (c) A capital expenditure fee equal to 5% of all hard construction costs incurred on each capital project on the Commercial Properties with costs in excess of €1,000,000, excluding work done on behalf of tenants or any maintenance expenditures, plus applicable tax; and
- (d) A refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses incurred by Maple Knoll in supplying services relating to refinancing transactions plus applicable tax.

Term and Termination

The Amended Maple Knoll Management Agreement is for a term of three years (the “**Maple Knoll Management Agreement Initial Term**”), unless extended by mutual agreement.

The REIT has the right to terminate the Amended Maple Knoll Management Agreement upon 30 days' written notice: (i) in the event of material default (if such default is not cured within such period); (ii) in the event of insolvency of Maple Knoll (within the meaning of the Amended Maple Knoll Management Agreement); (iii) if Maple Knoll commits an act of fraud or (iv) in the event that Maple Knoll has failed to perform its duties under the Amended Maple Knoll Management Agreement. In addition, the Amended Maple Knoll Management Agreement may be terminated by the REIT at any time on the payment of the Annual Commercial Asset Management Fee for the remainder of the Maple Knoll Management Agreement Initial Term and the payment of the Disposition Fee, unless previously paid, on the earlier of such termination and the end of the Maple Knoll Management Agreement Initial Term. At the end of the

Maple Knoll Management Agreement Initial Term if not previously paid, Maple Knoll will be paid the Disposition Fee on the Commercial Properties.

Notwithstanding the foregoing, if during the Maple Knoll Management Agreement Initial Term, any Commercial Property has been sold and the Disposition Fee paid, then the Annual Commercial Asset Management Fee in respect of such Commercial Property will no longer be payable.

Maple Knoll will not receive any fees in connection with the replacement of the Current Maple Knoll Management Agreement, including any acquisition fee in respect of the Acquisition Properties that it would otherwise have been entitled to under the Current Maple Knoll Management Agreement.

Property Management Agreement

The following is a summary of the material attributes and characteristics of the Property Management Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Property Management Agreement.

Property Management Services

On Closing, CanLiving BV (the “**Property Manager**”), a subsidiary of CAPREIT, and certain subsidiaries of the REIT (collectively, the “**Client**”), will enter into agreements (collectively, the “**Property Management Agreement**”), whereby the Property Manager will assume the role of property manager for the Client.

Pursuant to the Property Management Agreement, the Property Manager will, among other things, perform the following duties for the Client (and, if applicable, any Affiliate of the Client):

- (a) oversee, supervise and direct the day-to-day relations with respect to the properties of the Client with third parties, including tenants, suppliers, brokers, consultants, advisors, accountants, lawyers, municipal tax authorities, insurers and appraisers;
- (b) maintain copies of all invoices, bills, receipts, warranties, leases, contracts, correspondence, inventories and other records in connection with the properties of the Client and make them available for inspection;
- (c) provide management and operational services for the properties of the Client, including inspecting the properties, negotiating contracts, providing management services in connection with the facilities, arranging for such improvements and repairs as may be required, monitoring of building and refurbishment works and purchasing all materials and services, arranging for utilities and fixed price contracts in respect thereof and incurring such expenses (with certain exceptions), as it deems necessary in connection therewith;
- (d) obtain and maintain appropriate insurance policies on all properties of the Client in amounts and against such risks as would normally be carried by prudent owners of similar property portfolios;
- (e) handle all banking necessary for the due performance of accounting and administrative functions and for the receipt and disbursement of all monies of the Client pertaining to the operation of the properties of the Client;

- (f) review or cause to have reviewed property taxes and assessments for the properties of the Client and recommending payment or appeal, and, if applicable, taking steps to contest or appeal any such assessments;
- (g) supervise all leasing and operations in respect of the properties of the Client, including establishing any leasing and marketing plans;
- (h) arrange for the services of such other administrative, management and executive personnel to be provided to the Client as is reasonably necessary, including hiring, supervising and dismissing, as may be necessary from time to time all persons required for the proper operation, maintenance, administration, management and other support services for the properties of the Client, including any property managers, the controller and other oversight accounting and administrative staff; and
- (i) assist, or procure assistance for, the Client with any employment requirements, including the arrangement of insurance and other benefits as may be required from time to time.

Fees

In consideration for the services to be provided by the Property Manager under the Property Management Agreement, the Client will pay a fee to the Property Manager representing 3.5% of effective gross revenues (i.e. revenues less vacancy, bad debt and incentives) derived from the properties of the Client. Any amount payable under the Property Management Agreement will be exclusive of applicable taxes, which will, where it is chargeable, be paid in addition to the amount in question.

Term and Termination

The Property Management Agreement will have an indefinite term. The Client will be able to terminate the Property Management Agreement: (i) immediately upon an event of default committed by the Property Manager; and (ii) immediately, with respect to a particular property of the Client, upon the completion of a sale or any other form of disposition of the property resulting in the Client ceasing to have an interest in it.

The Client and the Property Manager will each be able to terminate the Property Management Agreement immediately (with no fee payable), in the event that the New Management Agreement is terminated.

Investor Rights Agreement

The following is a summary of the material attributes and characteristics of the Investor Rights Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Investor Rights Agreement, the form of which is attached as Exhibit I to the Acquisition Agreement that has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com. A Unitholder should refer to the form of Investor Rights Agreement for a full description of the terms and conditions of such agreement.

On Closing, the REIT and CAPREIT will enter into an investor rights agreement (the “**Investor Rights Agreement**”) setting out CAPREIT’s rights as a significant Unitholder. Pursuant to the Investor Rights Agreement, CAPREIT shall be granted, among other things, rights outlined below.

Nomination Rights

Pursuant to the Investor Rights Agreement, CAPREIT will be granted the right to nominate a number of Trustees (such nominees will be subject to election together with the remaining Trustees at annual meetings of Unitholders) based on the proportion of outstanding Units held by CAPREIT (determined as if all Class B LP Units had been exchanged for Units), whether held directly or indirectly, at the time of nomination, as follows:

- (a) three Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding;
- (b) two Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 10% of the Units outstanding and equal to or less than 20% of the Units outstanding; and
- (c) one Trustee, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 5% of the Units outstanding and equal to or less than 10% of the Units outstanding.

In addition, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 50% of the Units outstanding, CAPREIT will have the right to nominate the chair of the Board and the majority of the members of each committee of the Board, subject to any independence requirements.

Registration Rights

The Investor Rights Agreement will provide CAPREIT with the right (the “**Demand Registration Right**”) to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, and take such other steps as may be reasonably necessary to facilitate an offering in Canada of all or any portion of the Units held by CAPREIT, provided CAPREIT, together with its permitted transferees, Affiliates and joint actors, collectively own, control or direct, directly or indirectly, in the aggregate, at least 10% of the Units (determined as if all Class B LP Units are exchanged for Units) at the time of exercise (a “**Demand Registration**”).

CAPREIT will be entitled to request not more than three (3) Demand Registrations in any 12-month period and each request for a Demand Registration must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least \$15 million. The REIT may also distribute Units in connection with a Demand Registration, provided that if the Demand Registration involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Registration should be limited for certain prescribed reasons, the Units to be included in the Demand Registration will be first allocated to CAPREIT. The Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Registration in certain circumstances, where it is in the best interest of the REIT, for a period not exceeding 90 days and no more than once in any one year period.

The expenses in respect of a Demand Registration, subject to certain exceptions, whether or not completed, will be borne by CAPREIT. If both the REIT and CAPREIT are selling Units in an offering or distribution, the expenses of the Demand Registration will be shared by the REIT and CAPREIT on a proportionate basis, according to the number of Units being distributed by each, provided that in all cases CAPREIT shall bear the fees and expenses of its counsel.

In addition, subject to certain conditions, CAPREIT will also be entitled to customary “piggy back” registration rights to require the REIT to include Units held by CAPREIT (“**Piggy-Back Units**”) in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “**Piggy-Back Registration**”), provided CAPREIT, together with its permitted transferees, Affiliates and joint actors, collectively own, control or direct, directly or indirectly, in the aggregate, at least 10% of the Units (determined as if all Class B LP Units are exchanged for Units) at the time of exercise. The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Units all of the Units CAPREIT requests to be sold, provided that if the Piggy-Back Registration involves an underwriting and the lead underwriter determines that the total number of Piggy-Back Units to be included in such Piggy-Back Registration should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Registration will be first allocated to the REIT.

The expenses in respect of a Piggy-Back Registration will be borne by the REIT, except that any underwriting fee on the sale of Piggy-Back Units and the fees of CAPREIT’s external legal counsel will be borne by CAPREIT.

In connection with any Demand Registration or Piggy-Back Registration, CAPREIT will furnish to the REIT such information and execute such documents regarding the Units and the intended method of distribution thereof as the REIT may reasonably require in order to effect the requested qualification for distribution. If an underwritten public offering is contemplated, CAPREIT shall execute an underwriting agreement containing customary representations, warranties and indemnities (and contribution covenants) relating only to written information furnished by or on behalf of CAPREIT expressly for use in connection with the applicable prospectus. The REIT will indemnify CAPREIT, its Affiliates and each of their respective directors, trustees, officers and employees for any misrepresentation in a prospectus under which Units held by CAPREIT are distributed (other than in respect of any prospectus disclosure provided by CAPREIT or the underwriters). CAPREIT will indemnify the REIT and each of the REIT’s trustees, officers and employees for any misrepresentation with respect to prospectus disclosure provided by CAPREIT in respect of CAPREIT.

Pre-Emptive Rights

In the event that the REIT, the Partnership or one of their subsidiaries decides to issue equity securities of the REIT or the Partnership or the subsidiary or securities convertible into or exchangeable or redeemable for equity securities of the REIT or the Partnership or the subsidiary or an option or other right to acquire such securities other than to an Affiliate thereof, the Investor Rights Agreement will provide that CAPREIT, for so long as it (including permitted transferees) continues to own, control or direct, directly or indirectly, in the aggregate, at least 10% of the outstanding Units (determined as if all Class B LP Units have been exchanged for Units), shall have pre-emptive rights to purchase Units, Class B LP Units or such other securities as are being contemplated for issuance by the REIT or the Partnership or the subsidiary to maintain its proportional ownership interest in the REIT (assuming an exchange of all Class B LP Units). Notice of exercise of such rights is to be provided in advance of the commencement of any offering of securities of the REIT or the Partnership. If CAPREIT exercises such rights, then the REIT, the Partnership or the applicable subsidiary shall, subject to the receipt and continued effectiveness of all required approvals, issue to CAPREIT, and list on the appropriate securities exchange or quotation system, the securities purchased by CAPREIT pursuant to its pre-emptive rights.

Pursuant to the Investor Rights Agreement, the pre-emptive rights will not apply to issuances in the following circumstances (the “**Excluded Issuances**”):

- to participants in a distribution reinvestment plan or a similar plan;
- in respect of the exercise or issuance of options, warrants, rights or other securities issued under security based compensation arrangements of the REIT or its subsidiaries;
- to Units in lieu of cash distributions;
- as full or partial consideration for the purchase of real property by the REIT or the Partnership from CAPREIT or an Affiliate thereof;
- in respect of the exercise by a holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which CAPREIT did not exercise, failed to exercise, or waived its pre-emptive rights or in respect of which the pre-emptive right did not apply;
- pursuant to a Unitholders’ rights plan of the REIT; and
- to the REIT, the Partnership or any subsidiary or Affiliate thereof.

For so long as CAPREIT continues to own, control or direct, directly or indirectly, in the aggregate, at least 10% of the then-outstanding Units (determined as if all Class B LP Units are exchanged for Units), CAPREIT shall have a right (the “**Top-Up Right**”) to subscribe for Units in respect of any Top-Up Securities that the REIT may, from time to time, issue after the date of the Investor Rights Agreement, excluding any rights offering by the REIT, and subject to any stock exchange requirements as may then be applicable. The number of Units that may be subscribed for by CAPREIT pursuant to the Top-Up Right shall be equal to the Percentage of Outstanding Units expressed as a percentage of the Top-Up Securities. The term “**Top-Up Securities**” shall mean any Units or securities convertible into or exchangeable or redeemable for Units issued pursuant to an Excluded Issuance.

The Top-Up Right may be exercised on a semi-annual basis and will be effected through subscriptions for Units by CAPREIT for a price per Unit equal to the volume weighted average price of the Units on the TSXV or the then applicable stock exchange for the five trading days preceding the delivery of the Top-Up Right acceptance notice by CAPREIT and shall be subject to approval by the TSXV or the then applicable stock exchange.

Information and Inspection Rights

During the term of the Investor Rights Agreement, the REIT shall deliver to CAPREIT, subject to prescribed timelines set out in the Investor Rights Agreement, a copy of the REIT’s financial statements after each fiscal year end; a copy of the proposed annual budget for the REIT and its subsidiaries; a copy of any notice, letter, correspondence or other communication from a governmental entity or any litigation proceedings or filings involving the REIT or any of its subsidiaries; any and all internal reports, consulting reports, audit reports or other reports (whether prepared internally or by third parties) related to any review, consideration or evaluation of the effectiveness of the REIT’s internal compliance programs and processes and controls related thereto; any information relating to material transactions or material expenditures of the REIT; and such other financial and business information relating to the REIT as CAPREIT may reasonably request from the REIT from time to time.

The REIT shall also provide CAPREIT and its representatives with reasonable access upon reasonable notice during normal business hours, to the REIT’s and its subsidiaries’ books and records and executive management so that CAPREIT may conduct reasonable inspections, investigations and audits relating to the information provided by the REIT pursuant to CAPREIT’s information rights, as well as to the internal accounting controls and operations of the REIT and its subsidiaries.

CAPREIT's Consent Rights

For so long as CAPREIT directly or indirectly holds 50% or more of the Units, the REIT may not undertake, without the prior written consent of CAPREIT, in CAPREIT's sole and absolute discretion: (i) any material acquisition, disposition, or development; (ii) any financings (debt or equity), re-financings or similar transactions; or (iii) any direct or indirect granting of security over any assets of the REIT or any related entity.

Services Agreement

The following is a summary of the material attributes and characteristics of the Services Agreement, which is to be entered into by the parties at Closing. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Services Agreement.

On Closing, the Manager will enter into a services agreement with, *inter alia*, the REIT (the "**Services Agreement**"), pursuant to which the Manager will provide the REIT and certain of its subsidiaries with certain administrative services, including financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "**Services**"). The Manager will provide these Services to the REIT on a cost recovery basis pursuant to which the REIT will reimburse the Manager for all reasonable costs and expenses incurred by the Manager in connection with providing the Services, plus applicable taxes. The Services Agreement will be in force as long as the New Management Agreement, unless otherwise terminated in accordance with its terms.

Voting Agreements

Each of the Trustees and officers of the REIT, who collectively hold approximately 12.8% (of which approximately 5.4% will be excluded from the vote) of the outstanding Units, has entered into a Voting and Support Agreement with CAPREIT, pursuant to which they agreed to vote their Voting Units in favour of the Acquisition and against any resolution submitted by any Unitholder that is inconsistent therewith, subject to the right to terminate such Voting and Support Agreements in certain circumstances, including the termination of the Acquisition.

CAPREIT as New Control Person and Reverse Takeover

As part of the purchase price for the Acquisition Properties, CAPREIT will acquire 81,641,210 Class B LP Units, which are exchangeable for Units pursuant to the terms of the limited partnership agreement of the Partnership and the Exchange Agreement, and if exchanged for Units, would represent approximately 83% of the issued and outstanding Units following Closing. Therefore, as a result of the Acquisition, CAPREIT will become a new Control Person of the REIT.

Further, in the event that the REIT has insufficient availability under its credit facilities to fund any land transfer tax liability incurred as a result of the transactions contemplated by the Acquisition Agreement or as otherwise required under the Acquisition Agreement and so notifies CAPREIT, CAPREIT will subscribe for at least \$12 million of Class B LP Units at a price of \$4.00 per Class B LP Unit.

In addition, CAPREIT will enter into the following agreements with the REIT on Closing: (i) the Pipeline Agreement, pursuant to which CAPREIT may be issued additional Units, Class B LP Units, or a Note (that may be convertible into Units or Class B LP Units) as consideration for potential future property acquisitions by the REIT; (ii) the New Management Agreement, pursuant to which the Manager will act as the asset manager of the REIT and may elect to receive all or a portion of the Management Fees payable to the Manager under the New Management Agreement in the form of Units; (iii) the Property Management Agreement, pursuant to which the Property Manager will act as the property manager for

certain subsidiaries of the REIT; (iv) the Investor Rights Agreement, pursuant to which CAPREIT shall be granted certain nomination, pre-emptive and registration rights, as well as the right to acquire additional Units by exercising its Top-Up Right; and (v) the Services Agreement, pursuant to which the Manager will provide the REIT and certain of its subsidiaries with certain administrative services. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Pipeline Agreement”, “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – New Management Agreement”, “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Property Management Agreement”, “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Investor Rights Agreement” and “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Services Agreement”.

Based on the foregoing, particularly in regards to the creation of a new Control Person, the Acquisition is a “Reverse Takeover”, as such term is defined in TSXV Policy 5.2. Pursuant to Section 4 of TSXV Policy 5.2, the REIT is required to obtain disinterested Unitholder approval for a Reverse Takeover. The approval of the Acquisition Resolution by a majority of the disinterested Unitholders present in person or represented by proxy at the Meeting shall constitute disinterested Unitholder approval for the purposes of Section 4 of TSXV Policy 5.2.

Distribution Policy

Subject to Closing, following the second quarter of 2019, or such earlier date as determined by the Board, the REIT intends to change from making quarterly distributions to making monthly distributions, subject to the discretion of the Board. While the amount of the monthly distribution has yet to be determined, it is expected to have a target AFFO payout ratio in the range of 80% to 90%. ECRE LP will make corresponding cash distributions to holders of Class B LP Units. Any distributions the REIT pays in the future will depend upon its actual results of operations, currency exchange rates, economic conditions, debt service requirements and other factors that could differ materially from its expectations. It is expected that the first monthly cash distribution to Unitholders will be in respect of July, 2019 payable in August, 2019.

Subject to the Closing, and in light of the Special Distribution, the REIT will not pay a quarterly distribution in respect of the first quarter of 2019, but expects to make the last quarterly distribution in respect of the second quarter of 2019. However, the amount of such distribution has yet to be determined. Following Closing, the REIT expects to decide on a new distribution amount that is expected to be paid on a monthly basis following the second quarter of 2019.

In addition, the REIT expects to migrate to a Euro denominated cash distribution, as well as changing the functional and operating currency of the REIT to Euros, as soon as reasonably practicable following Closing. At that time, Unitholders will be provided with an option to elect the currency in which the Euro-denominated distribution is paid based on an exchange rate policy that is to be decided.

Transaction Approvals

Disinterested Unitholder Approval

Pursuant to Section 4 of TSXV Policy 5.2, the REIT is required to obtain disinterested Unitholder approval for a Reverse Takeover (which the Acquisition is under TSXV Policy 5.2 because it will result in CAPREIT becoming a new Control Person of the REIT). The approval of the Acquisition Resolution by a majority of the disinterested Unitholders present in person or represented by proxy at the Meeting shall constitute disinterested Unitholder approval for the purposes of Section 4 of TSXV Policy 5.2. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – CAPREIT as New Control Person and Reverse Takeover”.

TSXV Approval

The REIT is seeking the approval of the Acquisition from the TSXV. It is expected that conditions for the receipt of final approval from the TSXV will include approval of a majority of the disinterested Unitholders noted above, and certain other customary conditions. Closing of the Acquisition is subject to the REIT obtaining the approval of the TSXV. **As of the date of this Circular the REIT has not received the conditional approval of the TSXV.**

Description of the Acquisition Properties

The Acquisition Properties consist of 41 properties representing an aggregate of 2,091 residential suites and certain additional ancillary commercial space and parking facilities, located in the cities of Amsterdam, Utrecht, The Hague, Cuijk, IJsselstein, Enschede, Gouda, Heerenveen, Huizen, Koog aan de Zaan, Landgraaf, Meppel, Oirschot, Oldenzaal, Oss, Rijswijk, Scherpenzeel, Sittard, Uden, Venlo, Venray and Warnsveld, in the Netherlands.

The Acquisition Properties were acquired by CAPREIT from various vendors unrelated to the REIT or CAPREIT, pursuant to several transactions completed from December 23, 2016 to December 1, 2017.

The following table highlights certain information about the Acquisition Properties, including occupancy levels and average monthly rent per unit, which is set out as at January 31, 2019:

	Rentable Suites					Year Built	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)			
AMSTERDAM								
Oeverpad 220-294, Amsterdam	43	43	-	38	-	1999	97.7	1127
Oeverpad 364-438, Amsterdam	46	46	-	37	-	1999	97.8	1139
Nilda Pintostraat 3-41, Isabella Richaardsstraat 6-8, Amsterdam	18	18	-	-	-	1999	100	1063
Bijlmerdreef 790-934, Isabella Richaardsstraat 2-4, Amsterdam ⁽²⁾	26	26	-	-	212	1999	100	822
Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33, Amsterdam	37	37	-	-	-	1999	97.3	1010
Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20, Amsterdam	14	14	-	-	-	1999	100	1005

Rentable Suites

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
Efua Sutherlandstraat 19-59, Amsterdam	41	41	-	-	-	1999	97.6	898
Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16, Amsterdam	26	26	-	-	-	1999	96.2	1023
UTRECHT								
Faustdreef 1-179, Utrecht ⁽⁹⁾	90	90	-	-	449	1967	100	716
Faustdreef 221-489, Utrecht	135	135	-	-	Antenna	1967	97.8	700
Rubicondreef 80-222, Utrecht	72	72	-	-	-	1967	100	701
Tannhäuserdreef 2-416, Utrecht	168	168	-	42	Antenna	1965	98.2	728
Auriollaan 2-112, Utrecht	70	70	-	-	-	1960	100	890
Marshallaan 293-395, Utrecht	56	56	-	-	-	1960	98.2	842
Marshallaan 296-398, Utrecht	56	56	-	-	-	1960	98.2	837
Monnetlaan 1-111, Utrecht	70	70	-	-	-	1960	98.6	971
THE HAGUE								
Lau Mazirellaan 33-157, The Hague	44	44	-	-	-	1996	100	812
Anna Blamanplein 26-123, The Hague	98	98	-	98	-	1996	98	694
OTHER CITIES								
Deken van den Ackerhof 61-111, Cuijk	26	26	-	12	-	1990	100	955
Oudstraat 1-27, Ijsselstein	14	14	-	-	-	2000	100	996
Pelmolenstraat 68-1-68-	20	20	-	-	-	1994	100	893

Rentable Suites

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Occupancy Level⁽¹⁾ (%)	Average Monthly Rent/Unit (€)⁽¹⁾
44, Enschede								
Hortensiastraat 2-126 (Stokhorst), Enschede	57	57	-	29	-	1985	100	738
Esmarkelaan 44-90, Enschede	23	23	-	23	-	1977	91.3	825
Poldermolenplein 3-55, Poldermolendreef 53-123, Middenmolenplein 6-60, Gouda	84	84	-	-	-	1993	98.8	734
Bielzen 1-48, Stationsstreat 7-421, Heerenveen	60	60	-	15	Antenna	1985	100	676
Valder 7-76, Landgraaf	46	32	14	48	-	2007	97.8	725
De Putstoel 8-35, Meppel ⁽⁴⁾	28	28	-	-	1,087	1977	92.9	731
Den Heuvel 26-60, Oirschot	21	21	-	2	-	1986	100	635
27-77 Oldenzaal, Oldenzaal	26	26	-	-	-	1985	88.5	760
Antoni van Leeuwenhoekhof 1-6, Hugo de Grootensingel 3-13, Huizen	12	12	-	-	-	2006	100	1153
Bram van den Berghstraat 1-61, Oss	47	47	-	26	-	1985	97.9	628
Thomas Jeffersonlaan 289-527, Rijswijk	192	192	-	155	-	1969	99.5	813
Willaerlaan, 3-65, Scherpenzeel	32	32	-	-	-	1984	100	741
Smithlaan 1-89, Sittard	45	45	-	45	-	2007	100	973
Hoogzoggel 64-128, Uden	31	31	-	-	-	1992	100	667
Gulikstraat 210-308, Venlo	50	50	-	61	-	1995	100	800
Karel van Egmondstraat 1-21, Venlo	-- ⁽⁵⁾	-	-	21	-			

Rentable Suites

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
Veldzuring 95-133, Venlo	20	20	-	22	-	1999	100	855
Kloosterhof 2-56, Venray	56	56	-	18	-	1997	98.2	630
Jerusalem 9-40, Venray	32	32	-	32	-	2002	100	924
Dreiumme 2-48, Warnsveld	25	25	-	-	-	1985/1991	100	684
Kraaijenkampzoom 50-72, Ellekampzoom 59-81, Kluiverkamp 2-58, Koog aan de Zaan	34	34	-	-	-	1983	100	766
TOTAL:	2,091	2,077	14	724	1,748		98.7	801

Notes:

- (1) Based on the monthly in-place rent of occupied suites.
- (2) Includes commercial property located at Bijlmerdreef, Amsterdam.
- (3) Includes commercial property located at Faustdreef 181-187, Utrecht.
- (4) Includes commercial property located at De Putstoel & Kruisstraat, Meppel.
- (5) This property is comprised of a 21 garage complex near the Gulikstraat complex.

Acquisition Property Descriptions

For clarity, all references to ownership percentage in the Acquisition Property descriptions set-out below refer to the undivided share of the ownership in the entire building that the applicable apartment rights represent (and is set out in the relevant deeds of division pursuant to which such building was split into various apartment rights). The undivided share determines *inter alia* how the voting rights are exercised in the owner's association of the applicable building and how costs for general areas are split between the holders of the apartment rights.

Amsterdam

Amsterdam is the Netherlands' capital with approximately 820,000 residents. It is known for its artistic heritage, elaborate canal system and narrow houses with gabled facades, legacies of the city's 17th-century Golden Age. Its Museum District houses the Van Gogh Museum, works by Rembrandt and Vermeer at the Rijksmuseum, and modern art at the Stedelijk. Cycling is key to the city's character, and there are numerous bike paths.

Oeverpad 220-294

This property consists of one building with a total of 76 suites. Pursuant to the Acquisition, the REIT will acquire 43 of the property's suites, representing 57% ownership. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 1,020 square feet. The building was constructed in 1999, is located in the Stadsdeel Nieuw-West area in Amsterdam, is within walking distance to an ALDI

supermarket, a recreational area and a shopping centre, and is within cycling distance to the city centre. It is also located in close proximity to public transit. It is expected that the area is due to undergo extensive redevelopment between now and 2025 to further diversify the housing stock.

Oeverpad 364-438

This property consists of one building with a total of 87 suites. Pursuant to the Acquisition, the REIT will acquire 46 of the property's suites, representing 53% ownership. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,020 square feet. The building was constructed in 1999, is located in the Stadsdeel Nieuw-West area in Amsterdam, is within walking distance to an ALDI supermarket, a recreational area and a shopping centre, and is within cycling distance to the city centre. It is also located in close proximity to public transit. The area is due to undergo extensive redevelopment between now and 2025 to further diversify the housing stock.

Nilda Pintostraat 3-41, Isabella Richaardsstraat 6-8

This property consists of one building with a total of 18 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 1,185 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam and is within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance.

Bijlmerdreef 790-934, Isabella Richaardsstraat 2-4 and Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33

This property consists of two buildings with a total of 65 suites in each building. Pursuant to the Acquisition, the REIT will acquire: (i) 37 of the property's suites in one building, representing 57% ownership; and (ii) 26 of the property's suites in the other building, representing 40% ownership. The suite mix for Bijlmerdreef 844-910 contains three-bedroom floorplans averaging 1,205 square feet in size, and the suite mix for Bijlmerdreef 790-932 contains two and three bedrooms averaging 970 square feet in size. The buildings were constructed in 1999, are located in the Stadsdeel Zuidoost borough of Amsterdam and are within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance. There is office space in Bijlmerdreef 790-932.

Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20

This property consists of one building with a total of 14 suites. The suite mix is comprised of 12 three-bedroom floorplans and two one-bedroom floorplans, with the average suite size being 1,240 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam and is within walking distance to parks and supermarkets. It is also located in close proximity to public transit. The city centre is within cycling distance and the property is in close proximity to Efua Sutherlandstraat 19-59 and Elisabeth Samsonstraat 1-49.

Efua Sutherlandstraat 19-59

This property consists of one building with a total of 41 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 914 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam, is within walking distance to parks and supermarkets, and is located in close proximity to public transit. The city centre is within cycling distance. The building is surrounded by park-like landscaping and is in close proximity to Efua Sutherlandstraat 6-17 and Elisabeth Samsonstraat.

Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16

This property consists of one building with a total of 26 suites. The suite mix is comprised of 26 three-bedroom floorplans, with the average suite size being 1,240 square feet. The building was constructed in 1999, is located in the Stadsdeel Zuidoost borough of Amsterdam, is within walking distance to parks and supermarkets, and is located in close proximity to public transit. The city centre is within cycling distance. This building is located opposite to Efua Sutherlandstraat.

Utrecht

The city of Utrecht is the fourth largest city in the Netherlands with approximately 340,000 residents. With its central location, Utrecht is the fastest growing city in the Netherlands. It has three universities, three colleges and is only a 45-minute drive from Amsterdam. The population is forecasted to grow to 475,000 residents by 2050.

The following properties are located in the district of Overvecht.

Faustdreef 1-179 and Faustdreef 221-489

This property consists of two buildings with a total of 225 suites. The suite mix is comprised of one and three-bedroom suites with balconies, with the average suite size being 872 square feet. The buildings were constructed in 1967, are located in the Overvecht, are within cycling distance to the Utrecht city centre and are located within close proximity to a large shopping mall, public transit, schools and highways. There is office space in Faustdreef 1-179. There are multiple parks in the immediate vicinity.

Rubicondreef 80-222

This property consists of two buildings with a total of 72 suites. The suite mix is comprised of one and three-bedroom suites with balconies, with the average suite size being 840 square feet. The buildings were constructed in 1967, are located in the Overvecht, are within cycling distance to the Utrecht city centre and are located in close proximity to a large shopping mall, public transit, schools and highways. There are multiple parks in the immediate vicinity.

Tannhäuserdreef 2-416

This property consists of one building with a total of 168 suites. The suite mix is comprised of three-bedroom suites, with the average suite size being 850 square feet. The building was constructed in 1965, is located in the district of Overvecht, is within cycling distance to the Utrecht city centre and is located in close proximity to the train, bus, highways and schools. There is a large indoor shopping mall, grocery store and multiple parks in the immediate vicinity.

Auriollaan 2-112

This property consists of one building with a total of 70 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 700 square feet. The building was constructed in 1960, is located in the Kanaleneiland district of south-west Utrecht, is within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. The building was completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland, with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

Marshallaan 293-395 and Marshallaan 296-398

This property consists of two buildings with a total of 112 suites. The suite mix is comprised of one and three-bedroom suites, with the average suite size being 840 square feet for three-bedroom suites and 441 square feet for one-bedroom suites. The buildings were constructed in 1960, are located in the Kanaleneiland district of south-west Utrecht, are within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. These buildings were completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland, with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

Monnetlaan 1-111

This property consists of one building with a total of 70 suites. The suite mix is comprised of two and three-bedroom suites, with the average suite size being 700 square feet. The building was constructed in 1960, is located in the Kanaleneiland district of south-west Utrecht, is within cycling distance to the centre of Utrecht and a shopping centre, and is located in close proximity to several bus routes and the light rail line, which provides a quick connection to Central Station. The building was completely renovated in 2017. It is anticipated that much of the district will be refurbished or rebuilt as part of the Master Plan adopted by the Utrecht City Council (2004) and the Quality Plan (2006) for Kanaleneiland with the aim of transforming the area back into a vibrant and attractive residential neighbourhood.

The Hague

With a population of 520,704 and over a million including the suburbs, The Hague is the third- largest city of the Netherlands after Amsterdam and Rotterdam. The Hague is home to the Dutch government, parliament, the Supreme Court and the Council of State. The Hague is also home to the world headquarters of Royal Dutch Shell and numerous other major Dutch companies. Most foreign embassies in the Netherlands and 150 international organizations are located in the city, including the International Court of Justice and the International Criminal Court, which makes The Hague one of the major cities hosting the United Nations along with New York, Geneva, Vienna, Rome and Nairobi.

Lau Mazirellaan 33-157

This property consists of one building with a total of 44 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,075 square feet. The building was constructed in 1996, is located close to Zuiderpark, which offers a range of sports facilities, and is within walking distance to a LIDL supermarket, the Moerwijk train station, the tram and various bus stops. The area was developed in the 1990s, after relocation of the former wholesale market.

Anna Blamanplein 26-123

This property consists of one building with a total of 98 suites. The suite mix is comprised of one and two-bedroom suites, with the average suite size being 915 square feet. The building was constructed in 1996, is located in the residential area of Groente-en-Fruitmarkt, is within walking distance to a LIDL supermarket and is located in close proximity to the Moerwijk train station, the tram and various bus stops.

Other Cities

Deken van den Ackerhof 61-111, Cuijk

This property consists of one building with a total of 26 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,150 square feet. The building was constructed in 1990, is located in the southeastern part of the Netherlands by the Maas River, is within walking distance to the city centre and is located in close proximity to public transit, highways, the train station and local amenities. There are separate storage areas for all residents on the ground floor.

Oudstraat 1-27, Ijsselstein

This property consists of one building with a total of 14 suites. The suite mix is comprised of one and two-bedroom floorplans, with the average suite size being 1,450 square feet. The building was constructed in 2000, is located in the new district "Staatse" and is within walking distance to shopping locations. It is also located in close proximity to public transit and highways.

Pelmolenstraat 68-1-68-44, Enschede

This property consists of one building with a total of 20 suites. The suite mix is comprised of two-bedroom suites, with the average suite size being 1,185 square feet. The building was constructed in 1994, is located in an upscale residential neighbourhood, is within walking distance to the city centre, public transit, schools, grocery stores and shopping locations, and is located in close proximity to a train station and highways.

Hortensiastraat 2-126 (Stokhorst), Enschede

This property consists of one building with a total of 57 residential suites. Pursuant to the Acquisition, the REIT will acquire all of the property's 57 residential suites, representing 100% ownership of the total property. The building was constructed in 1985 and is located on the north east side of Enschede. Building amenities include 29 parking spaces. The average monthly rent is approximately €738 and units include senior health care units.

Esmarkelaan 44-90, Enschede

This property consists of one building with a total of 23 residential suites. Pursuant to the Acquisition, the REIT will acquire all of the property's 23 residential suites, representing 100% ownership in the total property. The building was constructed in 2007 and is located on the east side of Enschede. The apartments are situated upstairs from the Eschmarke shopping centre, which includes among others, an Albert Heijn, the largest supermarket chain in the Netherlands. Building amenities include 23 parking spaces. The average monthly rent of the apartments is approximately €825.

Poldermolenplein 3-55, Poldermolendreef 53-123, Middenmolenplein 6-60, Gouda

This property consists of one building with a total of 92 suites. Pursuant to the Acquisition, the REIT will acquire 84 of the property's suites, representing 91% ownership. The building was constructed in 1993, is located just above the Goverwelle shopping centre (which was extensively renovated in 2017), is within walking distance to other shopping locations and parks, and is located in close proximity to the Gouda Goverwelle train station and the Middenmoleplein bus stop.

Bielzen 1-48, Stationsstreaat 7-421, Heerenveen

This property consists of one building with a total of 60 suites. The suite mix is comprised of two-bedroom floorplans, with the average suite size being approximately 800 square feet. The building was constructed in 1985, is located close to the Heerenveen city centre and train station, is within walking distance to shopping locations and is located in close proximity to highways and public transit. Building amenities include 15 parking spaces.

Valder 7-76, Landgraaf

This property consists of multiple buildings with a total of 46 suites. The suite mix is comprised of 32 multi-family dwellings and 14 single-family dwellings. The buildings were constructed in 2007, are located in the Nieuwenhagen district and are located in close proximity to public transit and major highways. Building amenities include communal bicycle storage and private parking spaces.

De Putstoel 8-35, Meppel

This property consists of one building with a total of 28 suites and eight commercial units. The suite mix is comprised of 28 suites consisting of two-bedroom floorplans. The building was constructed in 1977 and is within walking distance to two recreational areas.

Den Heuvel 26-60, Oirschot

This property consists of four complexes with a total of 21 suites. The building was constructed in 1986, is within walking distance of the city centre and shopping and recreational locations, and is located in close proximity to a bus stop, train station and highways.

27-77 Oldenzaal, Oldenzaal

This property consists of one building with a total of 26 suites. The suite mix is comprised of 26 three-bedroom suites with the average size being 91 square meters. The building was constructed in 1985 and is located within cycling distance from the city centre.

Antoni van Leeuwenhoekhof 1-6, Hugo de Grootsingel 3-13, Huizen

This property consists of one building with a total of 65 suites. Pursuant to the Acquisition, the REIT will acquire 12 of the property's suites, representing 18% ownership. The building was constructed in 2006, is located in the Filosofenbuurt area, situated between the city centre and Gooimer Lake, is within walking distance to a Plus supermarket and is located in close proximity to public transit. Building amenities include an enclosed garden and on-site parking. Water sports are offered at the beach on the nearby lake.

Bram van den Berghstraat 1-61, Oss

This property consists of a complex with a total of 47 suites. The building was constructed in 1985, is located between the city centre and the NS train station, is within walking distance to shopping locations and is located in close proximity to highways and public transit. Building amenities include three garages and 26 parking spaces.

Thomas Jeffersonlaan 289-527, Rijswijk

This property consists of two buildings with a total 192 suites. The buildings were constructed in 1969, are within walking distance to a shopping centre and are located in close proximity to various bus stops and the highway. Building amenities include parking.

Willaerlaan, 3-65, Scherpenzeel

This property consists of one building with a total of 32 suites. The suite mix is comprised of brick homes consisting of one and three bedrooms, with the average size being approximately 1,075 square feet. The building was constructed in 1985, is located in the centre of town, is within walking distance to shops, markets and parks, and is located in close proximity to a highway and public transit.

Smithlaan 1-89, Sittard

This property consists of two buildings with a total of 45 suites. The buildings were constructed in 2007, are located in the northwestern part of Sittard, are located within walking distance to grocery shops and are in close proximity to a highway. Building amenities include parking spaces for each unit. These buildings are located near a park and residents have access to a nearby medical care centre.

Hoogzoggel 64-128, Uden

This property consists of one building with a total of 31 suites and one commercial space. The commercial space comprising this property will not be acquired by the REIT pursuant to the Acquisition. The building was constructed in 1992, is located just south of the city centre, is within walking distance to two elementary schools and is located in close proximity to public transit and the highway to Eindhoven. Building amenities include an elevator and indoor communal bicycle storage located on the ground floor.

Gulikstraat 210-308, Venlo

This property consists of one building with a total of 50 suites. The building was constructed in 1995, is an approximate 10-minute drive away from the city centre and is within walking distance to shopping locations and nature parks. Building amenities include gated parking, with 61 spaces and green space surrounding the building.

Karel van Egmondstraat 1-21, Venlo

This property consists of one building with a total of 21 garages. The building was constructed in 1962, is located between several apartment complexes, is an approximate 10-minute drive away from the city centre and is located in close proximity to the A67 Highway.

Veldzuring 95-133, Venlo

This property consists of one building with a total of 20 suites. The suite mix is comprised of 18 multi-family suites and two penthouses. The building was constructed in 1999, is located in the eastern part of Venlo, is an approximate 10-minute drive from the city centre, is within walking distance to a 274 hectare nature reserve and is located in close proximity to public transit. Building amenities include 22 parking spaces in a gated parking area behind the building.

Kloosterhof 2-56, Venray

This property consists of two buildings with a total of 56 suites. The building was constructed in 1997, is located just outside the city centre and is within walking distance to public transit. Building amenities include spacious balconies, a peaceful green area, 14 underground garages and four parking spaces. There are several parking spaces in close proximity to the property.

Jerusalem 9-40, Venray

This property consists of one building with a total of 94 suites. Pursuant to the Acquisition, the REIT will acquire 32 of the property's residential suites, representing 34% of the residential suites of this property. The building was constructed in 2002, is located on the edge of the city centre and is within walking distance to public transit. Building amenities include underground on-site parking with 32 parking spaces. The building has an energy efficient rating with energy label A.

Dreiumme 2-48, Warnsveld

This property consists of three buildings with a total of 25 suites. The buildings were constructed in 1985, 1991 and 2009, and are located in the city centre above the main shopping centre. The buildings are within walking distance to schools and shopping locations, and are located in close proximity to highways and public transit. Building amenities include parking behind the building.

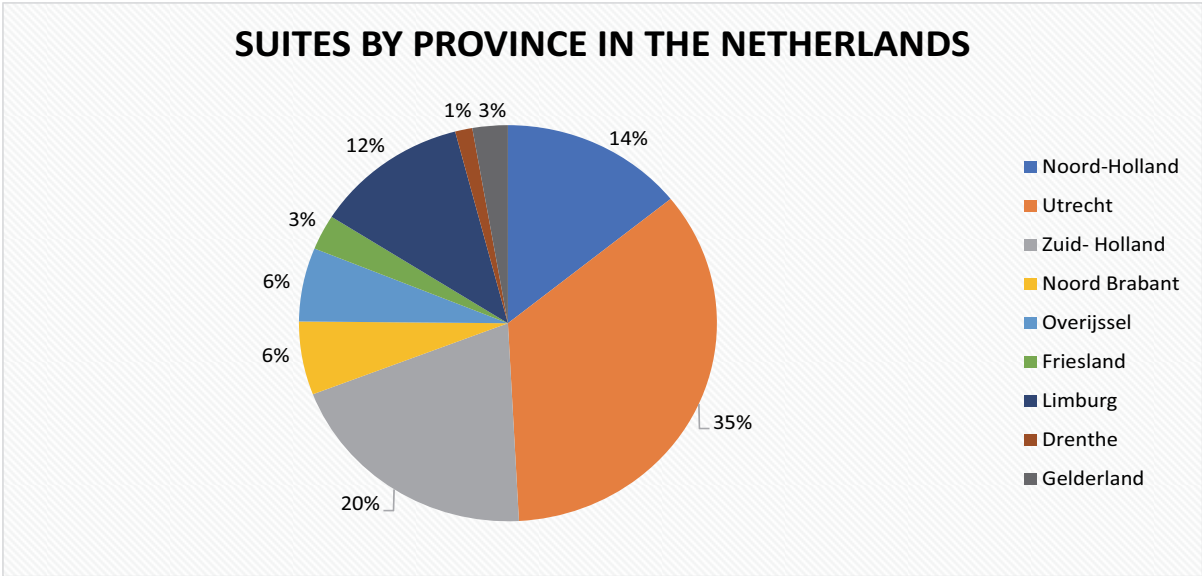
Kraaijenkampzoom 50-72, Ellekampzoom 59-81, Kluiverkamp 2-58, Koog aan de Zaan

This property consists of multiple buildings with a total of 52 suites. Pursuant to the Acquisition, the REIT will acquire 34 of the property's 52 suites, representing 65% ownership. The suite mix consists of one and two-bedroom suites, with the average suite size being 615 and 950 square feet, respectively. The building was constructed in 1983, is located near the border of Koog aan de Zaan in the Greater Amsterdam Area and is within walking distance to public transit. There is a shopping centre nearby and the area has excellent access to highways.

Geographic Distribution

The Acquisition Properties are geographically diversified as follows:

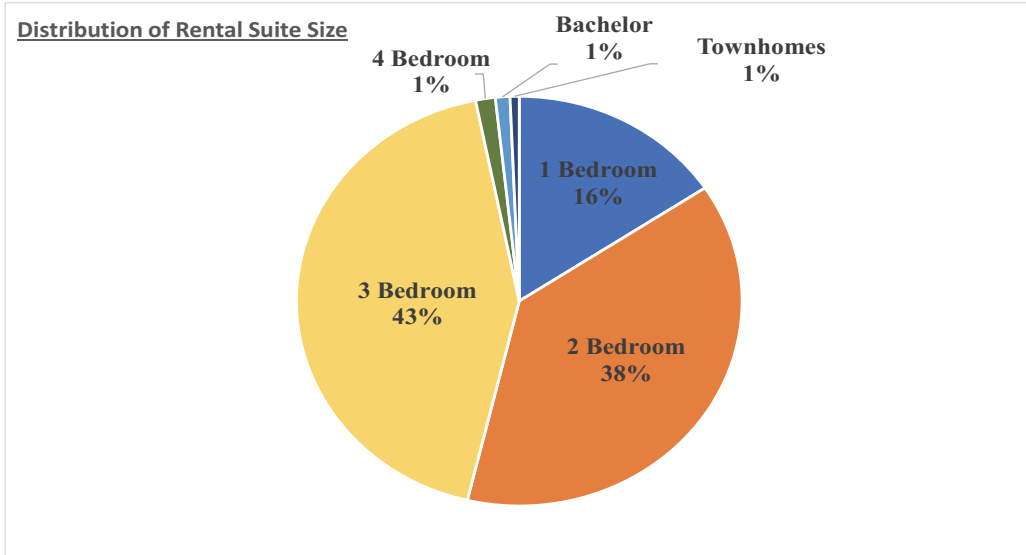
Geographic Breakdown



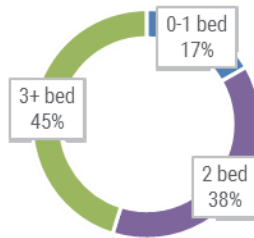
Mix of Size of Rental Suites

Approximately 83% of the suites in the Acquisition Properties contain two or more bedrooms. The portfolio distribution of the Acquisition Properties by size of rental suites is as follows:

Size of Suites



Size of Suites

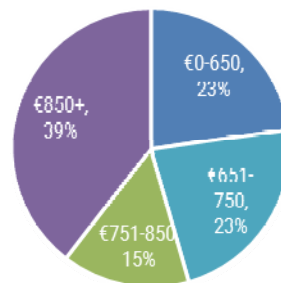
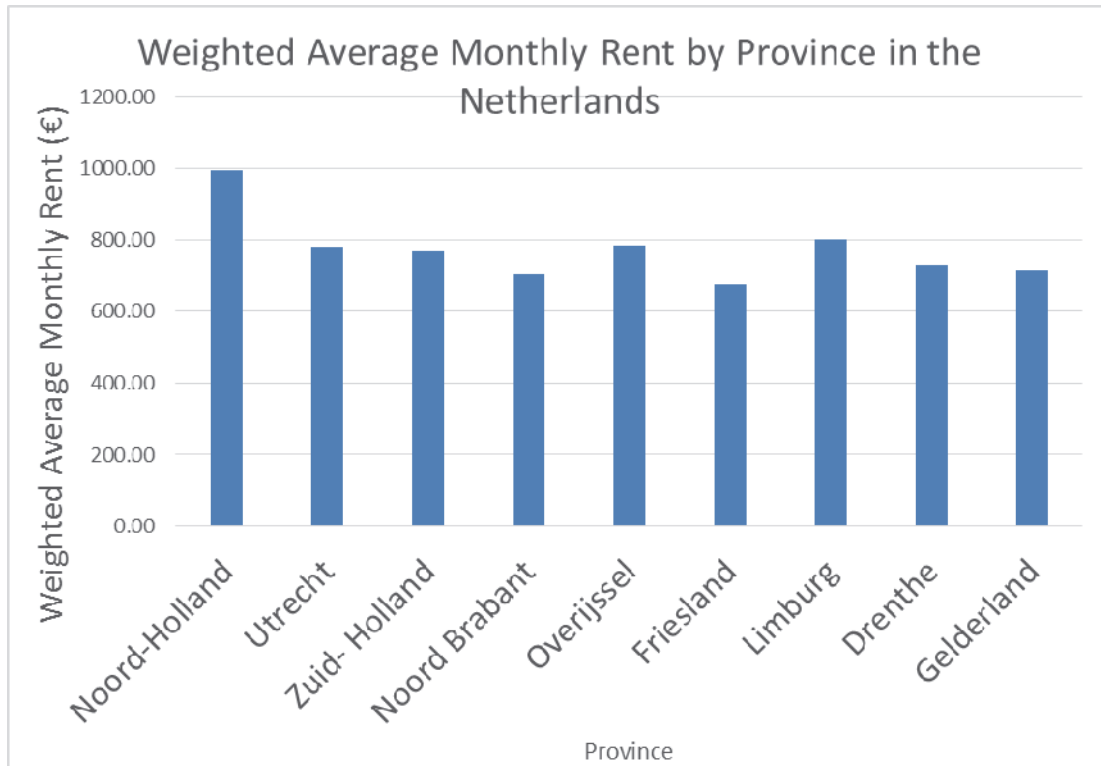


	Real Units
0 or 1 Bedrooms	930
2 Bedrooms	796
3 or more Bedrooms	945

Distribution of Monthly Rent

Approximately 34%, 19%, 18% and 12% of rental income from the Acquisition Properties comes from suites located in the provinces Utrecht, Zuid-Holland, Noord-Holland, and Limburg, respectively, based on the rent rolls as at January 31, 2019. The remaining rental income of approximately 17% comes from the Acquisition Properties located in the provinces Noord Brabant, Overijssel, Friesland, Drenthe, and Gelderland, collectively. As at January 31, 2019, the weighted average monthly rent paid per suite is as follows:

Monthly Rental Rate Breakdown in Euros



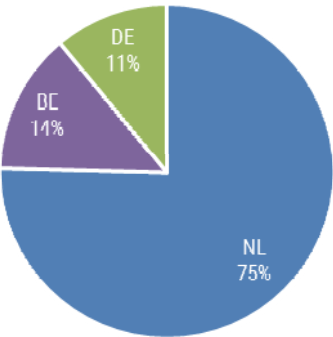
Rent Range	Rent Units
Rent €0-650	476
Rent €651-750	477
Rent €751-850	311
Rent €851+	827

Summary of Combined Properties

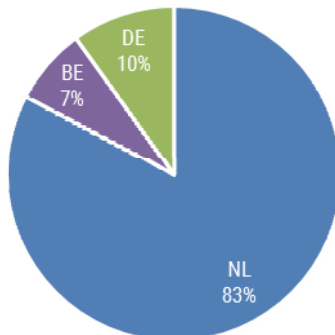
The combined properties consist of 41 residential (including certain additional ancillary commercial space and parking facilities) and three commercial properties representing a combination of residential suites, commercial space and parking facilities, located in Belgium, Germany and the Netherlands.

Geographic Distribution

As of September 30, 2018, the combined rental income originates to the extent of approximately 75% from the Netherlands, 14% from Belgium and 11% from Germany.

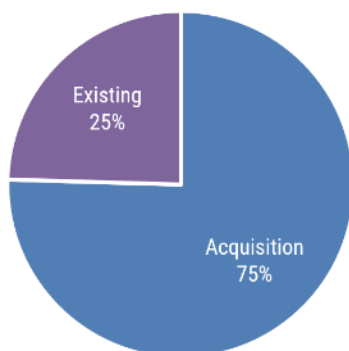


The geographic footprint in terms of usable area comprises approximately 83% in the Netherlands, 10% in Germany and 7% in Belgium.



Rental Distribution

As of September 30, 2018, approximately 25% of the combined rental income is generated by the existing commercial properties and 75% is generated by the Acquisition Properties.



Appraisal

In connection with the Acquisition, CAPREIT commissioned Cushman & Wakefield to prepare appraisals of the Acquisition Properties. The following is a summary of the Appraisal. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Appraisal. The purchase price of the Acquisition Properties was determined on the basis of the Appraisal, which is dated December 4, 2018. The Acquisition Properties were subsequently appraised with an effective date of December 31, 2018.

Based on the Appraisal, the estimated aggregate market value of the Acquisition Properties as a portfolio, as at December 4, 2018, was approximately €421,830,000. The Acquisition Properties were subsequently appraised as at December 31, 2018 at a value of approximately €433,605,000. The estimated market value of each of the Acquisition Properties as at December 4, 2018 was determined by Cushman & Wakefield using:

- (a) the comparative method, which compares sales and/or letting transactions involving similar properties based on assessments of the market, the location and the immovable property itself;
- (b) the income approach for residential properties (theoretical rent income capitalization method), which determines a theoretical rent income based on the sum of the current

rent income for rented units and the market rent for vacant units and relates those incomes to a yield which is considered realistic under current market circumstances;

- (c) the income approach for commercial properties (market rent capitalization method), which determines market value based on the gross market rent value of the lettable floor areas of the buildings and/or grounds, minus the property-related charges and other charges provided by CAPREIT and/or estimated and relates those incomes to a net yield which is considered realistic under current market circumstances; and
- (d) discounted cash flow method for each of residential and commercial properties, which calculates future income and expenditure based on net present value at the value reference date (the expected cash flows during the period under review are estimated as is the exit value of the immovable property in the last year).

The above-listed valuation methods correspond with standard practice in the Dutch property market, taking into account the properties and the purpose of the valuation. The Appraisal is subject to a number of assumptions, special assumptions and limiting conditions. In particular, in appraising the Acquisition Properties, Cushman & Wakefield assumed that: (i) the technical building services of the Acquisition Properties function properly and are in a good state of repair such that no investments are required in order to acquire the prescribed permits, including the statutory permits; (ii) the specific use of the Acquisition Properties comply with any regulations, provisions and/or necessary permits; and (iii) no environmentally hazardous materials or contamination are present on the Acquisition Properties. Notwithstanding the foregoing, Cushman & Wakefield did not carry out detailed inspections of the Acquisition Properties.

Cushman & Wakefield determined the approximate market value of the Acquisition Properties based on an inspection of the immovable property, information provided by CAPREIT and/or third parties, such as letting details and floor areas, floor plans and/or any certificates of measurements and information on property-related and other charges, and on information provided in writing and verbally by the Kadaster (the Netherlands' Cadastre, Land Registry and Mapping Agency), the municipal and/or provincial and any other authorities concerned. Based on its review and other relevant facts, Cushman & Wakefield considered such data and the value stated to be plausible.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while Cushman & Wakefield's internal forecasts for the subject Acquisition Properties were considered to be reasonable at the time that the Appraisal is prepared, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to the values implied by the foregoing summary of the Appraisal. Moreover, the Appraisal was commissioned by CAPREIT, not the REIT, and is not formally relied on by the REIT.

Under the REIT's operating policies set out at Section 5.2(1)(h) of the Declaration of Trust, the REIT (or its applicable subsidiaries) is required to, in connection with any property it intends to acquire, conduct or receive an independent appraisal with respect to such property. At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the Declaration of Trust Amendments Resolution, with or without amendment, authorizing an amendment to, among other provisions of the Declaration of Trust, Section 5.2(1)(h) of the Declaration of Trust permitting the REIT to acquire all of the properties comprising the Acquisition Properties notwithstanding that it has not obtained appraisals for the

Acquisition Properties that the REIT can formally rely on. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Operating Policies”.

Environmental Reports and Property Condition Assessment of Acquisition Properties

The Environmental Reports and Property Condition Assessments were directly or, in some cases indirectly, commissioned by CAPREIT, not the REIT. In addition, some of the Environmental Reports are dated more than 18-months prior to the expected date of the Acquisition. Therefore, although the REIT and its legal and financial advisors reviewed and considered the Environmental Reports and Property Condition Assessments as part of their due diligence review regarding the Acquisition, the REIT has not formally relied on the Environmental Reports and Property Condition Assessments. The REIT, however, was nonetheless satisfied with the substance of the reports and the due diligence conducted on the Acquisition Properties.

Environmental Reports

As summarized in the Environmental Reports, the Environmental Consultant:

- (a) conducted historical soil surveys on the Acquisition Properties (other than certain Acquisition Properties located in the city of Utrecht, for which environmental desk research reports were provided) to determine the presence and/or nature of potential soil contaminations or, where applicable, provided second opinion reports or follow-up exploratory soil surveys reporting the Environmental Consultant’s conclusions; and
- (b) assessed supplied documents regarding the asbestos-containing materials found at certain Acquisition Properties or, where applicable, provided second opinion reports reporting the Environmental Consultant’s conclusions.

Generally, the Environmental Reports indicate that any risks associated with the continuation of the current use, and expected post-Acquisition use by the REIT, of the Acquisition Properties are low. In case of redevelopment, renovation or change of use, further investigation is recommended in some instances.

Management is not aware of any material non-compliance with environmental laws at any of the Acquisition Properties that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Acquisition Properties that would materially affect the REIT. It is expected that the REIT will implement policies and procedures to assess, manage and monitor environmental conditions at the Acquisition Properties, and to manage exposure to liability. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the Acquisition Properties or any future property held by the REIT.

Under the REIT’s operating policies set out at Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust, the REIT (or its applicable subsidiaries) shall, in connection with any property it intends to acquire: (i) conduct or receive, among other things, an engineering survey with respect to the physical condition of such property (including capital replacement programs); and (ii) obtain or review a Phase I environmental audit (or reliance letter from an environmental consultant in respect of a Phase I environmental audit) of each such property, dated within 18 months of the date of acquisition.

Engineering surveys and Phase I environmental audits dated within 18 months of the date of acquisition were obtained in accordance with Section 5.2 of the Declaration of the Trust for some, but not all, of the Acquisition Properties. As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing an amendment to, among other provisions of the Declaration of Trust, Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust permitting the REIT to acquire all of the properties comprising the Acquisition Properties notwithstanding that it has not obtained engineering surveys and Phase I environmental audits from within the prior 18-month period for certain properties comprising the Acquisition Properties. See “Particulars of Matters to be Acted Upon at the Meeting – Amendments to the Declaration of Trust – Proposed Declaration of Trust Amendments – Operating Policies”.

Property Condition Assessments

The Environmental Consultant prepared Property Condition Assessments for the majority of the Acquisition Properties to determine and document the existing condition of each building. The assessments identified and quantified any major defects in materials or systems which might significantly affect the value of any of the Acquisition Properties or the continued operation thereof. In addition to required regular maintenance on the various components of the buildings, each of the Property Condition Assessments assessed both work required to be completed within the first year of ownership, and work recommended to be completed during the subsequent 10 years in order to maintain the building in an appropriate condition.

Based on the Property Condition Assessments, each of the Acquisition Properties was determined to be in a satisfactory condition commensurate with their age and comparable to other similar properties in their respective markets.

The Property Condition Assessments identified ongoing capital expenditures for the Acquisition Properties in the amount of approximately €15.7 million over the 10 years following the respective acquisitions by CAPREIT of each of the Acquisition Properties. Approximately €6.1 million was estimated to be required in the first year. The Property Condition Assessments further estimated that approximately €4.5 million worth of capital expenditures would be required in the second to fifth years post-original acquisition, and approximately €5.1 million in the sixth to tenth years. The budget capital expenditure prepared by CAPREIT for 2019 is expected to be €5.4 million.

Assumed Mortgages

The following table summarizes the outstanding principal amount, effective interest rate and maturity date of the Assumed Mortgages to be indirectly assumed by the REIT upon completion of the Acquisition, as at December 31, 2018:

	Principal Amount (€000's)	Interest Rate	Maturity Date
Assumed Mortgage 1 ⁽¹⁾	40,660	2.05%	December 23, 2023
<u>Assumed Mortgage 2⁽¹⁾</u>	163,750	1.82%	Various ⁽²⁾

Note:

(1) Mortgages assumed are secured by the Acquisition Properties.

(2) Mortgage balance of €49,914 matures on December 1, 2022 while the remainder of €113,836 matures on January 12, 2025.

The Assumed Mortgages will be subject to customary contractual terms for mortgages of a similar nature. The REIT has commenced the process of obtaining formal approval from the lender in respect of the assumption of the Assumed Mortgages. The REIT expects that it will receive approval to assume the Assumed Mortgages on terms that are substantially the same, in all material respects, as the existing terms thereof.

REIT Debt Maturities

The following table sets out, as at December 31, 2018, the principal instalments and maturity balances on the Assumed Mortgages upon completion of the Acquisition, to be paid over each of the five calendar years following the Acquisition Closing Date and thereafter:

Year:	Principal Payments (€000's)	Balance Due on Maturity (€000's)	Total Debt Repayments (€000's)	% of Total
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	49,914	49,914	24.4
2023	-	40,660	40,660	19.9
Thereafter	-	113,836	113,836	55.7
Total	-	204,410	204,410	100.0
Weighted average stated interest rate				1.87% ⁽¹⁾
Weighted average term to maturity				5.3 years

Note:

(1) Effective interest rate after taking into account deferred financing costs equal to 2.17% of contractual interest rate on mortgages.

Pro Forma Debt to Gross Book Value Ratio

After giving effect to the Declaration of Trust Amendment Resolution (if approved by disinterested Unitholders of the Meeting), the Declaration of Trust will provide that the REIT may not incur or assume any Indebtedness if, after giving effect to the incurring of the Indebtedness, the total Indebtedness of the REIT would be greater than 65% of the aggregate Gross Book Value. After giving effect to the Acquisition, the *pro forma* Indebtedness, as a percentage of Gross Book Value will be approximately 45.5%.

Netherlands Residential Rental Regulatory Environment

In the Netherlands, rental properties fall under the “Housing Evaluation System”, which determines whether a suite is classified as a “Liberalized Suite” (geliberaliseerde huurwoningen) or a “Regulated Suite” (sociale huurwoningen). Regulated Suites are subject to rent control, limiting the amount of rent that can be charged, as well as limiting the amount of annual rent increases. The classification of a suite as either a Regulated Suite or a Liberalized Suite is based on the “Point” System, as described below.

“Point” System

The Housing Evaluation System assigns “Points” to each rental suite, based on a Home Valuation System. Various factors are considered in determining the amount of “Points” allocated to each suite. The factors that are evaluated to determine the number of “Points” allocated to each suite include suite size, suite value, energy efficiency, number of bathrooms, appliances in the kitchen, renovations completed, and various other measures. Landlords can execute upgrades in a suite to increase the amount of “Points” associated with the suite.

Regulated Suites

The current (as at January 1, 2019) rental control ceiling is €720.42. If a suite is allocated 144 points (or less), then the current maximum starting rent is €719.71, as a result of which it would be considered a Regulated Suite, and would be subject to rent control. However, a suite with a number of Points of 145 may currently have a maximum starting rent of €724.98, which is over the aforementioned current rent control ceiling. As a result, if a suite has 145 points (or more) and its commencement rent is over €720.42, such suite would be considered a “Liberalized Suite”. The number of “Points” associated with a Regulated Suite would determine the maximum rent that can be charged. The maximum rent for each “Point” level is generally increased annually by CPI, which the landlord can realize through annual rent increases charged to the tenant. In suites where the rent is below the maximum rent, the landlord can increase the existing rent by up to a maximum of approximately 4% per year to catch up to the maximum rent.

The number of “Points” assigned to a Regulated Suite can also increase while a tenant is living in the suite (for example if the landlord upgrades the tenant’s appliances), which would increase the maximum rent that can be charged for that suite. At the next annual rent increase, the maximum rent associated with the suite would increase based on the new amount of “Points” associated, and the landlord would be able to charge an increase of up to ~4% to catch up to the new maximum rent.

For example, a suite that is allocated 140 “Points” would currently be able to charge a maximum rent of €698.67 per month. This maximum rent of €698.67 per month is expected to increase by CPI next year, which can be passed to the tenant. If the suite were to have its “Points” increased to 142, then the next annual increase would include CPI plus the rent increase associated with the 2 “Point” increase, subject to the maximum annual catch up limit of ~4%.

Liberalized Suites

If a suite is allocated 145 “Points” or more and has a starting rent above €720.42, it would be considered a Liberalized Suite, and would not be subject to the rent control, as described above. A Liberalized Suite would have no restriction on the initial rent that can be charged, and would have no legal restriction on the amount of rent increases that can be charged. Market practice for rental contracts for Liberalized Suites is to include a rental increase limitation of CPI + 5% per year.

Properties can only convert from Regulated Suites to Liberalized Suites on turnover. On turnover, the owner has the opportunity to assess the required investment of increasing the “Points” to 145 or higher, and compare the cost of the investment to the benefits described above. In some instances, there are Regulated Suites that already have more than 145 “Points” that will instantly convert to Liberalized Suites when a tenant turns over.

Acquisition Portfolio

As at December 31, 2018, the 2,091 suites comprising the Acquisition Properties consisted of 1,050 Liberalized Suites and 1,041 Regulated Suites. Throughout 2018, 39 Regulated Suites were converted to Liberalized Suites. The average investment that CAPREIT made to convert the Regulated Suites to Liberalized Suites was approximately €42,000. The weighted average increase in monthly rent that occurred once these converted suites were leased was approximately €250 (€3,000 on an annual basis), representing a Year 1 Return of approximately 7%. In addition to the increased rent, Liberalized Suites benefit from lower property taxes, lower maintenance costs, and a higher growth profile going forward.

The portfolio of Acquisition Properties experienced 12% turnover, based on the number of suites, in 2018. Turnover going forward is not expected to differ materially from the turnover experienced in 2018.

The REIT intends to leverage CAPREIT’s experienced management platform to continue to execute on this strategy of converting Regulated Suites to Liberalized Suites.

Lease Term Details

Parties are generally free to decide on the length of the lease period. However, the lease does not automatically expire at the end of a lease term. A notice of termination will be required, even in the case of a fixed term lease. For the landlord, there are only a limited number of grounds for notice of termination, including the urgent need of the landlord to use the property itself (not being for a sale), the conduct of the tenant being other than that which befits a good tenant and the realization by the landlord of a zoning plan applying to the leased premises.

A recent exception to the rule that the lease does not automatically expire at the end of the lease term is with respect to temporary leases. These are leases for a term of up to two years. Provided that timely notification of the pending expiry is given by the landlord, the lease will automatically terminate at the end of its term and the tenant is obliged to vacate the unit. No grounds for notice of termination are required in such case. If upon expiry the tenant stays on (with the permission of the landlord), normal tenancy rules will apply and the lease will be considered extended for an indefinite period of time.

Most leases for a fixed term are, upon expiry of the stated fixed term, automatically renewed for another fixed term, unless one of the parties gives notice of termination with observance of the contractual notice period. If a fixed term lease does not contain an automatic fixed term extension period, but the parties nonetheless continue the lease after the expiry date, the lease will be considered extended for an indefinite period of time.

If the tenancy agreement does not contain a notice period, the statutory notice period will apply. The length of this notice period depends on the duration of the lease agreement and is between three months and six months for the landlord and between one month and three months for the tenant.

Change in Reporting Currency

As soon as reasonably practicable following the completion of the Acquisition, the REIT intends to change its reporting currency from Canadian dollars to Euros.

Acquisition Resolution

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the Acquisition Resolution, the full text of which is set forth in Appendix "B" to this Circular, approving the indirect acquisition by the REIT of the Acquisition Properties from CAPREIT, for an aggregate purchase price of \$633,588,660, subject to certain purchase price adjustments, as well as all other matters related to the Acquisition, as described in this Circular.

Pursuant to the requirements under the TSXV conditional approval of the Acquisition, the Acquisition Resolution must be approved by the affirmative vote of a majority of votes cast by disinterested Unitholders present in person or represented by proxy at the Meeting. In regards to the Acquisition: (i) Phillip Burns is expected to enter into a new employment agreement with the post-Acquisition Manager of the REIT (an Affiliate of CAPREIT), while continuing as Chief Executive Officer of the REIT; and (ii) David Ehrlich is considered a Non-Arm's Length Party, as such term is defined in the TSXV Corporate Finance Manual. Accordingly, any votes from Mr. Burns (who beneficially owns 723,243 Voting Units) and Mr. Ehrlich (who beneficially owns 196,800 Voting Units) on any matters to be voted on at the Meeting will be excluded from the approval.

On December 10, 2018, the Special Committee unanimously recommended to the Trustees that they recommend that Unitholders vote IN FAVOUR of the Acquisition Resolution at the Meeting. The Trustees unanimously recommend that Unitholders vote IN FAVOUR of the Acquisition Resolution at the Meeting. The Acquisition will not proceed unless the Acquisition Resolution and the Declaration of Trust Amendments Resolution are both approved at the Meeting.

AMENDMENTS TO THE DECLARATION OF TRUST

At the Meeting, Unitholders will be asked to consider, and if deemed advisable, approve, with or without amendment, each of the four resolutions comprising the Declaration of Trust Amendments Resolution, the full text of which is set forth in Appendix “C” to this Circular, authorizing certain amendments to the Declaration of Trust summarized below and as more particularly reflected in the consolidated blacklined copy of the Declaration of Trust attached as Appendix “D” to this Circular (collectively, the “**Proposed Declaration of Trust Amendments**”).

Proposed Declaration of Trust Amendments

Independent Trustee Matters

Upon completion of the Acquisition, CAPREIT is expected to own, directly or indirectly, Class B LP Units that if exchanged for Units would represent approximately 83% of the issued and outstanding Units and will enter into the following agreements with the REIT:

- (a) the Pipeline Agreement;
- (b) the New Management Agreement;
- (c) the Property Management Agreement;
- (d) the Investor Rights Agreement; and
- (e) the Services Agreement,

as more particularly described above under the heading “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition”.

As such, CAPREIT will be able to effect certain control over the REIT’s operations and activities. Additionally, as a result of the activities carried on by both the REIT and CAPREIT in investing in certain European real estate, there is a potential for conflicts of interest to arise between the parties. In an effort to mitigate such potential for conflicts of interest that would adversely affect the REIT and its Unitholders, and as a matter of good governance, management proposes to amend the Declaration of Trust to provide that certain matters which have the potential to give rise to a conflict of interest between the REIT and CAPREIT and its subsidiaries or with any related party of the REIT, must be approved by a majority of the Non-Restricted Trustees, in addition to a majority of the Trustees generally. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – CAPREIT as New Control Person and Reverse Takeover” and “Risk Factors”.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving additions to Section 4.11 of the Declaration of Trust providing that the following matters concerning the REIT shall require, in addition to the approval of a majority of the Trustees, the approval of at least a majority of the Non-Restricted Trustees: (i) making any material change to the New Management Agreement, Pipeline Agreement, Property Management Agreement, Investor Rights Agreement or Services Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder); (ii) any proposed material agreement with CAPREIT; (iii) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, development or leasing services in respect of a property in which CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT has any direct or

indirect interest, whether as owner, operator, tenant or manager, in each case other than where such transaction is required to be entered into by the REIT in accordance with its obligations under the Pipeline Agreement; (iv) a material change to any agreement with CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT or any approval, consent, waiver or other decision of the Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder; (v) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT or any of its subsidiaries, or the making, directly or indirectly, of any co-investment, in each case, with CAPREIT; (vi) the refinancing, increase or renewal of any Indebtedness owed by or to CAPREIT; and (vii) decisions relating to any claims by or against one or more parties to any agreement with CAPREIT or an affiliate (as such term is defined in the Declaration of Trust) of CAPREIT; provided, however, that the foregoing shall not apply with respect to any circumstances in respect of which the only parties to the relevant transaction or agreement are: (a) the REIT and a wholly-owned subsidiary; or (b) wholly-owned subsidiaries of the REIT.

Special Distributions

Following completion of the Acquisition, the REIT proposes to make a Special Distribution in the amount of \$0.50 per unit to Unitholders and holders of Class B LP Units prior to completion of the Acquisition. Eligible Unitholders will have the right to elect to receive such Special Distribution in either cash or additional Units based on a deemed issue price of \$4.00 per Unit or Class B LP Unit. As part of the Acquisition Agreement, CAPREIT has agreed to provide the REIT with the necessary cash to fund such Special Distribution. The REIT will announce by way of a press release the record date for Unitholders and holders of Class B LP Units to be eligible to receive the Special Distribution and the price per Unit if Unitholders elect to receive the Special Distribution in Units, which is expected to be shortly after the Closing. See “Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Special Distribution”.

Waiving Distribution Holders had contractually agreed to waive their right to receive distributions otherwise payable to them on certain of their Units and Class B LP Units until the earlier of the achievement of a certain AFFO payout ratio or May 2, 2020. In light of the Acquisition, the contractual waiver with the Waiving Distribution Holders will be terminated prior to Closing.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving the addition of a new Section 10.2 to the Declaration of Trust granting the Trustees the right to declare to be payable and/or make distributions, from time to time, out of income, net realized taxable capital gains, capital or other items, in any year, in such amount or amounts, and on such dates as the Trustees may determine, to Unitholders (including any Trust Unitholders that have otherwise contractually waived the right to receive regular distributions that are declared payable to Trust Unitholders pursuant to Section 10.1) of record on such dates as the Trustees may determine in accordance with the Declaration of Trust.

Monthly Distributions

Following the second quarter of 2019 and subject to the Closing, the REIT intends to change from making quarterly distributions to making monthly distributions, subject to the discretion of the Board. While the amount of the monthly distribution has yet to be determined, it is expected to have a target AFFO payout ratio in the range of 80% to 90%. ECRE LP will make corresponding cash distributions to holders of Class B LP Units. Any distributions the REIT pays in the future will depend upon its actual results of operations, currency exchange rates, economic conditions, debt service requirements and other factors that could differ materially from its expectations. It is expected that the first monthly cash distribution to

Unitholders will be in respect of July 2019 payable in August 2019.

Subject to Closing, and in light of the Special Distribution, the REIT does not intend on paying a quarterly distribution in respect of the first quarter of 2019, but expects to make the last quarterly distribution in respect of the second quarter of 2019.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving the addition of a new Section 12.1(j) to the Declaration of Trust granting the Trustees the right to amend the frequency of a distribution made by the REIT or any of its subsidiaries so long as the frequency of such distribution is either monthly or quarterly.

Operating Policies

Under the REIT's operating policies set out at Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust, the REIT (or its applicable subsidiaries) shall, in connection with any property it intends to acquire: (i) conduct or receive an independent appraisal and an engineering survey with respect to the physical condition of such property (including capital replacement programs); and (ii) obtain or review a Phase I environmental audit (or reliance letter from an environmental consultant in respect of a Phase I environmental audit) of each such property, dated within 18 months of the date of acquisition. Although CAPREIT commissioned the Appraisal for all of the Acquisition Properties, the REIT has not obtained appraisals for the Acquisition Properties that the REIT can formally rely on. In addition, engineering surveys and Phase I environmental audits dated within 18 months of the date of acquisition were obtained in accordance with Section 5.2 of the Declaration of the Trust for some, but not all of the Acquisition Properties. The REIT, however, was nonetheless satisfied with the substance of the reports and the due diligence conducted on the Acquisition Properties. In addition, there are certain properties currently owned by CAPREIT which may be sold to the REIT under the Pipeline Agreement that may not have recent environmental reports or physical condition reports. Based on the foregoing, the REIT's operating policies require amendment in order to complete the Acquisition and to complete certain potential acquisitions under the Pipeline Agreement.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing an amendment to Sections 5.2(1)(h) and 5.2(1)(i) of the Declaration of Trust permitting the REIT to acquire all of the properties comprising the Acquisition Properties and to acquire certain properties currently owned by CAPREIT under the Pipeline Agreement notwithstanding that it has not obtained appraisals, engineering surveys or Phase I environmental audits from within the prior 18-month period for certain properties comprising the Acquisition Properties.

Definition of "Gross Book Value"

The Declaration of Trust currently restricts the REIT's incurrence or assumption of Indebtedness to not more than 65% of the aggregate Gross Book Value (as such term is defined in the Declaration of Trust).

In an effort to reflect current industry standards for calculating the gross book value of the REIT and provide for a more flexible debt incurrence test based on the value of the REIT's assets at the time of measurement of debt to gross book value, the Trustees propose to amend the definition of "Gross Book Value" in Section 1.1 of the Declaration of Trust.

As a result, at the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve a resolution, with or without amendment, authorizing and approving an amendment to the definition of

“Gross Book Value” set forth in Section 1.1 of the Declaration of Trust to reflect that “Gross Book Value” will be based on the total assets of the REIT as shown in its then most recent consolidated balance sheet.

Unitholder Approval

The above descriptions are only a summary of the Proposed Declaration of Trust Amendments, which will also include certain additional ancillary changes to give effect to the matters contemplated hereby. Unitholders are encouraged to consult in its entirety the consolidated blacklined copy of the Declaration of Trust attached as Appendix “D” to this Circular showing, among other things, all of the Proposed Declaration of Trust Amendments.

The complete text of the proposed Declaration of Trust Amendments Resolution that Unitholders will be asked to consider and vote on at the Meeting is set forth in Appendix “C” to this Circular.

In order to be effective, the Declaration of Trust Amendments Resolution set forth in Appendix “C” to this Circular must be approved by the affirmative vote of not less than 66^{2/3}% of the disinterested Unitholders present or represented by proxy at the Meeting. In regards to the Acquisition: (i) Phillip Burns is expected to enter into a new employment agreement with the post-Acquisition Manager of the REIT (an Affiliate of CAPREIT), while continuing as Chief Executive Officer of the REIT; and (ii) David Ehrlich is considered a Non-Arm’s Length Party, as such term is defined in the TSXV Corporate Finance Manual. Accordingly, any votes from Mr. Burns (who beneficially owns 723,243 Voting Units) and Mr. Ehrlich (who beneficially owns 196,800 Voting Units) on any matters to be voted on at the Meeting will be excluded from the approval.

The Trustees (other than David Ehrlich who recused himself, as he is a trustee of CAPREIT) unanimously determined that each of the Declaration of Trust Amendments is in the best interests of the REIT and the Unitholders, and recommends that Unitholders vote IN FAVOUR of the Declaration of Trust Amendments Resolution at the Meeting. The Acquisition will not proceed unless the Acquisition Resolution and the Declaration of Trust Amendments Resolution are both approved at the Meeting.

Name Change

The Trustees propose to amend the Declaration of Trust to change the name of the REIT from “European Commercial Real Estate Investment Trust” to “European Residential Real Estate Investment Trust” (or such other name as the Board of the REIT may determine and that is acceptable to the TSXV and any other applicable regulatory authorities) in order to better reflect the REIT’s new focus on investing in high-quality multi-family real estate properties in Europe.

Pursuant to Section 2.3 of the Declaration of Trust, the Trustees are permitted to change the name of the REIT to such name as the Trustees deem appropriate. **Accordingly, such name change does not require the approval of Unitholders at the Meeting.**

FIXING THE NUMBER OF TRUSTEES

Pursuant to Section 3.1 of the Declaration of Trust, there shall be a minimum of three and a maximum of nine Trustees. The number of Trustees within such minimum and maximum numbers may be changed by Unitholders or by the Trustees, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders. The number of Trustees is currently five.

In connection with the Acquisition, the REIT proposes to increase the current number of Trustees from five to six, provided that the Acquisition Resolution and the Declaration of Trust Amendments Resolution (each, as described above) are both approved at the Meeting. Accordingly, at the Meeting Unitholders will be asked to consider, and if deemed advisable, approve, with or without variation, the Board Size Resolution, the full text of which is set forth in Appendix "E" to this Circular, increasing the number of current Trustees to six.

In order to be effective, the Board Size Resolution set forth in Appendix "E" of this Circular must be approved by the affirmative vote of not less than a majority of the disinterested Unitholders present or represented by proxy at the Meeting. In regards to the Acquisition: (i) Phillip Burns is expected to enter into a new employment agreement with the post-Acquisition Manager of the REIT (an Affiliate of CAPREIT), while continuing as Chief Executive Officer of the REIT; and (ii) David Ehrlich is considered a Non-Arm's Length Party, as such term is defined in the TSXV Corporate Finance Manual. Accordingly, any votes from Mr. Burns (who beneficially owns 723,243 Voting Units) and Mr. Ehrlich (who beneficially owns 196,800 Voting Units) on any matters to be voted on at the Meeting will be excluded from the approval.

The Trustees (other than David Ehrlich who recused himself, as he is a trustee and was, at the time, the Chief Executive Officer of CAPREIT) unanimously determined that the increase in the size of the Board to six Trustees is in the best interests of the REIT and the Unitholders, and recommends that Unitholders vote IN FAVOUR of the Board Size Resolution at the Meeting.

ELECTION OF NEW TRUSTEES

Following Closing, it is expected that existing Trustees Ira Gluskin, Jan Arie Breure and Phillip Burns will continue as Trustees of the REIT. As part of the Acquisition, pursuant to the Investor Rights Agreement, CAPREIT will be entitled to nominate three Trustees of the REIT. Subject to TSXV approval, it is proposed that Harold Burke, Gina Cody and Michael Stein (the “Trustee Nominees”), being nominees of CAPREIT, will be appointed as Trustees of the REIT upon completion of the Acquisition (the “New Trustees Election Resolution”). In the future, pursuant to the Investor Rights Agreement, CAPREIT will be entitled to nominate: (i) three Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 20% of the Units outstanding; (ii) two Trustees, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 10% of the Units outstanding and equal to or less than 20% of the Units outstanding; and (iii) one Trustee, provided CAPREIT and/or its permitted transferees, directly or indirectly, holds greater than 5% of the Units outstanding and equal to or less than 10% of the Units outstanding.

Contemporaneously with the foregoing anticipated changes to the Board, existing Trustees Frederic Waks and David Ehrlich will resign from the Board. Another Independent Trustee, to be selected by the Board, is expected to be appointed in the months following Closing, which would further increase the size of the Board to seven Trustees. This increase would be effected pursuant to the powers of the Board set out in the Declaration of Trust.

It is intended that on any resolution or ballot that may be called for relating to the election of the Trustee Nominees that are expected to be appointed as new Trustees of the REIT on a post-Acquisition basis, the Voting Units represented by proxies in favour of the management nominees will be voted IN FAVOUR of the election, separately, of each of Harold Burke, Gina Cody and Michael Stein as a Trustee of the REIT, unless a Unitholder has specified in his, her or its proxy that his, her or its Voting Units are to be withheld from voting on the election of Trustees. Management does not contemplate that any of the proposed Trustee Nominees will be unable to serve as a Trustee, but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised to vote the Voting Units represented by such proxies for the election of such other person or persons as Trustees nominated in accordance with the Declaration of Trust and the best judgment of the Trustee Nominees. Trustee nominees are to be elected by the Unitholders at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting of Unitholders, or until a successor is appointed.

The following descriptions set forth the name and residence of each of the Trustee Nominees and existing Trustees who will continue as Trustees of the REIT after the Meeting, their respective principal occupations during the last five years and whether they are or have been directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian or other jurisdiction, the nature and extent of their experience in the real estate industry, the date each of them became a Trustee (if applicable), and information as to voting and other securities of the REIT beneficially owned, or controlled or directed, directly or indirectly, by each of them as at February 20, 2019. **The Board recommends you vote IN FAVOUR of each of the Trustee Nominees.**

Harold Burke

Place of Residence: Toronto, Ontario
Date Became a Trustee: N/A
Independent: Yes
Principal Occupations During the Past Five Years: Senior Vice President at DREAM Asset Management Corporation
Experience with Other Reporting Issuers: Trustee of CAPREIT from May 19, 2010 to present

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted)	Units (Fully Diluted)
Nil	Nil

Bio: Harold Burke, CPA, CA, ICD.D (Age: 71) is a Senior Vice President at DREAM Asset Management Corporation (formerly Dundee Realty Corporation), an integrated real estate asset manager and developer, which he joined in July 2008. Mr. Burke also serves on the board of trustees of CAPREIT, and is a member of CAPREIT's audit committee. Mr. Burke has more than 30 years of professional practice in the tax area at PricewaterhouseCoopers LLP, its predecessor, Coopers & Lybrand LLP, and another major Canadian accounting firm. Mr. Burke is recognized as a specialist in the area of real estate-related financial services as well as in domestic and international taxation issues. While a senior partner at PricewaterhouseCoopers LLP, Mr. Burke advised a diverse domestic and foreign clientele many of which were public, private and institutional, on a variety of matters including mergers and acquisitions, capital markets financing and investment structuring. He is a Chartered Professional Accountant and holds the Institute of Corporate Directors, Institute-Certified Director Designation, ICD.D.

Gina Cody

Place of Residence: Toronto, Ontario
Date Became a Trustee: N/A
Independent: Yes
Principal Occupations During the Past Five Years: Corporate director at CCI Group Inc. and previously executive chair and principal of CCI Group Inc.
Experience with Other Reporting Issuers: Trustee of CAPREIT from May 24, 2017 to present

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted)	Units (Fully Diluted)
Nil	Nil

Bio: Dr. Gina Parvaneh Cody (Age: 62) holds a Masters and a Doctorate in Building Engineering from Concordia University. Dr. Cody has more than 30 years of professional practice in the private sector as a professional engineer, corporate executive and principal of an engineering firm. Dr. Cody has provided professional engineering services to some of Canada's largest REITs, financial institutions, builders and developers. Dr. Cody also served the Professional Engineers of Ontario (PEO) for over 15 years as a member of the Discipline Committee and for over 8 years as a member and subsequently chair of the Professional Practice Committee. Dr. Cody was granted both the Certificate of Fellowship and the Award of Honor by PEO. Dr. Cody is currently a member of the Board of Governors and the Governance Committee and Chair of the Real Estate Planning Committee and Industrial Advisory Council of Concordia University. Dr. Cody is also the benefactor of the Gina Cody School of Engineering and Computer Science at Concordia University. Dr. Cody serves on the board of trustees of CAPREIT.

Michael Stein

Place of Residence:	Toronto, Ontario
Date Became a Trustee:	N/A
Independent:	Yes
Principal Occupations During the Past Five Years:	Chairman and Chief Executive Officer of MPI Group Inc.
Experience with Other Reporting Issuers:	Chair of CAPREIT from February 3, 1997 to present Director of FirstService Corporation (TSX/NASDAQ) from June 1, 2015 to present Director of McEwen Mining Inc. (TSX/NYSE) from January 24, 2012 to present Chair of Cliffside Capital Ltd. (TSXV) from October 22, 2013 to present

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted)	Units (Fully Diluted)
40,000	40,000

Bio:

Michael Stein (Age: 67) is the Chair of CAPREIT. Mr. Stein has been Chairman and Chief Executive Officer of MPI Group Inc., a company engaged in real estate investment and development, since 1994. Mr. Stein also held the position of Chairman and Chief Executive Officer of MICC Properties Inc., a company engaged in real estate investment and development from 1987 to 2000. Mr. Stein is a director of FirstService Corporation (TSX/NASDAQ), a director of McEwen Mining Inc. (TSX/NYSE) and Chairman of the board of directors of Cliffside Capital Ltd. (TSXV). In 2012, Mr. Stein was appointed to the Board of Directors of City Financial Investment Company Limited, a United Kingdom FCA-regulated asset management company that is also registered as an Investment Adviser firm with the SEC. Between 2000 and 2006, Mr. Stein was a member of the Board of Directors of Goldcorp Inc., a public natural resource company the shares of which are listed on the TSX and New York Stock Exchange. Between 1978 and 1987, Mr. Stein held progressively senior positions, ultimately holding the position of Executive Vice President responsible for operations, with The Mortgage Insurance Co. of Canada. Mr. Stein is a graduate engineer and holds a master of business administration in finance and international business from Columbia University in New York.

The following descriptions set forth the name and residence of each of the existing Trustees who will continue as Trustees of the REIT after the Meeting, their respective principal occupations during the last five years and whether they are or have been directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian or other jurisdiction, the nature and extent of their experience in the real estate industry, the date each of them became a Trustee (if applicable), and information as to voting and other securities of the REIT beneficially owned, or controlled or directed, directly or indirectly, by each of them as at February 20, 2019.

Ira Gluskin

Place of Residence: Toronto, Ontario

Date Became a Trustee: August 21, 2017

Independent: Yes

Principal Occupations During the Past Five Years: Vice-President of Irager + Associates Inc. since November 26, 2016

Experience with Other Reporting Issuers: Director of Tricon Capital Group Inc. from November 2016 to present
Director and Vice-Chairman of Gluskin Sheff + Associates from 2009 to 2013

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted)⁽¹⁾	Units (Fully Diluted)⁽²⁾
662,350	662,350
3.90%	3.90%

Notes:

(1) Assuming the conversion of all Class B LP Units held by the Trustee into Units.

(2) Assuming the conversion of all outstanding Class B LP Units into Units.

Bio: Mr. Gluskin is the Vice-President of Irager + Associates, a multi-family investment office, overseeing strategy and investments. Mr. Gluskin is the co-founder of Gluskin Sheff, one of Canada's pre-eminent wealth management firms. He served as the firm's President & Chief Investment Officer through December 31, 2009, and as a Director and the firm's Vice-Chairman through December 18, 2013. Prior to co-founding Gluskin Sheff, Mr. Gluskin had worked in the investment industry for 20 years. Mr. Gluskin currently also serves on the Board of Directors of Tricon Capital Group.

Mr. Gluskin is a well-known industry commentator and he currently is a member of the Advisory Board of Vision Capital Corporation, the University of Toronto's Real Estate Advisory Committee, the University of Toronto's Boundless Campaign Executive Committee, the Sinai Health System's Board of Directors and Investment Committee, the Board of the Canadian Jewish News, The Walrus Magazine, Capitalize for Kids and the Toronto Symphony Foundation. Mr. Gluskin is also the former Chair of the University of Toronto Asset Management Corporation and the former Chair of the Investment Advisory Committee for the Jewish Foundation of Greater Toronto and is currently a member of its Investment Committee.

Jan Arie Breure

Place of Residence: Monaco

Date Became a Trustee: February 15, 2017

Independent: Yes

Principal Occupations During the Past Five Years: Independent capital markets consultant since February 2015
Managing Director at Terra Firma Capital Partners from 2007 to February 2015

Experience with Other Reporting Issuers: N/A

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted)⁽¹⁾	Units (Fully Diluted)⁽²⁾
150,400	161,760
0.89%	0.95%

Notes:

(1) Assuming the conversion of all Class B LP Units held by the Trustee into Units.

(2) Assuming the conversion of all outstanding Class B LP Units into Units.

Bio: Mr. Breure is an independent capital markets consultant. From 2007 to 2015, Mr. Breure was a Managing Director at Terra Firma Capital Partners, a London based private equity firm. From 2005 to 2007, Mr. Breure was Head of European Asset Management at Citi Group Property Investors in London. Prior, Mr. Breure worked in investment banking roles at Prudential Securities and Rabobank in New York. Mr. Breure has a Masters in Economic History from the Universiteit Utrecht, and a Master of Business Administration from INSEAD.

Phillip Burns

Place of Residence: Paris, France
Date Became a Trustee: February 15, 2017
Independent: No.
Principal Occupations During the Past Five Years: Principal/Director of Maple Knoll since June 2013
Chief Executive Officer of Corestate Capital from February 2011 to March 2013
Trustee of Irish Residential Properties REIT Plc (ISE) April 2014 to present
Experience with Other Reporting Issuers:

Securities beneficially owned, or controlled or directed, directly or indirectly, as at February 20, 2019:

Units (Non-Diluted) ⁽¹⁾	Units (Fully Diluted) ⁽²⁾
723,243	1,176,043
4.26%	6.93%

Notes:

(1) Assuming the conversion of all Class B LP Units held by the Trustee into Units.

(2) Assuming the conversion of all outstanding Class B LP Units into Units.

Bio:

Mr. Burns is the founder and a director and principal of Maple Knoll Capital Ltd., a London-based principal investor and asset manager with a primary focus on core, value-add and opportunistic real estate across Europe. For more than 20 years, Mr. Burns has been involved as a principal or advisor in transactions with an aggregate value of over €20.0 billion, with more than 70% centered on real estate across multiple geographies. He also has been involved with raising in excess of €11.0 billion of equity for principal investment, including over €2.4 billion dedicated to real estate.

Prior to founding Maple Knoll Capital Ltd., Mr. Burns was the Chief Executive Officer of Corestate Capital, a leading real estate investment manager covering the entire lifecycle of investment in real estate, primarily in Germany. While at Corestate, he managed a 50+ person firm across five offices in four countries, was directly responsible for the company's strategic and business development and actively involved in transaction execution. During Mr. Burns' leadership, the company acquired nearly €650 million of real estate and raised over €240 million of equity for principal investment.

Prior to Corestate, Mr. Burns was a managing director at Terra Firma Capital Partners, a London-based private equity investment manager focused on asset-intensive businesses across Europe. Mr. Burns was actively involved in several transactions in multiple industry sectors including waste and infrastructure, real estate, credit and, in particular, German residential real estate, where he led over €7.0 billion of acquisitions through the firm's portfolio company, Deutsche Annington. Mr. Burns was involved with raising three buy-out funds, including a fund dedicated to German residential real estate. He managed two acquisitions teams (London and Frankfurt) and ran the firm's German office.

Prior to this, Mr. Burns worked for Goldman Sachs where he focused on mortgage finance, real estate, technology and general corporate finance. He advised clients across a wide variety of strategic and financing transactions, including mergers and acquisitions and equity, debt and hybrid securities issuance. Mr. Burns also executed several mortgage finance transactions across North America as a principal lender, including single asset and portfolio loans, and subsequently managed balance sheet exposure through securitizations, syndication and whole loan sales. Mr. Burns also was a practicing corporate attorney for Skadden, Arps, Slate, Meagher & Flom where he represented clients in corporate transactions including leveraged buyouts, equity and debt financings, and trademark, copyright and computer software and technology licenses.

He holds a Bachelor of Science in Aerospace Engineering from the University of Michigan and a Juris Doctor, summa cum laude, from Syracuse University.

Mr. Burns currently is on the board of directors of Irish Residential Properties REIT plc, a real estate investment trust with investments in multi-unit residential properties in Ireland.

Notes:

(1) Assuming the conversion of all Class B LP Units held by the Trustee into Units.

(2) Assuming the conversion of all outstanding Class B LP Units into Units.

Corporate Cease Trade Orders or Bankruptcies

To the best of the REIT's knowledge, none of the Trustee Nominees proposed for election as Trustee are, as at the date of this Circular, or has been within the 10 years before the date of this Circular: (i) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (ii) subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or (iii) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Penalties or Sanctions

To the best of the REIT's knowledge, none of the Trustee Nominees proposed for election as Trustee nor any personal holding company owned or controlled by any of them has: (i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

For the purposes of this section, a self-regulatory authority means a professional self-regulatory body that governs the activities of professional persons.

Personal Bankruptcies

To the best of the REIT's knowledge, none of the Trustee Nominees proposed for election as Trustee has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

The Declaration of Trust contains "conflict of interest" provisions similar to those applicable to corporations under Section 132 of the OBCA, which serve to protect Unitholders without creating undue limitations on the REIT. Given that the REIT's Trustees will be engaged in a wide range of real estate and other business activities, the Declaration of Trust requires each of the REIT's Trustees to disclose to the REIT if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT (including, without limitation, a contract or transaction involving the making or disposition of any investment in mortgages or real property or a joint venture agreement) or the fact that such person is a trustee, director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made by a Trustee: (i) at the first meeting of the Board of Trustees or the applicable committee thereof, as the case may be, at which a proposed material contract or transaction is first considered; (ii) if the Trustee was not then interested in a proposed material contract or transaction, at the first such meeting after a Trustee becomes so interested; (iii) if the Trustee becomes interested after a material contract is made or a transaction is entered into, at the first such meeting after the Trustee becomes so interested; or (iv) if a person who is interested in a material contract or transaction later becomes a Trustee, at the first such meeting after he or she becomes a Trustee.

In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Board of Trustees or Unitholders, that Trustee is required to disclose in writing to the Trustees or applicable committee thereof or request to have entered into the minutes of the meeting of the Board of Trustees or applicable committee thereof the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to his or her remuneration for serving as the REIT's Trustee, officer, employee or agent or one for indemnity under the indemnity provisions of the Declaration of Trust or the purchase of liability insurance. Certain of the REIT's Trustees may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged.

EXECUTIVE COMPENSATION

Please see Appendix "F" to this Circular.

STATEMENT OF GOVERNANCE PRACTICES

Please see Appendix "G" to this Circular.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the principal Canadian federal income tax consequences of the Special Distribution generally applicable to Unitholders of the REIT who, for the purposes of the Tax Act, and at all relevant times, are, or are deemed to be, resident in Canada, deal at arm's length with, and are not affiliated with the REIT and will hold their Units as capital property (" **Holders** "). This summary will not discuss the Canadian federal income tax consequences of the Acquisition to holders of Class B LP Units of the Partnership.

Generally, the Units will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Units in the course of carrying on a business or as part of an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election under subsection 39(4) of the Tax Act to have all such Units, and all other "Canadian securities" (as defined in the Tax Act) owned by them in the taxation year of the election or any subsequent taxation year deemed to be capital property. Such Holders are urged to consult their own tax advisors regarding whether such election is available and advisable having regard to their own particular circumstances.

This summary does not apply to a Holder: (i) that is a "financial institution" (for purposes of the mark-to-market rules); (ii) that is a "specified financial institution"; (iii) an interest in which is a "tax shelter investment"; (iv) who reports its "Canadian tax results" in a currency other than the Canadian currency (as each term is defined in the Tax Act); or (v) who enters into, with respect to their units, a "derivative forward agreement" as such term is defined in the Tax Act. Any such Holders should consult their own tax advisors with respect to an investment in Units. Further, this summary does not address the tax consequences to Holders who borrow funds in connection with the acquisition of Units.

This summary is of a general nature only and is based upon (i) the facts set out in the Circular, (ii) the provisions of the Tax Act in force at the date hereof, (iii) an understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**"), and (iv) the specific proposals to amend the Tax Act announced by or on behalf of the Minister prior to the date hereof (the "**Tax Proposals**"). This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law or the CRA's administrative practices and assessing policies, whether by legislative, regulatory, administrative or judicial action, nor does it take into account provincial, territorial or foreign tax considerations.

This summary only considers the principal Canadian federal income tax consequences of the Special Distribution to Holders and is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Holder's particular circumstances. This summary is not intended to be, nor should it be construed to be, legal or tax advice to a Holder. Accordingly, Holders and prospective Holders should consult with their tax advisors for advice with respect to the tax consequence to them having regard to their own particular circumstances.

Special Distribution to Holders

The tax treatment to Holders of the Special Distribution will be determined in a manner similar to the tax treatment that applies to other distributions that have been paid or payable by the REIT to Holders, as described in greater detail below.

A Holder will generally be required to include in income the portion of the Special Distribution that is designated as net income of the REIT, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Holder, whether such portion is received in cash or additional Units. The Special Distribution may include a distribution of the REIT's income (if any) such that the REIT will not be liable to pay tax under Part I of the Tax Act in respect of the taxation year of the REIT in which the Special Distribution is made payable (taking into account any other distributions made by the REIT during the year). Provided that appropriate designations are made by the REIT in respect of the Special Distribution, net taxable capital gains and foreign source income realized by the REIT that are paid or payable to a Holder as a result of the Special Distribution will retain their character and be treated and taxed as such in the hands of the Holders for purposes of the Tax Act, and Holders may be entitled to claim a foreign tax credit for foreign taxes paid by the REIT. To the extent that a portion of the Special Distribution is designated as having been paid to Holders as taxable capital gains for purposes of the Tax Act, such amounts will be subject to the general rules relating to the taxation of capital gains.

The non-taxable portion of any capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Holder as a result of the Special Distribution will not be included in computing the Holder's income for the year in which the Special Distribution is paid or payable. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Holder as a result of the Special Distribution generally will not be included in the Holder's income for the year. However, such amount generally will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit becomes a negative amount, the Holder will be deemed to have realized a capital gain equal to the absolute value of the negative amount and such Holder's adjusted cost base of the Units will be deemed to be nil.

One-half of any deemed capital gain realized by a Unitholder and the amount of any net taxable capital gains designated by the REIT in respect of the Unitholder will be included in the Unitholder's income under the Tax Act as a taxable capital gain.

Where a Holder elects to receive the Special Distributions in Units, the cost of Units acquired by such Holder will generally be equal to the fair market value of the Units on the date they are acquired. For the purposes of determining the adjusted cost base of a Unit to a Holder, the cost of the newly acquired Units will be averaged with the adjusted cost base of all of the Units of the REIT owned by a Holder as capital property immediately before that time.

A Unitholder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax in respect of its aggregate investment income for the year, which will include all or substantially all income and capital gains distributed to the Unitholder by the REIT and any deemed capital gains realized by the Unitholder.

A Unitholder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of deemed capital gains realized in respect of Units and net income of the REIT, paid or payable, that is designated by the REIT as taxable dividends and net taxable capital gains in respect of that Unitholder.

RISK FACTORS

Unitholders should carefully consider the risks related to the Acquisition described below and the section entitled "Risk Factors" contained in the REIT's annual information form for the year ended December 31, 2017, as well as other information disclosed or incorporated by reference in this Circular, before determining whether to vote in favour of the Transaction Resolutions. If any of such or other risks occur, the REIT's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Units could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks. Additional risks and uncertainties not currently known to the REIT, or that the REIT currently deems immaterial, may also materially and adversely affect its business.

Risks Related to the Acquisition

Possible Failure to Complete the Acquisition

Completion of the Acquisition is subject to the satisfaction of certain closing conditions, including the receipt of disinterested Unitholder, lender and TSXV approval. As such, there is no assurance that the Acquisition will be completed or, if completed, will be on terms that are the same as those disclosed in this Circular. If completion of the Acquisition does not take place as contemplated on or before March 31, 2019, the REIT will not realize the benefits described in this Circular and could suffer adverse consequences, including loss of investor confidence.

Possible Failure to Realize Expected Returns on the Acquisition

Acquisitions involve risks that could materially and adversely affect the REIT's business plan, including the failure of the Acquisition to realize the results the REIT expects. While the Trustees, based on analysis provided by management (as well as other information deemed appropriate and sufficient for such purposes), consider the Acquisition not to be dilutive to the REIT's AFFO, such determination should not be regarded as a guarantee of future performance or results.

Occurrence of a Material Adverse Effect in Respect of the REIT

The completion of the Acquisition is subject to the condition that, among other things, on or after the date of the Acquisition Agreement, there will not have occurred a REIT Material Adverse Effect. Although a REIT Material Adverse Effect excludes certain events, including events in some cases that are beyond the control of the REIT, there can be no assurance that a REIT Material Adverse Effect will not occur prior to the Acquisition Closing Date. If such REIT Material Adverse Effect occurs, CAPREIT shall be entitled to terminate the Acquisition Agreement and the Acquisition may not proceed.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Acquisition Properties included in this Circular has been derived from third parties' historical accounting records. The REIT believes that the assumptions underlying the combined and consolidated financial statements are reasonable.

The *pro forma* financial statements, however, may not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT been a standalone entity owning the Acquisition Properties during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future.

In preparing the *pro forma* financial information attached as Appendix "J" to this Circular, the REIT has

given effect to, among other items, the completion of the Acquisition (and the payment of \$326,564,840 of the aggregate purchase price of \$633,588,660 by the issuance of Class B LP Units at a deemed issue price of \$4.00 per Class B LP Unit). The estimates used in the unaudited *pro forma* financial information may not be similar to the REIT's actual performance going forward.

Reliance on CAPREIT as Manager

Following the Acquisition, the REIT will rely on the Manager with respect to the asset management of the REIT's properties, including the Acquisition Properties and any properties acquired by the REIT in the future. Consequently, the REIT's ability to achieve its investment objectives depends in large part on the Manager and its ability to advise the REIT. This means that the REIT's investments are dependent upon the Manager's business contacts, its ability to successfully hire, train, supervise and manage its personnel and external property managers and its ability to maintain its operating systems. If the REIT were to lose the services provided by the Manager or its key personnel, the REIT's investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another manager.

While the Board of Trustees will have similar oversight with respect to the services that will be provided by the Manager pursuant to the New Management Agreement, the services provided by the Manager will not be performed by employees of the REIT, but by the Manager directly and through entities to which it may subcontract. Further, the foregoing arrangements will be subject to limited termination rights in favour of the REIT. As a result, the Manager, directly and through entities to which it may subcontract in accordance with the terms of the New Management Agreement, will have the ability to influence many matters affecting the REIT and the performance of its properties now and in the foreseeable future.

In addition, the New Asset Management Agreement provides that the Manager will automatically be rehired at the expiration of each term (subject to certain termination provisions), the Manager has the right, at any time after the initial 10-year term upon 180 days' notice, to terminate the New Asset Management Agreement for any reason. The New Asset Management Agreement may also be terminated in other circumstances, such as in the event of default or insolvency of the Manager within the meaning of such agreement. Accordingly, there can be no assurance that the Manager will continue to be the REIT's asset manager. If the Manager should cease for whatever reason to be the manager, the cost of obtaining substitute services may be greater than the fees the REIT will pay the Manager under the New Management Agreement, and this may adversely impact the REIT's ability to meet its objectives and execute its strategy which could materially and adversely affect its cash flows, operating results and/or financial condition.

Significant Ownership by CAPREIT

Following the completion of the Acquisition, it is expected that CAPREIT (together with its Affiliates) will hold an approximate 83% effective interest (after giving effect to the payment of \$326,564,840 of the aggregate purchase price of \$633,588,660 by the issuance of Class B LP Units at a deemed issue price of \$4.00 per Class B LP Unit) in the REIT through the ownership of, or the control or direction over Class B LP Units. For so long as CAPREIT maintains an effective interest in the REIT of not less than 20%, CAPREIT will be a Control Person of the REIT.

Further, in the event that the REIT has insufficient availability under its credit facilities to fund any land transfer tax liability incurred as a result of the transactions contemplated by the Acquisition Agreement or as otherwise required under the Acquisition Agreement and so notifies CAPREIT, CAPREIT will subscribe for at least \$12 million of Class B LP Units at a price of \$4.00 per Class B LP Unit.

In addition, CAPREIT will enter into the following agreements with the REIT on Closing: (i) the Pipeline Agreement, pursuant to which CAPREIT may be issued additional Units as consideration for potential future property acquisitions by the REIT; (ii) the New Management Agreement, pursuant to which the Manager will act as the asset manager of the REIT and may elect to receive all or a portion of the Management Fees payable to the Manager under the New Management Agreement in the form of Units; (iii) the Property Management Agreement, pursuant to which the Property Manager will act as the property manager for certain subsidiaries of the REIT; (iv) the Investor Rights Agreement, pursuant to which CAPREIT shall be granted certain nomination, pre-emptive and registration rights, as well as the right to acquire additional Units by exercising its Top-Up Right; and (v) the Services Agreement, pursuant to which the Manager will provide the REIT and certain of its subsidiaries with certain administrative services. Further, if the Declaration of Trust Amendments Resolution is approved by disinterested Unitholders at the Meeting, the Declaration of Trust will be amended to reflect CAPREIT's significant ownership position in and control over the REIT. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Pipeline Agreement", "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - New Management Agreement", "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Property Management Agreement", "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Investor Rights Agreement", "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Services Agreement" and "Particulars of Matters to be Acted Upon at the Meeting - Amendments to the Declaration of Trust".

Therefore, CAPREIT will have the ability to exercise influence with respect to the affairs of the REIT, significantly affect the outcome of Unitholder votes and may have the ability to effectively prevent certain fundamental transactions. CAPREIT's future significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price.

Payment of the Termination Fee

Each of the REIT and CAPREIT has the right to terminate the Acquisition Agreement in certain circumstances. Accordingly, there is no certainty, nor can the REIT provide any assurance, that the Acquisition Agreement will not be terminated before the completion of the Acquisition. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Acquisition Agreement - Termination of the Acquisition Agreement". In the event that the Acquisition Agreement is terminated and the Acquisition is not consummated, the REIT may, in certain circumstances, be obligated to pay the Termination Fee to CAPREIT.

Potential conflicts of interest with Trustees and executive officers of the REIT and representatives of CAPREIT

It is anticipated that following the completion of the Acquisition, certain of the trustees and executive officers of CAPREIT will also be Trustees, directors and/or officers of the REIT, and may continue to be engaged in activities that may put them in conflict with the REIT's investment strategy. In addition, these individuals may hold equity in or positions with other companies managed by CAPREIT or its Affiliates and, accordingly, these individuals may not devote all of their time and attention to the REIT. Consequently, these positions or equity interests could create, or appear to create, conflicts of interest with respect to matters involving the REIT or CAPREIT or its Affiliates. Pursuant to the Declaration of Trust, all decisions to be made by the Trustees which involve the REIT are required to be made in accordance with the Trustees' duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Trustees and officers of the REIT are required to declare their interests in, and such Trustees are required to refrain from voting on, any matter in which they may have a material conflict of interest. However, there can be no assurance that the provisions in the Declaration of Trust will adequately address potential conflicts of interest or that such

actual or potential conflicts of interest will be resolved in the REIT's favour.

It is anticipated that following the completion of the Acquisition, CAPREIT will act as the asset and property manager for certain subsidiaries of the REIT pursuant to the New Management Agreement and the Property Management Agreement. CAPREIT also provides management services to other entities. As asset and property manager for other entities and on its own behalf, CAPREIT will pursue other business opportunities, including but not limited to real estate and development business opportunities outside of the REIT. These multiple responsibilities to public companies and other businesses could create competition for the time and efforts of CAPREIT which could materially and adversely affect our cash flows, operating results and financial condition.

Use of Property Appraisal

Caution should be exercised in the evaluation and use of the Appraisal. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while the appraiser's internal forecasts for the Acquisition Properties are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. Furthermore, the Appraisal was commissioned by CAPREIT, not the REIT, and is not formally relied on by the REIT.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

While the Acquisition is Pending, the REIT is Restricted from Taking Certain Actions

Until the Acquisition is completed, the Acquisition Agreement restricts the REIT from taking certain specified actions without the consent of CAPREIT. These restrictions may prevent the REIT from pursuing certain business opportunities that may arise prior to the completion of the Acquisition. See "Particulars of Matters to be Acted Upon at the Meeting – The Acquisition – Acquisition Agreement – Covenants".

Market Price of the Units

If, for any reason, the Acquisition is not completed or its completion is materially delayed and/or the Acquisition Agreement is terminated, the market price of the Units may be materially adversely affected. The REIT's business, financial condition or results of operations could be subject to various material adverse consequences, including that the REIT would remain liable for significant costs relating to the Acquisition including, among others, legal, accounting and printing expenses.

Fees, Costs and Expenses of the Acquisition

If the Acquisition is not completed, the Acquisition Agreement does not provide for the REIT to receive any reimbursement from CAPREIT for the fees, costs and expenses it has incurred in connection with the Acquisition. Such fees, costs and expenses include, without limitation, legal fees, financial advisor fees, depositary fees and printing and mailing costs, which will be payable whether or not the Acquisition is completed, as well as the consequences and opportunity costs of the suspension of strategic pursuits of the REIT in accordance with the terms of the Acquisition Agreement and the risks associated with the diversion of REIT management's attention away from the conduct of the REIT's business in the ordinary course.

Use of Fairness Opinion

The Fairness Opinion is directed only to the fairness, from a financial point of view, of the terms of the Acquisition to the Unitholders. The Fairness Opinion does not address the relative merits of the Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Acquisition. The Fairness Opinion does not constitute a recommendation by Scotia Capital to any Unitholder as to how such Unitholder should vote or act with respect to the Acquisition Resolution.

Assumption of Liabilities

The REIT will assume liabilities arising out of or related to the REIT's business, operations or assets, and will agree to indemnify CAPREIT, as the vendor of the Acquisition Properties, for, among other matters, such liabilities. The REIT may assume unknown liabilities that could be significant.

Unaudited Pro Forma Consolidated Financial Statements

Pro forma financial information included in this Circular is for informational purposes only and is unaudited. The unaudited *pro forma* financial information contained in this Circular has been derived from underlying financial statements prepared in accordance with IFRS to illustrate the effect of the Acquisition.

Risks Relating to Real Property Ownership

Real property ownership and tenant risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The performance of the economy in areas in which properties are located affects occupancy, market rental rates, property sale prices and expenses. These factors consequently can have an impact on revenues generated from properties and their underlying values.

Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the buildings located on the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the REIT's results from operations and ability to make distributions to Unitholders will be adversely affected.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as landlord and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the REIT.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived therefrom. Reported estimated market rents can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

Other factors may further adversely affect revenues from and values of the REIT's investment activities and owned properties. These factors include local conditions in the areas in which properties are located, the attractiveness of the properties to tenants or future purchasers, competition from other properties and the REIT's abilities to provide adequate facilities, maintenance, services and amenities. Operating costs, including real estate taxes, insurance and maintenance costs, and mortgage payments, if any, do not, in general, decline when circumstances cause a reduction in income from a property. The REIT could sustain a loss as a result of foreclosure on a property, if a property is mortgaged to secure payment of Indebtedness and the REIT was unable to meet its payment obligations. In addition, applicable laws, including tax laws, interest rate levels and the availability of financing also affect revenues from properties and real estate values.

Ownership of real property and exposure to ground leases

The ownership of the Acquisition Properties may include, *inter alia*, freehold, ground lease, right of superficies, and/or apartment rights. Specific limitations on the use of the Acquisition Properties may result from rights of third parties under private law, or from public law.

For certain Acquisition Properties, the land is owned by another party (usually a municipality) and the REIT holds a ground lease. The REIT consequently is exposed to the risk of the ground leases. The conditions of each of the ground lease agreements, such as its term and the payment obligations, are a key parameter that impacts the value of the property. The ground lease agreements may contain provisions leading to the loss of the ground leased property, if the REIT is ever in material breach of the terms. Furthermore, the REIT may be subject to amendments to the terms and conditions of a ground lease agreement, for example with respect to the payment obligations to the underlying owner of the land. Unfavourable changes to the ground lease agreements, or relevant regulations, may limit the REIT's ability to sell the properties which are subject to ground leases, and may thereby decrease the value of such Acquisition Properties, or require the REIT to write down the assets value as recorded on the REIT's consolidated balance sheet. Such a write down could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to its Unitholders.

Lease renewals, rental increases, lease termination rights and other lease matters

Expiries of leases for the Acquisition Properties and other properties that the REIT may acquire will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations.

There can be no assurance that tenants will continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. In

addition, certain leases contain a provision which gives tenants the right to terminate their leases upon payment of a penalty.

Investment concentration

The Acquisition Properties are all located in the Netherlands. Accordingly, following the completion of the Acquisition, the REIT will be susceptible to adverse developments in the Netherlands, changing demographics and other factors. These factors may differ from those affecting the real estate markets in other regions or countries in Europe. If real estate conditions in the Netherlands decline relative to real estate conditions in other regions or countries in Europe, the REIT's cash flows, operating results and/or financial condition may be more adversely affected than those of companies that have more geographically diversified portfolios of properties.

The principal business of the REIT will be investing in multi-family residential properties in Europe. Any adverse economic or real estate developments in the areas in which the Acquisition Properties are located initially and in which the REIT's real estate investments reside going forward, or in the future in any of the other markets in which the REIT operates could adversely affect the REIT's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations.

Government regulation

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, public law, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable European Union, national, federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). In addition, the political conditions in the jurisdictions in which the REIT will operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect its investments. Any changes in the laws to which the REIT is or will be subject in the jurisdictions in which it operates or will operate could materially affect the rights and title to the Acquisition Properties and any acquired properties. The Acquisition Properties are located in the Netherlands. Although the Dutch government is stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the REIT will be subject or the effect of any such change on the REIT's investments.

Environmental matters

The Acquisition Properties may contain ground contamination, ground water contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain legionella, asbestos or other hazardous substances such as, but not limited to, polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorophenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The REIT bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, ground water contamination, hazardous substances, wartime relics, legionella, asbestos, or other residual pollution. The discovery of any such residual pollution or environmental risks on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any pollution and

the related additional measures the REIT would have to undertake could negatively affect it and could involve considerable additional costs that the REIT may have to bear. The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the Acquisition Properties or any properties it acquires might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics, legionella, asbestos or other residual pollution and environmental risks can negatively affect the value of a property and the ability of the REIT to lease or sell such a property.

As an owner of real estate property and its development, the REIT will be subject to various European federal, provincial, state and municipal laws relating to environmental matters which impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites the REIT currently owns or operates or sites where waste from the REIT's operations has been deposited. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. Furthermore, actions for damages or remediation measures may be brought against the REIT. If the REIT's officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward its potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions on the Units.

In order to obtain financing for the purchase of a new property through traditional channels, the REIT may be requested to arrange for an environmental audit to be conducted. Although such an audit provides the REIT and its lenders with some assurance, the REIT may become subject to liability for undetected pollution or other environmental hazards on the REIT's properties against which the REIT cannot insure, or against which the REIT may elect not to insure where premium costs are disproportionate to the REIT's perception of relative risk.

The REIT has formal policies and procedures to review and monitor environmental exposure. These policies include, where the Board of Trustees so determines, the requirement to conduct the local equivalent of a Phase I environmental audit before acquiring any real property or any interest therein. Where circumstances so warrant, designated substance surveys and/or local equivalent of Phase II environmental assessments are conducted to determine the presence and/or extent of these or any other materials or potential environmental hazards. If appropriate, the REIT remediates such situations. The REIT is not currently aware of any environmental conditions with respect to the Acquisition Properties that would involve material expenditure by the REIT.

The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on its investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and the REIT may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Management is not aware of any material non-compliance with environmental laws with respect to the Acquisition Properties. The REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with the Acquisition Properties. However, the REIT cannot assure Unitholders that any material environmental conditions do not or will not otherwise exist with respect to the Acquisition Properties, other real property which it may own in the future or

developments it may finance.

Competition

The REIT competes with various owners, operators and developers in the European real estate industry, including other properties located within proximity to the Acquisition Properties. Some of these parties own, or may in the future own, properties that compete directly with the Acquisition Properties or other properties acquired by the REIT, and some of these parties may have greater capital resources than the REIT.

Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, of higher quality or less leveraged than the properties owned by the REIT. Some of the REIT's competitors are better capitalized and stronger financially and therefore more able to withstand an economic downturn. If the REIT's competitors build or acquire new properties that compete with the Acquisition Properties or the REIT's future properties, the REIT may lose potential tenants and it may be pressured to discount its rental rates below those it would otherwise charge in order to retain tenants. As a result, the REIT's rental revenues may decrease in the future, which could impair the REIT's ability to satisfy any debt service obligations and to generate stable positive cash flow from its operations. In addition, increased competition for tenants may require the REIT to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvements the REIT undertakes could materially and adversely affect the REIT's cash flow, operating results and financial condition and the ability of the REIT to make distributions on the Units.

An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. The REIT will seek to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Liquidity

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash and cash equivalents on hand or borrowing capacity to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. Furthermore, the REIT has access to the undrawn borrowing capacity on the Revolving Credit Facility to fund cash requirements.

Real estate investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Uninsured losses

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from its investments or properties, and the REIT would continue to be obligated to repay any recourse indebtedness related to such investments or properties.

Risk of natural disasters

While the REIT has insurance coverage for all of its properties, the insurance coverage may have deductible amounts and may not cover all natural disasters which may occur to the properties or properties acquired in the future. Floods, hurricanes, storms, earthquakes, terrorism, or other natural disasters may significantly affect the REIT's operations and properties, and may cause the REIT to experience reduced rental revenue, incur clean-up costs or otherwise incur costs in connection with these natural disasters. These events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to its Unitholders.

Capital expenditures and other fixed costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage and leasehold payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the REIT will be required to maintain or, in some cases, improve the Acquisition Properties' condition (and the condition of other properties that the REIT may acquire) to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations, could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading the Acquisition Properties and other properties that the REIT may acquire exceed estimates of the REIT, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise the rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where the Acquisition Properties or other properties that the REIT may acquire are located or similar properties located in the vicinity of the REIT's properties are substantially refurbished, the net operating income derived from and the value of, the REIT's properties could be reduced.

Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could adversely affect the rental income the REIT earns from its properties. For example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any such event could have a material adverse effect on the REIT's cash flows, financial condition and results of operations.

Interest rate risk

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it is able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible.

Risks Relating to the Business of the REIT and its Affiliates

General business risks

The REIT is subject to general business risks and to risks inherent in the real estate industry. The underlying value of the Acquisition Properties as well as future investments or property acquisitions and the REIT's income and ability to generate stable positive returns from its operating activities will depend on the ability of the REIT to maintain revenues and to generate income in excess of operating expenses. Income and gains from the Acquisition Properties and future investments and property acquisitions may be adversely affected by changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of any mortgage or other financing, the ongoing need for capital improvements, particularly in older structures, changes in real estate assessed values and taxes payable on such values (including as a result of possible increased assessments caused by the acquisition of the Acquisition Properties by the REIT) and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, parking policies, permits (including building permits), the impact of present or future environmental legislation and compliance with environmental laws, acts of God, including natural disasters (which may result in uninsured losses). Any of the foregoing events could negatively impact the value of portfolio properties of the REIT or their ability to generate positive cash flow.

When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult to both acquire and to sell real property as well as to finance the investment and acquisition activities of the REIT. Finally, governments can, under eminent domain laws, expropriate or take real property for less compensation than an owner believes the property is worth. Almost all of these factors are beyond the REIT's control. Any one of, or a combination of, these factors may adversely affect the ability of the REIT to conduct its business and therefore negatively impact the financial position of the REIT.

Reliance on key personnel

Following the completion of the Acquisition, the REIT will depend on the services of certain key personnel, including in particular Phillip Burns, as Chief Executive Officer and certain other key executives and employees of CAPREIT. There can be no assurance that the REIT will be able to retain its key personnel, attract qualified executives or adequately fill new or replace existing senior management positions or vacancies created by expansion, turnover or otherwise. The loss of the services of any one or more of the REIT's key personnel or the inability to retain, attract or fill any such personnel or positions or vacancies could have an adverse effect on the REIT.

Acquisitions and integration of additional properties

The REIT intends to acquire additional properties in the future and the REIT's future growth will be dependent upon its ability to successfully acquire new properties on favorable terms. Future acquisition opportunities may not be available to the REIT on terms that meet its investment guidelines or it may be

unsuccessful in capitalizing on such opportunities. In addition, for so long as CAPREIT directly or indirectly holds 50% or more of the Units, the REIT will be required to obtain the prior written consent of CAPREIT for any material acquisition or development, any financing, or any granting of security over any assets of the REIT. The REIT's ability to capitalize on such acquisition opportunities will be significantly dependent upon external sources of capital that may not be available to it on favorable terms or at all.

The REIT's ability to acquire properties on favorable terms and successfully operate them involves the following risks:

- competition from other real estate investors in acquiring desired properties that may prevent the REIT from acquiring desired properties or significantly increase the purchase price and decrease expected yields for acquired properties;
- the REIT may be unable to finance an acquisition on favorable terms or at all;
- the REIT may have to incur significant unexpected capital expenditures to improve or renovate acquired properties;
- the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations;
- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- market conditions may result in higher than expected costs and vacancy rates and lower than expected rental rates; and
- the REIT may acquire properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to it, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of its properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of its properties.

Newly developed and recently acquired properties may not perform as expected and may have characteristics or deficiencies unknown to the REIT at the time of acquisition. The REIT cannot assure security holders that it will be able to successfully integrate acquired properties without operating disruptions or unanticipated costs. As the REIT acquires additional properties, the REIT will be subject to risks associated with integrating and managing new properties (including the Acquisition Properties), including tenant lease-up and retention and mortgage default. In addition, acquisitions may cause disruptions in the REIT's operations and divert management's attention away from day-to-day operations. Furthermore, the REIT's profitability may suffer because of acquisition-related costs or amortization costs for acquired intangible assets. The REIT's failure to successfully integrate any future properties could have an adverse effect on the REIT's operating costs and its ability to generate stable positive cash flow from its operations.

Potential undisclosed liabilities associated with acquisitions

The REIT expects to acquire properties that may be subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for claims by tenants, vendors or other persons dealing with

the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, accrued but unpaid liabilities incurred in the ordinary course of business and cleanup and remediation of undisclosed environmental conditions. While in some instances the REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the REIT may not have recourse to the vendor of the properties for any of these liabilities.

Acquisitions of properties may expose the REIT to undisclosed defects and obligations

The REIT's external growth prospects depend in large part on identifying suitable acquisition opportunities, pursuing such opportunities and consummating acquisitions. The REIT intends to make acquisitions and dispositions of properties in accordance with the REIT's external growth strategy. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the REIT's ability to realize the REIT's anticipated growth opportunities and synergies from the REIT's newly acquired properties.

Notwithstanding pre-acquisition due diligence, it is not possible to fully understand a property before it is owned and operated for an extended period of time. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Furthermore, the REIT is not always able to obtain from the seller the records and documents that the REIT needs in order to fully verify that the buildings or suites the REIT acquires were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been, recognized or correctly evaluated. Thus, the REIT could have overlooked or misjudged legal and/or economic liabilities. These circumstances could lead to additional costs and could have an adverse effect on the REIT's proceeds from sales and rental income of the relevant properties. In addition, after the acquisition of a property by the REIT, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that the REIT acquires may decline during its ownership, and rents that are in effect at the time a property is acquired may decline thereafter. For these reasons, among others, the REIT's property acquisitions may cause the REIT to experience losses. If the REIT is unable to manage the REIT's growth and integrate the REIT's acquisitions effectively, the REIT's investments, operating results and financial condition could be adversely affected.

If the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements, this could materially impact the REIT's business. The REIT will continually assess the value and contribution of the REIT's properties and may dispose of properties from time to time if determined to be in the REIT's best interests. Depending on the state of the market for these types of properties, if disposed of, the REIT may realize less than the REIT's carrying value in the REIT's financial statements.

Insurance renewals

There is a possibility that the REIT may not be able to renew its current insurance policies or obtain new insurance policies in the future for its properties once they expire. The current terms and levels of coverage may not be available to the REIT for property and casualty insurance, as well as insurance against natural disasters. In addition, the premiums that insurance companies may charge in the future may be significantly greater than they are currently. If the REIT is unable to obtain adequate insurance for its properties, the REIT could be in default under certain contractual commitments that it has made. The REIT may also be subject to a greater risk of not being covered should damages to its properties occur, therefore affecting the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to its Unitholders.

Access to capital and financing risk

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. The REIT's access to third-party financing will be subject to a number of factors, including general market conditions, the market's perception of the REIT's growth potential, the REIT's current and expected future earnings and the REIT's cash flow and cash distributions.

Global financial markets have experienced a sharp increase in volatility during recent years. Underlying market conditions may continue or become worse, and unexpected volatility and illiquidity in financial markets may inhibit the REIT's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the REIT may require in order to grow and expand its operations or upon the expiry of the term of financing, may not be available to the REIT or be available to it on favourable terms. The REIT's failure to access required capital could adversely impact its investments, cash flow, operating results or financial condition, its ability to make distributions on the Units and its ability to implement its growth strategy.

Derivatives risks

The REIT may invest in and use derivative instruments, including futures, forwards, options and swaps, to manage its utility and interest rate risks inherent in its operations. There can be no assurance that the REIT's hedging activities will be effective. Further, these activities, although intended to mitigate price volatility, expose the REIT to other risks. The REIT is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the REIT's ability to use derivative instruments to effectively hedge its utility and interest rate risks.

Internal controls

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT has undertaken a number of procedures and safeguards in order to help ensure the reliability of the REIT's financial reports, including those imposed on the REIT under Securities Laws, the REIT cannot be certain that such measures will ensure that the REIT will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the REIT's results of operations or cause the REIT to fail to meet the REIT's reporting obligations. If the REIT or the REIT's auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the

market's confidence in the REIT's consolidated financial statements and adversely affect the trading price of the Units.

IFRS reporting may result in the REIT's balance sheet and net income being subject to increased volatility as the fair value of the REIT's portfolio changes

The fair value of the REIT's properties is (or will be) dependent upon, among other things, rental income from current leases, assumptions about rental income from future leases reflecting market conditions, expected future cash outflow in respect of such leases, the demand for properties such as the Acquisition Properties, and general economic conditions. A change in one or a combination of these factors, many of which are not controlled by the REIT, may have a material impact to the fair value of the REIT's properties. The REIT's chosen accounting policy under IFRS requires that real estate assets be recorded at "fair value" with changes in fair value being recorded in income in the period of change. Accordingly, the REIT's balance sheet and net income will be subject to increased volatility as the fair value of its real estate portfolio changes and these changes may be material.

Regulatory requirements may limit a future change of use for some properties

A change of use of the REIT's properties may be limited by several regulatory requirements, including monument protection regulations, urban development regulations, specific limitations for postal buildings and general planning law requirements. This may therefore inhibit the REIT's ability to re-lease vacant space to subsequent tenants, or may adversely affect the REIT's ability to sell, lease or finance the affected properties.

Litigation risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

Credit and Financing risk

A Canadian chartered bank provides the Revolving Credit Facility to the REIT, and the REIT also intends to incur Indebtedness in the future in connection with the future investments and property acquisitions of properties and expansion of its business. The REIT's debt may harm its business and operating results by:

- requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes;
- limiting the REIT's ability to borrow more money for operating or capital needs or to finance investments or acquisitions in the future; and

- making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

A portion of the cash flow generated by the Acquisition Properties will be devoted to servicing debt and there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, given the relatively small size of the Canadian and the Netherlands marketplace, there are a limited number of lenders from which the REIT can reasonably expect to borrow. Consequently, it is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of existing financing, or refinancing any particular property owned by the REIT or otherwise, may not be available or may not be available on favourable terms.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it will not be able to refinance the existing Indebtedness on its properties and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing Indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations.

In addition, certain loan documents relating to secured debt of the REIT contain restrictions concerning and covenants and events of default relating to the REIT and the properties subject to such secured debt. Failure to comply with any such restriction or covenant, or the occurrence of any such events, could result in an event of default under the applicable loan document. Upon the occurrence of an event of default, the secured debt could be accelerated, which in turn could adversely impact the REIT's business operations, financial condition and results of operations and may decrease the amount of cash available for distribution.

Risks Related to the Structure of the REIT

Reliance on external sources of capital

Since the REIT expects to make regular cash distributions as a real estate investment trust, it likely will not be able to fund all of its future capital needs, including capital for acquisitions and facility development, with income from operations. The REIT therefore will have to rely on third-party sources of capital, which may or may not be available on favourable terms, if at all. The REIT's access to third-party sources of capital depends on a number of things, including the market's perception of its growth potential and its current and potential future earnings. If the REIT is unable to obtain third-party sources of capital, it may not be able to acquire or develop facilities when strategic opportunities exist, satisfy its debt obligations or make regular distributions to Unitholders.

Restrictions on redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of such Units will liquidate their investments. Subsidiary Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities, and such securities may be subject to an

indefinite “hold period” or other resale restrictions under applicable Securities Laws. Subsidiary Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time. Regulatory approvals will be required in connection with the distribution of Subsidiary Notes in specie to Unitholders in connection with a redemption. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitations may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for such series of the Units; and (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which such Units are listed (or, if not listed on a stock exchange, on any market on which such Units are quoted for trading) on the redemption date or for more than five trading days during the 20-day trading period commencing immediately after the redemption date.

Regulatory approvals may be required in connection with a distribution of securities on a redemption of Units or the REIT's termination

Upon a redemption of Units or termination of the REIT, the Trustees may distribute securities directly to the Unitholders, subject to obtaining any required regulatory approvals. No established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. In addition, the securities so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Structural subordination of Units

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of the REIT's subsidiaries, holders of the REIT's Indebtedness and the REIT's trade creditors will generally be entitled to payment of their claims from the REIT's assets and those of the REIT's subsidiaries before any assets are made available for distribution to the REIT or the Unitholders. The Units will be subordinated to the debt and other obligations of the REIT and the REIT's subsidiaries. The REIT and the REIT's subsidiaries generate all of the REIT's revenue available for distribution and hold substantially all of the REIT's operating assets.

Cash distributions are not guaranteed, are not hedged against currency exchange risk, and may fluctuate with the REIT's financial performance, changes in currency exchange and the expiration of contractual waiver of rights

The REIT's distribution policy is established in the Declaration of Trust and may only be changed with the approval of a majority of Unitholders. However, the Trustees may reduce or suspend cash distributions indefinitely, which could have a material adverse impact on the market price of the Units.

Although the REIT intends to make cash distributions in accordance with the REIT's distribution policy, the actual cash flow available for distribution to Unitholders is dependent on the amount of cash flow paid to the REIT by the REIT's operating entities and can vary significantly from period to period for a number of reasons, including among other things: (i) the amount of net rental income derived from the REIT's properties; (ii) the amount of cash required or retained for debt service or repayment; (iii) foreign currency exchange rates and interest rates; (iv) amounts required to fund capital expenditures and working capital requirements; (v) tenant allowances; (vi) leasing commissions; (vii) Unit redemptions; (viii) foreign currency exchange rates and interest rates; (ix) the level of foreign taxes, if any, payable by a subsidiary and (x) other factors that may be beyond the REIT's control. These amounts are subject to the discretion of the Trustees, which will regularly evaluate the REIT's distribution payout with respect to

anticipated cash flows, debt levels, capital expenditure plans and amounts to be retained to fund acquisitions and expenditures. In addition, the REIT's level of distributions per Unit will be affected by the number of outstanding Units and other securities that may be entitled to receive cash distributions. Distributions may be increased, reduced or suspended entirely depending on the REIT's operations and the performance of the REIT's assets. The market value of the Units may deteriorate if the REIT is unable to meet distribution expectations in the future and such determination may be material.

Unitholder liability

The Declaration of Trust provides that no holder of Units or annuitant or beneficiary of a trust governed by a Plan/or of any Plan of which a holder of Units acts as an annuitant will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any holder of Units or annuitant for any liability whatsoever, whether constituting extra contractual or contractual liability or arising in tort, contract or otherwise, to any person in connection with the REIT's property or the REIT's affairs, including for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a holder of Units or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such. Only the REIT's assets are intended to be liable and subject to levy or execution for satisfaction of such trust liability. Each holder of Units and annuitant will be entitled to be reimbursed out of the REIT's assets in respect of any payment of such trust liability made by such holder of Units or annuitant.

The Declaration of Trust further provides that the Trustees shall cause the REIT's operations to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine practicable and consistent with their fiduciary duty to act in the best interests of the holders of Units, any material risk of liability on the holders of Units for claims against the REIT, and shall, to the extent available on terms which they determine to be practicable, including the cost of premiums, cause the insurance carried by the REIT, to the extent applicable, to cover the holders of Units and annuitants as additional insured.

However, in conducting the REIT's affairs, the REIT will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs, mortgages and leases. The Trustees will use commercially reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the REIT may not be able to obtain such modification in all cases. If a claim is not satisfied by the REIT, there is a risk that a Unitholder or annuitant will be held personally liable for the performance of the obligations of the REIT where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Ontario for contract claims where the liability is not so disavowed is remote.

Class B LP Units – limited liability

Holders of Class B LP Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the applicable limited partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Class B LP Units may be liable beyond their contribution of capital and share of undistributed net income of the applicable limited partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the applicable general partner and the net assets of the applicable limited partnership. Holders of Class B LP Units remain liable to return to the applicable limited partnership such part of any

amount distributed to them as may be necessary to restore the capital of the applicable limited partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the applicable limited partnership is reduced and the applicable limited partnership is unable to pay its debts as they become due.

In connection with the Acquisition, each outstanding Class B LP Unit will be exchanged for one Unit prior to CAPREIT's funding of the Special Distribution. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Exchange of Class B LP Units" and "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Special Distribution".

Nature of investment

A holder of a Unit does not hold a share of a body corporate. Unitholders do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of holders of Units are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT or any subsidiary limited partnership equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances.

The Units will not be "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act*, nor will they be insured under the provisions of that act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Taxation of trusts

The REIT intends to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the Canadian federal income tax consequences would be materially and adversely different in certain respects.

Application of the SIFT Rules

The SIFT Rules apply to a trust that is a "SIFT trust" as defined in the Tax Act. Provided that a trust does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the investment restrictions of the REIT, the REIT will not acquire any non-portfolio property and, therefore, will not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the REIT and Unitholders.

Loss restriction event

The Tax Act includes LRE rules that could potentially apply to the REIT. In general, the REIT will be subject to a LRE if a person (or group of persons) acquires more than 50% of the fair market value of the Units. If a LRE occurs: (i) the REIT will be deemed to have a year-end for tax purposes immediately before the LRE occurs; (ii) any net income and net realized capital gains of the REIT at such year-end will be distributed to Unitholders to the extent required for the REIT not to be liable for income taxes; and (iii) the REIT will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE. The REIT may become subject to an LRE following an exchange of the Class B LP Units for Units of the REIT.

FAPI

ECRE LP will be required to compute its income for each of its fiscal periods for purposes of Part I of the Tax Act as if it were a separate taxpayer, for purposes of allocating the resulting net income to its partners. In computing its income, ECRE LP will be required to include any amounts that are deemed to accrue to it in respect of “foreign accrual property income” within the meaning of the Tax Act of any of its “controlled foreign affiliates” (as computed for purposes of the Tax Act), which will include Holding BV and its subsidiaries. To the extent that any CFA of ECRE LP earns income that is characterized as FAPI in a particular taxation year of the CFA, the FAPI of the CFA allocable to ECRE LP must be included in computing the income of ECRE LP for Canadian federal income tax purposes for the fiscal year of ECRE LP in which the taxation year of the CFA ends, whether or not ECRE LP actually receives a distribution of any income of a CFA that is characterized as FAPI. ECRE LP’s net income is then allocated to its partners, including the REIT, at the end of ECRE LP’s fiscal year. As it is the Trustees’ intention to make distributions to Unitholders each year in sufficient amounts that the REIT will not be liable to pay tax under Part I of the Tax Act, if FAPI is attributable to ECRE LP in a fiscal year of ECRE LP in which ECRE LP has not received any actual distributions in respect of such FAPI (and a portion of the FAPI is then allocated to the REIT), the Trustees may be required to make an in-kind distribution to its Unitholders in the form of additional Units to prevent the REIT from being liable to pay tax in that fiscal year, and the amount of the in-kind distribution (represented by the value of the additional Units) will be required to be included in the computation of the Unitholders’ income.

The after-tax return from an investment in Units to a Unitholder will depend on a number of factors, including whether or not any FAPI will be allocated to the Unitholder for purposes of the Tax Act.

Foreign currency

For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results using Canadian currency, including for purposes of computing FAPI earned by CFAs of the REIT. Where an amount that is relevant in computing a taxpayer’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the daily average rate of exchange quoted by the Bank of Canada or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Currency exchange rates

Substantially all of the REIT’s investments and operations will be conducted in currencies other than Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT’s financial results and ability to pay distributions, which will be denominated and reported in Canadian dollars. The REIT does not currently intend to implement active hedging programs in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to foreign currencies. To the extent that the REIT fails to adequately manage these risks the REIT’s financial results may be negatively impacted.

Foreign subsidiaries

The REIT’s subsidiaries are organized under the laws of Germany, Luxembourg, Belgium and Hong Kong. The entities being purchased pursuant to the Acquisition Agreement are organized under the laws of the Netherlands. All of the real property assets of the REIT will be located outside of Canada (even

after Closing) and certain of the REIT's and its subsidiaries' trustees, directors and officers, as well as certain experts, are residents of countries other than Canada.

In addition, it may be difficult or impossible for investors to effect service within Canada upon certain of the REIT's subsidiaries or their respective trustees, directors, officers and experts who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Securities Laws. Enforcement in Europe by a court in original actions, or in actions to enforce judgements of Canadian courts, of, inter alia, civil liabilities predicated upon such applicable Securities Laws, may not always be possible.

Change of tax law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its Affiliates or the administrative policies and assessing practices and policies of the CRA, the Minister of Finance (Canada) and any foreign tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its Affiliates or Unitholders. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for the REIT, and amendments to applicable laws, orders and regulations can be issued or altered with retroactive effect. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may be changed at any time with adverse effects on the REIT's taxation. Furthermore, court decisions are often overruled by the tax authorities by way of issuing non-application decrees. As a result, significant uncertainties exist with regard to the taxation rules applicable to the REIT and the REIT's subsidiaries. Deviating views adopted by the tax authorities or the tax courts might lead to a higher tax burden for the REIT. Additionally, if adverse changes in the tax framework should occur, or if the REIT is subject to tax audits or reassessments that result in the imposition of taxes individually or together, this could adversely impact the REIT's investments, cash flows, operating results and/or financial condition, the REIT's ability to make distributions on the Units and the REIT's ability to implement the REIT's growth strategy.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this Circular does not describe the tax consequences under the Tax Act to Non-Residents, which may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

Taxation of the REIT and the REIT's subsidiaries

Although the REIT and the REIT subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by the REIT subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or the REIT subsidiaries. In addition, certain tax positions adopted by the REIT and the REIT subsidiaries may be challenged by the CRA or a foreign taxing authority. This could materially increase the taxable income of, and taxes payable by, the REIT and the REIT subsidiaries, and thereby increase taxable income of Unitholders and/or adversely affect the REIT's financial position and cash available for distribution to Unitholders.

The extent to which distributions will be non-taxable in the future will depend in part on the extent to

which the REIT subsidiaries are able to claim deductions on account of depreciation, interest and other financing expenses relating to the REIT's properties for Canadian and/or foreign tax purposes. No assurances can be given that the CRA and/or any foreign tax authorities will agree with capital cost allowance claims or other deductions on account of depreciation by the REIT's subsidiaries and that expenses claimed by the REIT and the REIT subsidiaries are reasonable and deductible.

It is expected that CAPREIT and ECRE Limited Partnership will make a joint election such that the indirect transfer of the Acquisition Properties from CAPREIT to ECRE Limited Partnership will occur on a fully or partially tax-deferred basis for CAPREIT's Canadian federal income tax purposes. As a result, ECRE Limited Partnership will have a cost base for Canadian federal income tax purposes in the shares of Holding BV and any other assets acquired by ECRE Limited Partnership from CAPREIT that is less than the current fair market value of such assets. This may increase the Canadian income tax which would be incurred by the REIT for Canadian federal income tax purposes in the event of an eventual sale or reorganization of its assets, which would in turn increase the amount of taxable income to capital gains which would be allocated by the REIT to Unitholders for Canadian income tax purposes.

Foreign Tax

The Acquisition Properties are located in the Netherlands. Accordingly, following Closing, the REIT will be subject to the tax laws of, and related tax treaties in, the Netherlands, as well as those it is already subject to in Germany and Belgium as a result of the REIT's existing properties. In particular, distributions made by Holding BV will be subject to Dutch withholding tax, which may increase the overall Taxes payable (directly or indirectly) by the REIT, and reduce the amount of cash available for distribution to the Unitholders of the REIT. For Canadian federal income tax purposes, any such Dutch withholding tax incurred by the REIT will generally be allocated to the Unitholders of the REIT, and such Unitholders may be entitled to claim a foreign tax credit in respect of such taxes. See "Certain Canadian Federal Income Tax Consequences".

In addition, there is a risk that the Netherlands', Germany's and Belgium's tax laws and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, the effective tax rate in the jurisdictions in which the REIT operates and the portion of distributions which would be income for Canadian income tax purposes. The REIT will proactively monitor changes to those tax laws and treaties and regularly review and assess its impact on the REIT's foreign operations and its investors.

Qualified investments

The REIT will endeavor to ensure that the Units continue to be qualified investments for Plans; however, there can be no assurance in this regard. In addition, property received on an in specie redemption of Units may not be qualified investments for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments. Subsidiary Notes received by a Unitholder on the redemption of Units will not be a qualified investment for Plans.

Availability of cash flow

Distributions made to holders of Units, holders of Class B LP Units and following Closing holders of Class B LP Units may exceed actual cash available to the REIT from time to time because of items such as principal repayments, capital expenditures, seasonal fluctuations in operating results and redemption of Units, if any. The REIT may be required to borrow funds or reduce distributions in order to accommodate such items. The REIT may temporarily fund such items, if necessary, through an operating credit facility, to the extent that it is available.

Restrictions on ownership of Units

The Declaration of Trust imposes various restrictions on Unitholders. These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including certain United States persons and other Non-Residents to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units.

Joint venture investments

The REIT may, in the future, co-invest in properties through joint ventures or other joint equity structures. In any such joint venture, the REIT would not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions.

Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or Trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

Risks Related to the Units

Volatile market price for the Units

It is not possible to predict the price at which Units will trade and there can be no assurance that an active trading market for the Units will be sustained. The market price of the Units may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the REIT's results of operations; changes in estimates of the REIT's future results of operations by management or securities analysts; introduction of new products or services by the REIT or its competitors; and general industry changes.

In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry may adversely affect the market price of the Units.

Market for the Units

One of the factors that may influence the market price of the Units is the annual yield on the Units. Accordingly, an increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the Units. Although the REIT intends to make distributions of its available cash to Unitholders, these cash distributions are not

assured. The actual amount distributed will depend on numerous factors including, but not limited to, the REIT's financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the Units may deteriorate if the REIT is unable to meet its cash distribution targets in the future.

In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of the REIT. Securities markets have a high level of price and volume volatility, and the market price of securities of many issuers have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the REIT include macroeconomic developments in Europe and globally, and market perceptions of the attractiveness of particular industries. As a result of any of these factors, the market price of the securities of the REIT at any given point in time may not accurately reflect the long-term value of the REIT.

Return on investment not guaranteed

There is no guarantee that an investment in the Units will earn any positive return in the short or long term. Moreover, the interest rates being charged for debt financing and other similar financing transactions in which the REIT will be engaged reflect the general level of interest rates, and as interest rates fluctuate, the REIT's aggregate yield on investments will also be expected to change.

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The issuance of any additional Units, including Units issued in consideration for properties acquired by the REIT or, pursuant to the exercise of Unit Options, pursuant to the Top-Up Right or in payment of Management Fees under the New Management Agreement, may have a dilutive effect on the interests of holders of Units.

Additional Risks Related to the REIT and its Business

Assumption of liabilities

The REIT will indirectly assume liabilities arising out of or related to the REIT's business, operations or assets, and may from time to time indemnify those persons who sell properties to the REIT for, among other matters, such liabilities. In fact, the REIT did indemnify the vendors of certain properties. Further, the REIT may assume unknown liabilities that could be significant.

CONSOLIDATED CAPITALIZATION OF THE REIT

The following table sets forth the consolidated capitalization of the REIT as at September 30, 2018 and the pro forma consolidated capitalization of the REIT as at September 30, 2018 after giving effect to the Acquisition, including the issuance of 81,641,210 Class B LP Units, at a deemed issue price of \$4.00 per Class B LP Unit, as partial consideration for the acquisition of Acquisition Properties. The table should be read in conjunction with the REIT's and the Acquisition Properties' financial statements and notes thereto included as Appendix "J" to this Circular or incorporated by reference in this Circular.

(000's)	As at September 30, 2018	As at September 30, 2018
	(unaudited)	(unaudited - <i>pro forma</i> after giving effect to the Acquisition, including the issuance of Class B LP Units as partial consideration for the indirect acquisition of the Acquisition Properties)
Indebtedness		
Mortgages (net of mortgage premium and unamortized financing costs).....	\$73,255	\$391,262
Revolving Credit Facility.....	-	-
Class B LP Units.....	\$2,894	\$326,565
Unitholders' Equity		
Units.....	\$64,767	\$67,486
(Authorized - unlimited)		
Special Voting Units.....	-	-
(Authorized - unlimited)		
Total Capitalization.....	\$140,916	\$785,313

Note:

- (1) The Class B LP Units are exchangeable, on a one for one basis, for Units, and have economic and voting rights equivalent, in all material respects, to Units, and should be included when considering the total number of Units outstanding.

The following table sets forth the consolidated capitalization of the REIT on a Unit and Class B LP Unit basis before and after giving effect to the Acquisition (including the issuance of Class B LP Units to pay a portion of the aggregate purchase price):

Securities	As at February 22, 2019, prior to the Acquisition	Amount outstanding after giving effect to the Acquisition
Units	16,277,179	16,969,764 ¹
Special Voting Units	692,585	81,641,210 ²
Class B LP Units	692,585	81,641,210 ²
Total Units and Class B LP Units	16,969,764	98,610,974

Notes:

- (1) Assumes the Class B LP Units outstanding prior to Closing have been exchanged for Units.
- (2) Following Closing, CAPREIT will be the only holder of Class B LP Units and Special Voting Units.

As of the date of this Circular there are 1,143,014 Unit Options outstanding under the REITs Unit Option Plan and immediately following the Closing, there will be 1,143,014 Unit Options outstanding. See Appendix "F" – "Executive Compensation".

Funds Available

As at December 31, 2018, the REIT had working capital and available funds of approximately \$4.9 million and Holding BV had a working capital deficiency of approximately \$2.5 million. The REIT estimates cost associated with the Acquisition to be approximately \$4.9 million. After the completion of the Acquisition, and taking into account the transaction costs and pro forma adjustments, the REIT will not have a working capital deficiency. The REIT expects to manage any working capital requirements through (i) the available liquidity under the REIT's current Revolving Credit Facility of \$3 million, of which none has been drawn down as of the date hereof, and (ii) expected positive net cash flow after debt service and capital expenditures.

FINANCIAL STATEMENTS

Financial Statements in respect of the Acquisition

The following financial statements are attached as Appendix “J” to this Circular:

- (a) the audited special purpose consolidated financial statements of Holding BV (being the subsidiary entity of CAPREIT that indirectly owns the portfolio comprised of the Acquisition Properties) for the years ended December 31, 2018 and 2017;
- (b) the audited special purpose combined financial statements of The Ring Portfolio for the years ended December 31, 2018 and 2017;
- (c) the unaudited *pro forma* financial statements of the REIT (income statements) for the year ended December 31, 2017, giving effect to the REIT’s acquisition of the Acquisition Properties as if it has taken place as of January 1, 2017 and (i) the unaudited *pro forma* financial statement of financial position (balance sheet) of the REIT as at September 30, 2018 (being the most recent balance sheet of the REIT that has been filed), giving effect to the REIT’s acquisition of the Acquisition Properties as if it has taken place as of September 30, 2018 and (ii) the audited *pro forma* income statement based on a rolling 12-month period ended September 30, 2018 for the REIT and the 12-month period ended December 31, 2018 for the Holding BV, giving effect to the REIT’s acquisition of the Acquisition Properties as if it has taken place as of January 1, 2017; and
- (d) the MD&A of financial condition and results of operations of Holding BV for the year ended December 31, 2018.

Financial Statements of the REIT

The following financial statements of the REIT are attached to this Circular as Appendix “K”: (i) audited consolidated financial statements of the REIT for the period ended December 31, 2017, together with the notes thereto and the independent auditors’ report thereon; and (ii) the unaudited condensed consolidated interim financial statements of the REIT for the three and nine month periods ended September 30, 2018, together with the notes thereto.

PRIOR SALES

Since February 1, 2018, the REIT has issued an aggregate of 193,696 Units at a weighted average price of \$3.89 per Unit pursuant to its dividend reinvestment plan, which was adopted on September 14, 2017. Since February 1, 2018, the REIT has issued 93,420 Units pursuant to the conversion of Class B LP Units.

MARKET FOR SECURITIES

The outstanding Units are listed on the TSXV and trade under the symbol “ERE.UN”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Units on the TSXV:

Period	Price (\$)		Trading Volume
	High	Low	
2018			
February	3.83	3.55	1,148,375
March	4.00	3.66	340,511
April	3.83	3.55	309,707
May	4.12	3.70	331,536
June	4.09	3.84	425,631
July	4.10	3.72	297,728
August	4.09	3.75	226,125
September	4.13	3.97	252,507
October	4.07	3.71	248,441
November	3.90	3.33	274,001
December	4.25	3.40	465,300
2019			
January	4.34	3.71	198,738
February ⁽¹⁾	4.35	4.09	194,059

Note:

(1) For February 1, 2019 to February 21, 2019.

Source: TMX Datalinx.

The closing price of the Units on the TSXV on February 21, 2019, being the last trading day prior to the date of this Circular, was \$4.20 per Unit.

TRUSTEES’ AND OFFICERS’ LIABILITY INSURANCE AND INDEMNIFICATION

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

GENERAL MATTERS

Material Contracts

Other than as set out in the REIT disclosure record, the REIT has not entered into any contracts material to investors in the Units.

The following are the material contracts relating to the REIT and its subsidiaries, on a post-Acquisition basis:

1. the Declaration of Trust;
2. the Acquisition Agreement;
3. the Pipeline Agreement;
4. the New Management Agreement;
5. the Investor Rights Agreement; and
6. the Amended Maple Knoll Management Agreement.

Copies of these agreements are, or will be (once executed by the applicable parties), available for review at www.sedar.com. In the case of the Pipeline Agreement, the New Management Agreement and the Investor Rights Agreement, unsigned but settled forms of these agreements are currently available for review at www.sedar.com as appendices to the Acquisition Agreement.

Interests of Experts

PricewaterhouseCoopers LLP are the auditors of the REIT and have confirmed that they are independent with respect to the REIT within the meaning of the Rules of Professional Conduct of The Institute of Chartered Professional Accountants of Ontario.

Other Material Facts

There are no other material facts relating to the REIT, which have not been disclosed in, or incorporated by reference into, this Circular.

NON-ARM'S LENGTH TRANSACTIONS

The REIT has not completed any non-arm's length party transactions in the past 24 months. The Acquisition is an arm's length transaction.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the REIT and its properties may, from time to time, be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted or regulatory actions in which the REIT may become liable for fines or other regulatory sanctions. The REIT is not aware of any material existing or contemplated legal proceedings or regulatory actions to which it is or was a party to, or to which any of its properties is or was the subject of, during the year ended December 31, 2018.

AUDITORS, TRANSFER AGENT AND REGISTRAR

PricewaterhouseCoopers LLP, Chartered Professional Accountants, located in Toronto, Ontario are and have been the external auditors of the REIT since its inception as European Commercial Real Estate Limited, a capital pool company under Policy 2.4 of the TSXV Corporate Finance Policies, in July 2016. PricewaterhouseCoopers Accountants N.V., an independent audit firm located at Thomas R. Malthusstraat 5, 1066 JR Amsterdam, The Netherlands, has audited the special purpose consolidated financial statements of Holding BV as at January 1, 2017, December 31, 2017 and December 31, 2018 and for the years ended December 31, 2017 and December 31, 2018 and the special purpose combined financial statements of The Ring Portfolio as at January 1, 2017, December 31, 2017, December 31, 2018 and for the years ended December 31, 2017 and December 31, 2018 as stated in their respective auditor's reports included in Appendix "J". The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

No Trustees or executive officers (or any associates thereof) are indebted to the REIT and the REIT has not guaranteed any indebtedness of any Trustee or executive office (or any associates thereof).

OTHER COMPENSATION

Other than as set forth herein, the REIT did not pay any other compensation to any Trustees or any senior officers of the REIT (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed fiscal year other than benefits and perquisites which did not amount to \$10,000 or greater per individual. The REIT has not established a defined benefit plan or a defined contribution plan.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar authority in each of the provinces and territories of Canada are specifically incorporated by reference into, and forms an integral part of, this Circular:

- (a) the MD&A of the REIT for the period ended December 31, 2017;
- (b) the MD&A of the REIT for the three and nine months ended September 30, 2018; and
- (c) disclosure from the REIT's annual information form dated December 18, 2018 in respect of the year ended December 31, 2017 under the headings (i) Overview and (ii) General Developments of the Business.

Copies of the foregoing documents incorporated by reference herein may be obtained without charge by writing to the Chief Financial Officer of the REIT at 11 Church Street, Suite 401, Toronto, Ontario, M5E 1W1. These documents are also available through SEDAR, which can be accessed online at www.sedar.com under the REIT's profile.

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

ADDITIONAL INFORMATION

Additional information relating to the REIT can be found on SEDAR at www.sedar.com. Copies of this Circular and the unaudited condensed consolidated interim financial statements of the REIT for the three and nine months ended September 30, 2018 and related MD&A, may be obtained without charge by writing to the Chief Financial Officer of the REIT at 11 Church Street, Suite 401, Toronto, Ontario, M5E 1W1.

APPROVAL

February 22, 2019

APPROVAL OF THIS INFORMATION CIRCULAR

The Board of Trustees has approved the contents of this Circular and authorized it to be sent to each Unitholder who is eligible to receive notice of and vote his or her Voting Units at the Meeting, as well as to each Trustee and to the auditors of the REIT.

By Order of the Board

Per:

(Signed) Phillip Burns

Phillip Burns

Chief Executive Officer and Trustee

CERTIFICATE OF EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

February 22, 2019

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of European Commercial Real Estate Investment Trust assuming completion of the Acquisition, as that term is defined in the foregoing document.

Phillip Burns (signed)

President and Chief Executive Officer

Ian Dyke (signed)

Chief Financial Officer

On behalf of the Board of Trustees

Ira Gluskin (signed)

Trustee

Frederic Waks (signed)

Trustee

APPENDIX "A" - FAIRNESS OPINION

(attached.)



December 10, 2018

The Special Committee of the Board of Trustees
European Commercial Real Estate Investment Trust
11 Church Street, Suite 401
Toronto, ON M5E 1W1

To the Special Committee:

Scotia Capital Inc. ("Scotia Capital", "we", "us" or "our") understands that European Commercial Real Estate Investment Trust ("ECREIT" or the "REIT") and Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT") and CAPREIT Limited Partnership ("CAPREIT LP", and together with CAPREIT, the "Acquirer") propose to enter into an agreement to be dated December 10, 2018 (the "Securities Purchase Agreement"), pursuant to which, among other things, ECREIT will acquire a portfolio of multi-residential properties located in the Netherlands (the "Properties") from CAPREIT LP, comprising 2,091 suites in 41 properties (the "Properties Acquisition"). We further understand the Properties Acquisition will be effected through the purchase by ECREIT from CAPREIT LP of all of the issued and outstanding securities (the "Purchased Securities") in the capital of CAPREIT NL Holding BV for a purchase price of C\$634 million (the "Purchase Price") and will be satisfied as follows: (i) C\$239 million through the issuance of 59.6 million units of ECREIT (the "Units") to CAPREIT at a price of C\$4.00 per Unit; (ii) C\$88 million through a cash payment, or to the extent ECREIT is unable to satisfy the portion of the Purchase Price in cash, through the issuance of additional Units at a price of C\$4.00 per Unit to CAPREIT; and (iii) C\$307 million through the assumption by ECREIT of CAPREIT's mortgages on the Properties, subject to certain Purchase Price adjustments. Additionally, we understand in connection with the closing of the Properties Acquisition, ECREIT's unitholders (each, a "Unitholder") of record at a date to be determined prior to closing will receive a one-time special distribution of C\$0.50 per Unit at closing (the "Special Distribution Payment"), which will be funded by an approximately C\$8 million cash payment by CAPREIT to ECREIT (the Special Distribution Payment together with the Properties Acquisition, the "Transaction"). Upon closing of the Transaction, CAPREIT will hold approximately 58% of Units in the event the \$88 million portion of the Purchase Price is satisfied through a cash payment (to be funded through a potential public equity offering) or approximately 83% of Units in the event the \$88 million portion of the Purchase Price is satisfied through the issuance of additional Units to CAPREIT. The terms and conditions of the Securities Purchase Agreement will be more fully described in a management information circular (the "Circular") which will be mailed to the Unitholders in connection with the Transaction.

Scotia Capital also understands that certain trustees and officers of ECREIT, who collectively hold approximately 12.8% of the outstanding Units, are expected to enter into voting and support agreements (each a "Voting and Support Agreement") with CAPREIT pursuant to which they will agree to vote their Units in favour of the Transaction, subject to the right to terminate such Voting and Support Agreements in certain circumstances, including the termination of the Transaction. Scotia Capital further understands that certain trustees and officers of CAPREIT collectively own an aggregate of approximately 1.5% of the outstanding Units.

Scotia Capital understands that the board of trustees of ECREIT (the "Board of Trustees") has established a committee of independent directors (the "Special Committee") to consider the Transaction and to make a recommendation to the Board of Trustees.

We have been retained to provide financial advice and assistance to the Special Committee in evaluating the Transaction, including providing our opinion (the "Opinion") to the Special Committee as to the fairness, from a financial point of view, of the Transaction to the Unitholders.

Engagement of Scotia Capital

ECREIT contacted Scotia Capital regarding a potential advisory assignment on September 19, 2018. Scotia Capital was formally engaged by the Special Committee pursuant to an engagement letter dated October 10, 2018 (the "Engagement Letter"). Under the terms of the Engagement Letter, ECREIT has agreed to pay Scotia Capital a fee for its services as financial advisor. The fees that Scotia Capital will receive for its advisory services are contingent upon the completion of the Transaction. In addition, Scotia Capital is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by ECREIT in certain circumstances.

Subject to the terms of the Engagement Letter, Scotia Capital consents to the inclusion of the Opinion in its entirety and a summary thereof in the Circular and to the filing of the Opinion by ECREIT, as necessary, with the applicable securities commissions, stock exchanges and other similar regulatory authorities in Canada.

Credentials of Scotia Capital

Scotia Capital represents the global corporate and investment banking and capital markets business of Scotiabank Group ("Scotiabank"), one of North America's premier financial institutions. In Canada, Scotia Capital is one of the country's largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. Scotia Capital has participated in a significant number of transactions involving private and public companies and has extensive experience in preparing fairness opinions.

The Opinion expressed herein represents the opinion of Scotia Capital. The form and content of the Opinion have been approved for release by a committee of senior investment banking professionals of Scotia Capital, each of whom is experienced in merger, acquisition, divestiture, fairness opinion and valuation matters.

Relationship with Interested Parties

Neither Scotia Capital nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of ECREIT, the Acquirer or any of their respective associates or affiliates (collectively, the "Interested Parties"). Neither Scotia Capital nor any of its affiliates has been engaged to provide any financial advisory services, nor has Scotia Capital or any of its affiliates participated in any financing, involving the Interested Parties within the past two years, other than pursuant to the Engagement Letter and as described herein. In the past two years, Scotia Capital and affiliates of Scotia Capital have been engaged in the following capacities for the Interested Parties: (i) participated in public equity offerings of ECREIT, (ii) lender to CAPREIT, and (iii) participated in public equity offerings of CAPREIT. There are no material understandings, agreements or commitments between Scotia Capital and the Interested Parties with respect to any future business dealings. Scotia Capital may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties. In addition, the Bank of Nova Scotia ("BNS"), of which Scotia Capital is a wholly-owned subsidiary, or one or more affiliates of BNS, may provide banking or other financial services to one or more of the Interested Parties in the ordinary course of business.

Scotia Capital acts as a trader and dealer, both as principal and agent, in the financial markets in Canada, the United States and elsewhere and, as such, it and Scotiabank may have had and may have positions in the securities of the Interested Parties from time to time and may have executed or may execute transactions on behalf of such companies or clients for which it receives compensation. As an investment dealer, Scotia Capital conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties, or with respect to the Transaction.

Scope of Review

In preparing the Opinion, we have reviewed, considered and relied upon, among other things, the following:

1. a draft of the Securities Purchase Agreement between CAPREIT, CAPREIT LP and ECREIT dated December 10, 2019 including the forms of the Investor Rights Agreement, Pipeline Agreement, Management Agreement and Voting and Support Agreement attached thereto;
2. audited annual financial statements and management's discussion and analysis related thereto for the years ended December 31, 2016 and 2017 of ECREIT and CAPREIT;
3. draft unaudited financial statements of the Properties for the twelve month period ended September 30, 2018;
4. unaudited interim financial statements and management's discussion and analysis related thereto of ECREIT and CAPREIT for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018;
5. the notice of annual and special meeting of Unitholders and the management information circular for the year ended December 31, 2017 of ECREIT and the notice of special meeting of shareholders and the management information circular dated March 30, 2017 of European Commercial Real Estate Limited regarding its reorganization into a real estate investment trust;
6. the notice of annual and special meeting of Unitholders and the management information circular for the year ended December 31, 2016 and the notice of annual meeting of Unitholders and management information circular for the year ended December 31, 2017 for CAPREIT;
7. annual information forms of CAPREIT for each of the two years ended December 31, 2016 and 2017;
8. internal management forecasts, projections, estimates and budgets prepared or provided by or on behalf of management of ECREIT and management of CAPREIT;
9. various internal financial, operating and corporate information or reports prepared by management of ECREIT and management of CAPREIT;
10. unaudited projected financial and operational information for ECREIT for the years ending December 31, 2019 through December 31, 2028 prepared by management of ECREIT;
11. unaudited projected financial and operational information for the Properties for the years ending December 31, 2019 through December 31, 2028 prepared by management of ECREIT;
12. discussions with senior management of ECREIT and CAPREIT;
13. discussions with legal counsel to the Special Committee;
14. public information relating to the business, operations, financial performance and stock trading history of ECREIT and other selected public companies considered by us to be relevant;
15. public information with respect to other transactions of a comparable nature considered by us to be relevant;
16. independent appraisals for ECREIT's properties;

17. independent appraisals for the Properties;
18. reports published by equity research analysts and industry sources we considered relevant;
19. representations contained in a certificate addressed to Scotia Capital, dated December 4, 2018, from senior officers of ECREIT as to the completeness, accuracy and fair presentation of the information upon which the Opinion is based; and
20. such other corporate, industry and financial market information, investigations and analyses as Scotia Capital considered necessary or appropriate in the circumstances.

Scotia Capital has not, to the best of its knowledge, been denied access by ECREIT to any information requested by Scotia Capital.

Assumptions and Limitations

The Opinion is subject to the assumptions, qualifications and limitations set forth below.

With the Special Committee's approval and as provided in the Engagement Letter, we have relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, agreements, opinions and representations obtained by us from public sources, or that was provided to us, by ECREIT, and its associates and affiliates and advisors (collectively, the "Information"). The Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. Subject to the exercise of our professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

We are not legal, regulatory, accounting or tax experts and have relied on the assessments made by ECREIT and its advisors with respect to such matters. We have assumed the accuracy and fair presentation of, and relied upon ECREIT's audited financial statements and the reports of the auditors thereon and ECREIT's interim unaudited financial statements. We have assumed that forecasts, projections, estimates and budgets provided to us and used in the analysis supporting the Opinion, were reasonably prepared on bases reflecting the best currently available estimates and judgments of management of ECREIT as to the matters covered thereby.

Senior officers of ECREIT have represented to Scotia Capital in a certificate delivered as at the date hereof, among other things, that to the best of their knowledge (a) ECREIT has no information or knowledge of any facts public or otherwise not specifically provided to Scotia Capital relating to ECREIT or any of its subsidiaries or affiliates which would reasonably be expected to affect materially the Opinion; (b) with the exception of forecasts, projections or estimates referred to in (d), below, the written Information provided to Scotia Capital by or on behalf of ECREIT in respect of ECREIT and its subsidiaries or affiliates, in connection with the Transaction is or, in the case of historical Information, was, at the date of preparation, true and accurate in all material respects, and no additional material, data or information would be required to make the Information provided to Scotia Capital by ECREIT not misleading in light of circumstances in which it was prepared; (c) to the extent that any of the Information identified in (b), above, is historical, there have been no changes in material facts or new material facts since the respective dates thereof which have not been disclosed to Scotia Capital or updated by more current Information that has been disclosed; and (d) any portions of the Information provided to Scotia Capital which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of management of ECREIT, are (or were at the time of preparation) reasonable in the circumstances.

In preparing the Opinion, Scotia Capital made several assumptions, including that the final executed version of the Securities Purchase Agreement will be identical to the most recent draft thereof reviewed by us, and that the Transaction will be consummated in accordance with the terms set forth in the Securities

Purchase Agreement without any waiver or amendment of any terms or conditions. In addition, we have assumed that the conditions precedent to the completion of the Transaction can be satisfied in due course, all consents, permissions, exemptions or orders of relevant third parties or regulatory authorities will be obtained without adverse condition or qualification, and the procedures being followed to implement the Transaction are valid and effective.

The Opinion is rendered on the basis of the securities markets and economic, financial and general business conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of ECREIT and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to Scotia Capital in discussions with management of ECREIT and its representatives. In its analyses and in preparing the Opinion, Scotia Capital made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Scotia Capital or any party involved in the Transaction.

The Opinion has been provided for the sole use and benefit of the Special Committee in connection with, and for the purpose of, its consideration of the Transaction and may not be used or relied upon by any other person. Our opinion was not intended to be, and does not constitute, a recommendation to the Special Committee as to whether they should approve the Transaction or to any Unitholder as to how such Unitholder should vote or act with respect to the Transaction or its Units. The Opinion does not address in any manner the prices at which ECREIT's securities will trade at any time. The Opinion does not address the relative merits of the Transaction as compared to other transactions or business strategies that might be available to ECREIT or ECREIT's underlying business decision to effect the Transaction. Scotia Capital was not authorized to solicit, and did not solicit, interest from any other party with respect to the acquisition of Units or any business combination or other extraordinary transaction involving ECREIT, nor did Scotia Capital negotiate with any party in connection with any such transaction involving ECREIT.

Except for the inclusion of the Opinion in its entirety and a summary thereof in a form acceptable to us in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent. We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of ECREIT or any of its affiliates, and the Opinion should not be construed as such. The Opinion is given as of the date hereof, and Scotia Capital disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Scotia Capital after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Scotia Capital reserves the right to change, modify or withdraw the Opinion.

The preparation of a fairness opinion is a complex process and it is not amenable to partial analysis or summary description. Scotia Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses or the factors considered by it, without considering all facts and analyses together, could create an incomplete view of the process and analyses underlying the Opinion.

Approach to Fairness

In considering the fairness of the Transaction from a financial point of view to the Unitholders, Scotia Capital considered and relied upon the following: (i) a comparison of the results of a net asset value analysis of ECREIT with the pro forma REIT after giving effect to the Transaction; (ii) a comparison of the multiples implied by the Transaction to multiples paid in selected precedent transactions; and (iii) a comparison of the Transaction to the recent market trading prices of the Units. Scotia Capital also reviewed and compared selected multiples for Canadian real estate entities whose securities are publicly traded to the multiples implied by the Transaction.

Conclusion

Based upon and subject to the foregoing, Scotia Capital is of the opinion that, as of the date hereof, the Transaction is fair from a financial point of view to the Unitholders.

Yours very truly,

A handwritten signature in cursive script that reads "Scotia Capital Inc." with a small mark at the end.

SCOTIA CAPITAL INC.

APPENDIX "B" - ACQUISITION RESOLUTION

BE IT RESOLVED THAT:

1. the indirect acquisition (the "**Acquisition**") by European Commercial Real Estate Investment Trust (the "**REIT**") of a portfolio of 41 multi-residential properties representing an aggregate of 2,091 residential suites located in the Netherlands (the "**Acquisition Properties**") from Canadian Apartment Properties Real Estate Investment Trust and its applicable subsidiaries ("**CAPREIT**") pursuant to a share purchase agreement dated December 10, 2018, as it may be modified, supplemented or amended from time to time in accordance with its terms (the "**Acquisition Agreement**"), all as described in the REIT's management information circular dated February 22, 2019, for an aggregate purchase price of \$633,588,660, subject to certain purchase price adjustments, to be satisfied by a combination of:
 - (a) the assumption of \$307,023,820 (based on the Euro / Canadian dollar exchange rate of 1.502) aggregate principal amount of existing mortgage debt relating to the Acquisition Properties and all other liabilities associated with the entities (including subsidiaries) that hold the Acquisition Properties; and
 - (b) \$326,564,840, by the issuance of 81,641,210 class B limited partnership units of ECRE Limited Partnership (the "**Class B LP Units**") to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit;
2. the Acquisition Agreement and related transactions and ancillary agreements, the actions of the trustees of the REIT in approving the Acquisition Agreement, and the actions of the trustees and officers of the REIT in executing and delivering the Acquisition Agreement, and any amendments, modifications or supplements thereto, are hereby ratified, approved and confirmed;
3. all other matters related to the Acquisition (all as described in the REIT's management information circular dated February 22, 2019), are hereby approved;
4. notwithstanding that this resolution has been duly passed by the unitholders of the REIT, the trustees of the REIT are hereby authorized and empowered, without further notice to, or approval of, the unitholders of the REIT, to elect not to proceed with the aforementioned Acquisition; and
5. any trustee or officer of the REIT is authorized to execute or cause to be executed on behalf of the REIT or to prepare and deliver or cause to be prepared and delivered all such documents, agreements and instruments, or cause to be done all such other acts and things as such trustee or officer of the REIT shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolution and the matter authorized thereby, such determination to be conclusively evidenced by the execution or preparation and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX "C" - DECLARATION OF TRUST AMENDMENTS RESOLUTION

BE IT RESOLVED THAT:

1. the amended and restated declaration of trust (the "**Declaration of Trust**") of European Commercial Real Estate Investment Trust (the "**Trust**") is hereby amended by inserting the following definition of "Asset Manager" immediately after the definition of "Business Day" in Section 1.1:

""**Asset Manager**" means Canadian Apartment Properties Real Estate Investment Trust, a trust formed under the laws of the Province of Ontario;"

2. the Declaration of Trust of the Trust is hereby amended by inserting the following definition of "CAPREIT Member" immediately after the definition of "Asset Manager" in Section 1.1:

""**CAPREIT Member**" means any trustee or officer of Asset Manager;"

3. the Declaration of Trust of the Trust is hereby amended by inserting the following definition of "Non-Restricted Trustee" immediately after the definition of "Non-Resident" in Section 1.1:

""**Non-Restricted Trustee**" means a Trustee who is (i) an Independent Trustee and (ii) not a CAPREIT Member;"

4. the Declaration of Trust of the Trust is hereby amended by deleting Section 4.11 in its entirety and replacing it with the following:

"Section 4.11 Non-Restricted Trustee Matters

In addition to requiring the approval of a majority of the Trustees, the following matters will require the approval of at least a majority of the Non-Restricted Trustees (who have no interest in the matter) to become effective:

- (a) making any material change to the Asset Management Agreement, the Property Management Agreement, the Services Agreement, the Pipeline Agreement or the Investor Rights Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder);
- (b) any proposed material agreement with the Asset Manager;
- (c) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, development or leasing services in respect of a property in which the Asset Manager or an affiliate of the Asset Manager has any direct or indirect interest, whether as owner, operator, tenant or manager, in each case other than where such transaction is required to be entered into by the Trust in accordance with its obligations under the Pipeline Agreement;
- (d) a material change to any agreement with the Asset Manager or an affiliate of the Asset Manager or any approval, consent, waiver or other decision of the Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;

- (e) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the Trust or any of its subsidiaries, or the making, directly or indirectly, of any co-investment, in each case, with the Asset Manager;
- (f) the refinancing, increase or renewal of any Indebtedness owed by or to the Asset Manager; and
- (g) decisions relating to any claims by or against one or more parties to any agreement with the Asset Manager or affiliate of the Asset Manager,

provided, however, that the foregoing shall not apply with respect to any circumstances in respect of which the only parties to the relevant transaction or agreement are (i) the Trust and a wholly-owned subsidiary or (ii) wholly-owned subsidiaries of the Trust.”

Special Distributions

1. the Declaration of Trust of the Trust is hereby amended by inserting a new Section 10.2 as follows:

“Section 10.2 Special Distributions

In addition to the distributions that are declared payable to Trust Unitholders pursuant to Section 10.1, the Trustees may declare to be payable and/or make distributions, from time to time, out of income of the Trust (including dividends), net realized taxable capital gains of the Trust, Trust Capital or other items, in any year, in such amount or amounts, and on such dates as the Trustees may determine, to Trust Unitholders of record on such date as is fixed by the Trustees in accordance with Section 7.9.”

Monthly Distributions

1. the Declaration of Trust is hereby amended by inserting a new Section 12.1(j) as follows:

“amendments to the frequency of a distribution made by the Trust or any of its subsidiaries so long as the frequency of such distribution is either monthly or quarterly;”

2. the Declaration of Trust is hereby amended by changing the former Section 12.1(j) to a new Section 12.1(k);
3. the Declaration of Trust is hereby amended by inserting the following words at the beginning of Section 12.3(e):

“other than in connection with an amendment made pursuant to Section 12.1(j),”.

Operating Policies

1. the Declaration of Trust of the Trust is hereby amended by inserting the following definition of “Transaction” immediately after the definition of “Taxation Year” in Section 1.1:

““**Transaction**” means the acquisition by the Trust of certain properties owned by Canadian Apartment Properties Real Estate Investment Trust and its applicable subsidiaries located in the Netherlands;”

2. the Declaration of Trust is hereby amended by inserting the following words at the beginning of each of Sections 5.2(1)(h) and 5.2(1)(i):

“other than in connection with the Transaction and other than with respect to the acquisition of any properties that were owned by the Asset Manager at the time of the closing of the Transaction,”

Gross Book Value

1. the definition of “Gross Book Value” set forth in Section 1.1 of the Declaration of Trust of the Trust is hereby deleted in its entirety and replaced with the following:

“**Gross Book Value**” means, at any time, the total assets of the Trust as shown in its then most recent consolidated balance sheet;”

Other

1. Section 3.1 of the Declaration of Trust is deleted in its entirety and replaced with the following:

“Section 3.1 Number

There shall be a minimum of three (3) and a maximum of nine (9) Trustees. Subject to the terms of the Investor Rights Agreement, the number of Trustees within such minimum and maximum numbers may be changed by Unitholders or by the Trustees, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders.”

General

1. all other amendments to the Declaration of Trust of the Trust that are ancillary to the foregoing, including the amendments reflected in the blacklined copy of the Declaration of Trust attached as Appendix “D” to the management information circular of the Trust dated as of February 22, 2019, are hereby approved;
2. the trustees of the Trust (the “**Trustees**”) are hereby authorized and directed to execute the Declaration of Trust reflecting the foregoing changes and amendments;
3. notwithstanding that the present resolution has been adopted by unitholders and holders of special voting units of the Trust, the Trust and the Trustees shall not be obligated to proceed with the amendments to the Declaration of Trust set forth in paragraphs 1 to 7 of this resolution and are hereby authorized and empowered, without further notice to or approval of the unitholders or holders of special voting units of the Trust, to abandon, at any time and in the sole discretion of the Trustees, any of the amendments to the Declaration of Trust contemplated therein; and
4. any Trustee or officer of the Trust is hereby authorized and empowered on behalf of the Trust to do and perform all acts and things, including the execution of documents, necessary or desirable to give effect to the foregoing resolution.

APPENDIX "D" - BLACKLINED COPY OF THE DECLARATION OF TRUST

(attached.)

EUROPEAN ~~COMMERCIAL~~RESIDENTIAL REAL ESTATE INVESTMENT TRUST

SECOND AMENDED AND RESTATED DECLARATION OF TRUST

~~May 3, 2017~~

● 2019

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EUROPEAN ~~COMMERCIAL~~RESIDENTIAL REAL ESTATE INVESTMENT TRUST

SECOND AMENDED AND RESTATED DECLARATION OF TRUST

THIS SECOND AMENDED AND RESTATED DECLARATION OF TRUST made in Toronto, Ontario as of the 3rd day of May, 2017-2019.

RECITALS

WHEREAS the Trust executed a declaration of trust (the "**Original Declaration of Trust**") dated February 15, 2017 for the purpose of creating a trust to be called "European Commercial Real Estate Investment Trust" ~~(the "~~

AND WHEREAS the Original Declaration of Trust was amended on May 3, 2017 (the "**First Declaration of Trust**")

AND WHEREAS it is desired that certain amendments, including, but not limited to, changing the name of the Trust to "European Residential Real Estate Investment Trust", be made to the Original First Declaration of Trust, and that the same be amended and restated as set forth herein;

AND WHEREAS this second amended and restated Declaration of Trust has been approved by the initial unitholder, Unitholders of European Commercial Real Estate Limited ~~(the "**Initial Unitholder**")~~ Investment Trust, and is being executed by the authorized Trustees;

NOW THEREFORE, the undersigned being all of the Trustees hereby confirm and declare that the Trustees hold in trust as trustees the sum of \$10.00 and any and all other property, real, personal or otherwise, tangible or intangible, which has been at the date hereof or is hereafter transferred, conveyed or paid to or otherwise received by them as such Trustees or to which the Trust is otherwise entitled and all rents, income, profits and gains therefrom for the benefit of the Unitholders hereunder in accordance with and subject to the express provisions of this Declaration of Trust, as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

Section 1.1 Definitions and Interpretation

In this Declaration of Trust, words in the singular number include the plural and words in the plural number include the singular, and the masculine includes the feminine and neuter. In this Declaration of Trust, except where the context otherwise requires:

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 - *Prospectus Requirements*;

"**annuitant**" means the annuitant of a registered retirement savings plan or a registered retirement income fund, all as defined in the Tax Act;

“Asset Management Agreement” means the ~~amended and restated~~ asset management agreement dated ~~May 3, 2017,~~ ●, 2019, between the Asset Manager and the ~~REIT Trust~~, as the same may be amended, renewed, extended, supplemented or restated from time to time;

“Asset Manager” means ~~Maple Knoll Capital Ltd.~~ Canadian Apartment Properties Real Estate Investment Trust and its successors as the Trust’s asset manager under the Asset Management Agreement;

“associate” has the meaning ascribed thereto in the *Canada Business Corporations Act*, as amended from time to time;

“Audit Committee” means the committee established pursuant to Section 9.3;

“Auditors” means the firm of chartered accountants appointed as auditors of the Trust from time to time in accordance with the provisions hereof and, initially means PricewaterhouseCoopers LLP;

“Business Day” means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;

“CAPREIT Member” means any trustee or officer of the Asset Manager;

“CDS” means CDS Clearing and Depository Services Inc. and its successors;

“CDS Participant” means a participant in CDS;

“Chair”, “President”, “Vice-President”, “Chief Executive Officer”, “Chief Financial Officer”, “Chief Operating Officer”, and “Secretary” mean the person(s) holding the respective office, or acting in the respective capacity, from time to time if so elected, appointed, employed or engaged, directly or indirectly, by the Trustees;

“Circular” means the management information circular (including the documents incorporated by reference therein) of ~~European Commercial Real Estate Limited~~ dated ~~March 30, 2017~~, and filed in connection ~~an arrangement involving, inter alia, the Trust and European Commercial Real Estate Limited~~ the Trust dated February 22, 2019;

“Class B Shares” means ~~class B common share of European Commercial Real Estate Limited;~~

“Closing” means the closing of the ~~transactions contemplated in the arrangement agreement dated March 24, 2017 among, inter alia, the Trust and the Initial Unitholder~~ Transaction on ●, 2019;

“Declaration of Trust” means this second amended and restated declaration of trust as further amended, supplemented or amended and restated from time to time;

“Dissenting Offeree” means, where a Take-Over Bid is made for all of the Trust Units other than those held by the ~~offeror~~Offeror, a holder of Trust Units who does not accept the Take-Over Bid and includes a subsequent holder of those Trust Units who acquires them from the first mentioned holder;

“Distribution Date” means, in respect of a calendar quarter, on or about the 15th day of the calendar month immediately following the end of such calendar quarter, or such other date determined by the Trustees from time to time;

“Exchangeable Units” means the class B limited partnership units of any of the Partnerships;

“First Declaration of Trust” has the meaning associated thereto in the recitals;

“Gross Book Value” means, at any time, ~~means the acquisition costs of the Trust’s assets plus accumulated amortization on property, plant and equipment~~the total assets of the Trust as shown in its then most recent consolidated balance sheet;

“herein”, “hereof”, “hereby”, “hereunder” and similar expressions refer to this Declaration of Trust and include every instrument supplemental or ancillary to or in implementation of this Declaration of Trust and, except where the context otherwise requires, does not refer to any particular article, section or other portion hereof or thereof;

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

“including” means “including, without limitation”;

“Indebtedness” means (without duplication) on a consolidated basis:

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

- (iii) any obligation of the Trust issued or assumed as the deferred purchase price of property;
- (iv) any capital lease obligation of the Trust; and
- (v) any obligation of the type referred to in subsections (i) through (iv) of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable, other than such an obligation in connection with a property that has been disposed of by the Trust for which the purchaser has assumed such obligation and provided the Trust with an indemnity or similar arrangement therefor

provided that (A) for the purposes of (i) through (v), an obligation (other than convertible debentures) will constitute Indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with IFRS, (B) obligations referred to in subsections (i) through (v) exclude trade accounts payables, security deposits, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business, (C) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (D) Trust Units and exchangeable securities, including Exchangeable Units, will not constitute Indebtedness;

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

~~“Investment Committee” means the investment committee of the Trustees established pursuant to Section 9.2;~~

“Initial Contribution” means the contribution of \$10.00 made by the Initial Unitholder to settle the Trust;

“Initial Unit” means the one (1) Trust Unit issued to the Initial Unitholder as consideration for the Initial Contribution;

~~“Initial Unitholder” has the meaning ascribed thereto in the recitals;~~means European Commercial Real Estate Limited;

~~“Investment Committee” means the investment committee of the Trustees established pursuant to Section 9.2;~~

“Investor Rights Agreement” means the investor rights agreement dated ●, 2019 between the Asset Manager and the Trust;

“Limited Partnership Agreements” means, collectively, the limited partnership agreements of the Partnerships, as such agreements may be amended, supplemented or amended and restated from time to time;

“Monthly Limit” has the meaning ascribed thereto in Section 6.12(6).

“Mortgage” means any mortgage, charge, hypothec, bond, debenture, note or other evidence of indebtedness, in each case which is directly or indirectly secured by real property;

“Net Realized Capital Gains” means, for any year, the amount, if any, by which the aggregate of the capital gains of the Trust for the year, as determined under the Tax Act, exceeds the aggregate of (i) the amount of any of the capital losses of the Trust for the year, as determined under the Tax Act; and (ii) the amount of any net capital losses of the Trust for prior years, as determined under the Tax Act, and which the Trust has not deducted in a prior year pursuant to this definition;

“Nominating Unitholder” has the meaning ascribed thereto in Section 3.6;

“Non-Resident” means a person that is not a resident Canadian;

“Non-Restricted Trustee” means a Trustee who is (i) an Independent Trustee and (ii) not a CAPREIT Member;

“Notice Date” has the meaning ascribed thereto in Section 3.6;

“Offeree” means a person to whom a Take-Over Bid is made;

“Offeror” means a person, other than an agent, who makes a Take-Over Bid, and includes two or more persons who, directly or indirectly,

- (a) make a Take-Over Bid jointly or in concert; or
- (b) intend to exercise jointly or in concert voting rights attached to the Units for which a Take-Over Bid is made;

“Original Declaration of Trust” has the meaning ascribed thereto in the recitals;

“Partnerships” means, collectively, ECRE Limited Partnership, a limited partnership formed under the laws of Ontario, as well as such other limited partnerships that may be controlled by the Trust from time to time, and **“Partnership”** means any one of the foregoing;

“person” means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, land trusts, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof;

“Plans” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, each as defined in the Tax Act;

“Preferred Units” means the preferred units of the Trust that may from time to time be created and issued in one or more classes with such rights, privileges, restrictions and conditions attaching to each such class and series as the Trustees may fix, and which shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units or Special Voting Units) and the distribution of assets of the Trust or return of capital in the event of liquidation, dissolution or winding-up of the Trust, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Trust among its Unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units and Special Voting Units ranking by their terms junior to such preferred units;

“Property Management Agreement” means the property management agreement dated ●, 2019 between a subsidiary of the Asset Manager and the Trust;

“real property” means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise), any interests in any of the foregoing and securities of corporations the sole or principal purpose and activity of which is to invest in, hold and deal in real property;

“Redemption Date” has the meaning ascribed thereto in Section 6.12(4)(a);

“Redemption Price” has the meaning ascribed thereto in Section 6.12(4);

“Register” has the meaning ascribed thereto in Section 6.17;

“resident Canadian” means an individual who is a resident of Canada for purposes of the Tax Act;

“Services Agreement” means the services agreement dated ●, 2019 between the Asset Manager and the Trust;

“Special Resolution” means a resolution approved by at least sixty-six and two thirds percent (66 $\frac{2}{3}$ %) of the votes cast by Unitholders present in person or by proxy at a duly constituted meeting of Unitholders which has been called for that purpose or approval by way of a written instrument signed by all Unitholders;

“Special Voting Units” means the special voting units of the Trust designated as such in Section 6.1(1) authorized and issued hereunder;

“subsidiaries” has the meaning ascribed thereto in National Instrument 45-106 - *Prospectus Exemptions*, as replaced or amended from time to time (including any successor rule or policy thereto);

“Subsidiary Notes” means promissory notes of a subsidiary of the Trust having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance;

“Take-Over Bid” has the meaning ascribed to such term in National Instrument 62-104 – *Take-Over Bids and Issuer Bids*;

“Tax Act” means the *Income Tax Act* (Canada), as amended from time to time;

“Taxation Year” means the taxation year of the Trust for the purposes of the Tax Act;

“Transaction” means the acquisition by the Trust of certain properties owned by the Asset Manager and its applicable subsidiaries located in the Netherlands;

“Transfer Agent” means Computershare Investor Services Inc., or such other transfer agent of the ~~REIT~~ Trust from time to time;

“Trust” means European Residential Real Estate Investment Trust (formerly known as European Commercial Real Estate Investment Trust) established hereunder;

“Trust Capital” means, at any time, the aggregate amount of Unitholders’ equity;

“Trust Unit” means a unit of interest in the Trust (excluding, for greater certainty, the Special Voting Units);

“Trust Unitholder” means a person whose name appears on the Register as a holder of one or more Trust Units;

“Trustees” means the trustees of the Trust;

“Trustees’ Regulations” means the regulations adopted by the Trustees pursuant to Section 4.3;

“TSX-V” means the TSX Venture Exchange;

~~“Units” means, collectively, the Trust Units and the Special Voting Units; and~~

“Unitholder” means a holder of one or more Trust Units or Special Voting Units; and

“Units” means, collectively, the Trust Units and the Special Voting Units.

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Section 1.2 Tax Act

Any reference herein to a particular provision of the Tax Act shall include a reference to that provision as it may be replaced, renumbered or amended from time to time. Where there are proposals for amendments to the Tax Act that have not been enacted into law or proclaimed into force on or before the date on which such proposals are to become effective, the Trustees may take such proposals into consideration and apply the provisions hereof as if such proposals had been enacted into law and proclaimed into force.

Section 1.3 Day Not a Business Day

Except in respect of amounts to be determined or any actions required to be taken on the last day of a Taxation Year and except as expressly specified in this Declaration of Trust, in the event that any day on which any amount is to be determined or any action is required to be taken hereunder is not a Business Day, then such amount shall be determined or such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

Section 1.4 Applications to the Court

As the rights (including the right to apply to a court) and remedies set out in this Declaration of Trust are not statute-based, all references in this Declaration of Trust to Unitholder rights (or the rights of any other person) that may be enforced by the court or to remedies that may be granted by the court are subject to the court, in its discretion, accepting jurisdiction to consider and determine any proceeding commenced by an eligible Unitholder (or other eligible person as contemplated herein) applying to the court under this Agreement. Notwithstanding anything else contained herein, a Unitholder shall not apply for, nor shall it be entitled to enforce, any order which would result in the Trust not qualifying as a “unit trust” or as a “mutual fund trust” within the meaning of the Tax Act.

Section 1.5 Time of Essence

Time shall be of essence in this Declaration of Trust.

Section 1.6 Accounting Terms

Except as otherwise specified, all accounting terms used in this Declaration of Trust shall be construed in accordance with IFRS.

Section 1.7 Currency

Unless otherwise specified, all references to money amounts are to lawful currency of Canada.

Section 1.8 References to Acts Performed by the Trust

For greater certainty, where any reference is made in this Declaration of Trust to an act to be performed by the Trust, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by the Trustees on behalf of the Trust or by some other person duly authorized to do so by the Trustees or pursuant to the provisions hereof, and where any reference is made in this Declaration of Trust to actions, rights or obligations of the Trustees, such reference shall be construed and applied for all purposes to refer to actions, rights or obligations of the Trustees in their capacity as Trustees of the Trust, and not in their other capacities, unless the context otherwise requires.

**ARTICLE 2
DECLARATION OF TRUST**

Section 2.1 Establishment of the Trust

The Trustees hereby agree to hold and administer the property, real, personal or otherwise, tangible or intangible, which has been or is hereafter transferred, conveyed or

paid to or otherwise received by the Trust or to which the Trust is otherwise entitled, including the Initial Contribution, and all rents, income, profits and gains therefrom in trust for the use and benefit of the Unitholders, their successors, permitted assigns and personal representatives upon the trusts and subject to the terms and conditions hereinafter declared and set forth, such trust to constitute the Trust hereunder.

Section 2.2 Initial Contribution

The Trustees hereby acknowledge and confirm that the Initial Unitholder has made the Initial Contribution to the Trustees for the purpose of establishing the Trust.

Section 2.3 Name

The Trust shall be known and designated as “European ~~Commercial~~Residential Real Estate Investment Trust” and, whenever practicable, lawful and convenient, the property of the Trust shall be held and the affairs of the Trust shall be conducted and transacted under that name. The Trust may use such other designation or may adopt such other name or names (including in English, French or any other language) as the Trustees deem appropriate, and the Trust may hold property and conduct and transact its affairs under such other designation or names.

Section 2.4 Office

The principal office and centre of administration of the Trust shall be at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario unless changed by the Trustees to another location. The Trust may have such other offices or places for the conduct of its affairs as the Trustees may from time to time determine as necessary or desirable.

Section 2.5 Nature of the Trust

- (1) The Trust is an unincorporated open-ended investment trust. The Trust shall be governed by the general law of trusts, except as such general law of trusts has been or is from time to time modified, altered or abridged for the Trust by:
 - (a) applicable laws and regulations or other requirements imposed by applicable securities or other regulatory authorities; and
 - (b) the terms, conditions and trusts set forth in this Declaration of Trust.
- (2) The beneficial interest and rights generally of a Unitholder in the Trust shall be limited to the right to participate pro rata in distributions when and as declared by the Trustees as contemplated by Article 10 and distributions upon the termination of the Trust as contemplated in Article 13. The Trust is not and is not intended to be, shall not be deemed to be and shall not be treated as a general partnership, limited partnership, syndicate, association, joint venture, company, corporation or joint stock company nor shall the Trustees or the Unitholders or any of them for any purpose be, or be deemed to be treated in any way whatsoever to be, liable or responsible hereunder as partners or joint venturers. The Trustees shall not be, or be deemed to be, agents of the Unitholders. The relationship of the Unitholders to the Trustees, to the Trust and to the property of the Trust shall be solely that of beneficiaries in accordance with this Declaration of Trust.

Section 2.6 Rights of Unitholders

The rights of each Unitholder to call for a distribution or division of assets, monies, funds, income and capital gains held, received or realized by the Trustees are limited to those contained herein and, except as provided herein, no Unitholder shall be entitled to call for any partition or division of the Trust's property or for a distribution of any particular asset forming part of the Trust's property or of any particular monies or funds received by the Trustees. The legal ownership of the property of the Trust and the right to conduct the activities of the Trust are vested exclusively in the Trustees, and no Unitholder has or is deemed to have any right of ownership in any of the property of the Trust, except as specifically provided herein. Except as specifically provided herein, no Unitholder shall be entitled to interfere with or give any direction to the Trustees with respect to the affairs of the Trust or in connection with the exercise of any powers or authorities conferred upon the Trustees under this Declaration of Trust. The Units shall be personal property and shall confer upon the holders thereof only the interest and rights specifically set forth in this Declaration of Trust.

ARTICLE 3 TRUSTEES AND OFFICERS

Section 3.1 Number

There shall be a minimum of three (3) and a maximum of nine (9) Trustees. ~~The~~Subject to the terms of the Investor Rights Agreement, the number of Trustees within such minimum and maximum numbers may be changed by Unitholders or by the Trustees, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders.

Section 3.2 Term of Office

Trustees elected at an annual meeting will be elected for a term expiring at the next annual meeting of Unitholders and will be eligible for re-election.

Section 3.3 Qualifications of Trustees

- (1) A Trustee shall be an individual at least 18 years of age, who is not of unsound mind and has not been found to be of unsound mind by a court in Canada or elsewhere, and who does not have the status of bankrupt. Trustees are not required to hold Units.
- (2) From and after Closing, a majority of the Trustees or of any committee of the Trustees must be Independent Trustees provided, however, that if at any time a majority of Trustees are not Independent Trustees because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstances of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Independent Trustees to comply with this requirement.

- (3) A majority of the Trustees must be resident Canadians. If at any time a majority of the Trustees or a majority of the Trustees of any committee of the Trustees are not resident Canadians because of the death, resignation, insolvency, bankruptcy, adjudicated incompetence or incapacity, removal or change in circumstance of any Trustee who was a resident Canadian, or there are no Trustees who are resident Canadians, the Trustee or Trustees who are not resident Canadians shall, immediately before that time, be deemed to have resigned and shall cease to be Trustees with effect from the time of such deemed resignation and the remaining Trustees shall appoint a sufficient number of resident Canadian Trustees to comply with this requirement. If at any time the number of Trustees is less than the number required under this Declaration of Trust and the remaining Trustee or Trustees fail or are unable to act in accordance with Section 3.5 and/or Section 3.10 to appoint one or more additional Trustees or if, upon the resignation or deemed resignation of one or more Trustees there would be no Trustees, then the Trustees of the Trust shall appoint one or more Trustees so that following such appointment a majority of the Trustees are resident Canadians and, failing such appointment, any remaining Trustee or Unitholder or officer of the Trust or the Auditors, as the case may be, may apply to the Superior Court of Justice of Ontario for an order appointing one or more Trustees so that following such appointment a majority of the Trustees are resident Canadians, to act until the next annual meeting of Unitholders or on such other terms as the court may order. Any Trustee who is a resident Canadian who proposes to become a Non-Resident shall notify the other Trustees thereof as soon as reasonably practicable and, if requested to do so by the other Trustees, shall resign as a Trustee effective upon the day of such notification and shall be replaced with a Trustee who is a resident Canadian.

Section 3.4 Election of Trustees

Subject to Section 3.1, Section 3.3, Section 3.6 and Section 3.10, the election of the Trustees shall be by the vote of Unitholders. The appointment or election of any Trustee (other than an individual who is serving as a Trustee immediately prior to such appointment or election) shall not become effective unless and until such person shall have in writing accepted his appointment or election and agreed to be bound by the terms of this Declaration of Trust. ~~The undersigned Trustees have been duly elected by the Initial Unitholder as Trustees of the Trust.~~ If no Trustees are elected at the annual meeting of Unitholders held immediately before the term of office of the then existing Trustees expires, such existing Trustees shall continue to hold the office of Trustees under this Declaration of Trust until successors have been appointed or they cease to hold office.

Section 3.5 Resignation, Removal and Death of Trustees

A Trustee may resign at any time by an instrument in writing signed by him and delivered or mailed to the President or, if there is no President, the Chair, and if there is no Chair, the Chief Executive Officer. Such resignation shall take effect on the date such notice is given or at any later time specified in the notice. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of Unitholders called for that purpose or by the written consent of all of the Unitholders or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution

and any Trustee so removed shall be so notified by the President or another officer of the Trust forthwith following such removal.

Section 3.6 Nomination of Trustees

- (1) Only persons who are nominated in accordance with Section 3.6 or in connection with the terms of the Investor Rights Agreement shall be eligible for election as Trustees. Nominations of persons for election as a Trustee may be made at any annual meeting of Unitholders, or at any special meeting of Unitholders, if one of the purposes for which the special meeting was called was the election of Trustees:
 - (a) by or at the direction of the Trustees, including pursuant to a notice of meeting;
 - (b) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with Article 7; or
 - (c) by any person (a “**Nominating Unitholder**”) who (A) at the close of business on the date of the giving of the requisite notice provided for below in this Section 3.6 and on the record date for notice of such meeting, is entered in the Register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this Section 3.6.
- (2) In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof to the Trustees in the manner prescribed by this Declaration of Trust. Furthermore, if such notice is made on a day which is not a Business Day or later than 5:00 p.m. (Toronto Time) on a day which is a Business Day, then such notice shall be deemed to have been made on the subsequent day that is a Business Day.
- (3) To be timely, a Nominating Unitholder’s notice to the Trustees must be made:
 - (a) in the case of an annual meeting of Unitholders, not less than 30 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date (the “**Notice Date**”) on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
 - (b) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of Unitholders was made.

- (4) To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth:
 - (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units in the capital of the Trust which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws; and
 - (b) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws.
- (5) The Trust may require any proposed nominee to furnish such other information as may reasonably be required by the Trust to determine the eligibility of such proposed nominee to serve as an Independent Trustee of the Trust, or that could be material to a reasonable Unitholder's understanding of the independence, or lack thereof, of such proposed nominee.
- (6) No person shall be eligible for election as a Trustee unless nominated in accordance with the provisions of this Section 3.6; provided, however, that nothing in this Section 3.6 shall be deemed to preclude discussion by a Unitholder (as distinct from the nomination of Trustees) at a meeting of Unitholders of any matter in respect of which it would have been entitled to submit to a vote pursuant to the terms and conditions contained in this Declaration of Trust. The chairperson of the applicable meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- (7) For purposes of this Section 3.6, "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Trust under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com.
- (8) Notwithstanding the foregoing, the Trustees may, in their sole discretion, waive any requirement in this Section 3.6.

Section 3.7 Consent to Act

- (a) A person who is appointed a Trustee hereunder shall not become a Trustee until the person has, either before or after such appointment, executed and delivered to the Trust a consent, substantially in the form as follows:

“To: European ~~Commercial~~Residential Real Estate Investment Trust
(the “Trust”)
And to: The Trustees thereof

The undersigned hereby certifies that he or she or it is/is not a resident of Canada within the meaning of the *Income Tax Act* (Canada) and consents to act as a Trustee of the Trust and hereby agrees, upon the later of the date of this consent and the date of the undersigned’s appointment as a Trustee of the Trust, to thereby become a party, as a Trustee, to the Second Amended and Restated Declaration of Trust dated the 3rd day of May, 2017, 2019, as amended, supplemented or amended and restated from time to time, constituting the Trust.

Dated:

[Signature]

[Print Name]”

- (b) Upon the later of a person being appointed a Trustee hereunder and executing and delivering to the Trust a form of consent substantially as set forth in Section 3.7(a), such person shall become a Trustee hereunder and shall be deemed to be a party (as a Trustee) to this Declaration of Trust, as amended, supplemented or amended and restated from time to time.

Section 3.8 Failure to Elect Minimum Number of Trustees

If a meeting of Unitholders fails to elect the minimum number of Trustees required by this Declaration of Trust by reason of the disqualification or death of any nominee, the Trustees elected at the meeting may exercise all of the powers of the Trustees if the number of Trustees so elected constitutes a quorum.

Section 3.9 Ceasing to Hold Office

- (a) A Trustee ceases to hold office when:
- (i) the Trustee ceases to be duly qualified to act as a Trustee as provided under Section 3.3;
 - (ii) the Trustee ceases to be a Trustee in accordance with Section 3.2;
 - (iii) the Trustee dies or resigns; or
 - (iv) the Trustee is removed in accordance with Section 3.5.

- (b) Upon a Trustee ceasing to hold office as such hereunder, such Trustee shall cease to be a party (as a Trustee) to this Declaration of Trust; provided, however, that such Trustee shall continue to be entitled to be paid any amounts owing by the Trust to the Trustee and to the benefits of the indemnity provided herein. Such Trustee shall execute and deliver such documents as the remaining Trustees shall reasonably require for the conveyance of any Trust property held in that Trustee's name, shall account to the remaining Trustees as they may reasonably require for all property which that Trustee holds as Trustee, shall resign from all directorship or similar positions held by such Trustee in any entity in which the Trust has an interest and shall thereupon be discharged as Trustee. Upon the incapacity or death of any Trustee, his legal representative shall execute and deliver on his behalf such documents as the remaining Trustees may reasonably require as provided in this Section 3.9(b). In the event that a Trustee or his legal representatives, as applicable, are unable or unwilling to execute and deliver such required documents, each of the remaining Trustees is hereby appointed as the attorney of such Trustee for the purposes of executing and delivering such required documents. This power of attorney granted to each of the remaining Trustees is not intended to be a continuing power of attorney within the meaning of the *Substitute Decisions Act, 1992* (Ontario), exercisable during a Trustee's incapacity to manage property, or any similar power of attorney under equivalent legislation in any of the provinces or territories of Canada (a "CPOA"). The execution of this power of attorney will not terminate any CPOA granted by the Trustee previously and will not be terminated by the execution by the Trustee in the future of a CPOA, and the Trustee hereby agrees not to take any action in future which results in the termination of this power of attorney.

Section 3.10 Vacancies

The death, resignation, bankruptcy, adjudicated incompetence or other incapacity to exercise the duties of the office of a Trustee or the removal or other cessation to hold office of a Trustee shall not operate to annul this Declaration of Trust or affect the continuity of the Trust. Until vacancies are filled, the remaining Trustee or Trustees (even if less than a quorum) may exercise the powers of the Trustees hereunder. In the case of a vacancy, the Unitholders or, so long as they constitute a quorum and a majority of the Trustees constituting such quorum are resident Canadians, a majority of the remaining Trustees continuing in office may fill such vacancy, except a vacancy resulting from an increase in the number of Trustees or from a failure of the Unitholders to elect the minimum number of Trustees fixed by or pursuant to this Declaration of Trust. If there is not such a quorum of Trustees and there is a failure by the Unitholders to elect the minimum number of Trustees required by or pursuant to this Declaration of Trust, the Trustees then in office shall promptly call a special meeting of Unitholders to fill the vacancy and, if they fail to call a meeting or if there are no Trustees then in office, the meeting may be called by any Unitholder. A Trustee appointed to fill a vacancy holds office, subject to Section 3.5 and Section 3.9, until the close of the next annual meeting of the Unitholders, unless such Trustee is elected at the next annual meeting.

Section 3.11 Successor and Additional Trustees

The right, title and interest of the Trustees in and to the property of the Trust shall vest automatically in all persons who may hereafter become Trustees upon their due election or appointment and qualification without any further act and they shall thereupon have all the rights, privileges, powers, obligations and immunities of Trustees hereunder. Such right, title and interest shall vest in the Trustees whether or not conveyancing documents have been executed and delivered pursuant to Section 3.5 or otherwise.

Section 3.12 Compensation and Other Remuneration

Trustees who are not employees of and who do not receive salary from the Trust shall be entitled to receive for their services as Trustees such reasonable compensation as the Trustees may determine from time to time, as well as reimbursement of their out-of-pocket expenses incurred in acting as a Trustee. Trustees, either directly or indirectly, shall be entitled to receive remuneration for services rendered to the Trust in any other capacity. Such services may include, without limitation, services as an officer of the Trust, legal, accounting or other professional services or services as a broker or underwriter, whether performed by a Trustee or any person affiliated with a Trustee. Non-Independent Trustees who are employees of and who receive a salary from the Trust or the Asset Manager or either of their affiliates shall not be entitled to receive any remuneration for their services as Trustees but shall be entitled to reimbursement from the Trust of their out-of-pocket expenses incurred in acting as a Trustee.

Section 3.13 Officers of the Trust

The Trust may have a Chair, a Chief Executive Officer, a Chief Financial Officer, a Chief Operating Officer, a President, one or more Vice-Presidents and a Secretary and such other officers as the Trustees may appoint from time to time. One person may hold two or more offices.

ARTICLE 4 TRUSTEES' POWERS AND DUTIES

Section 4.1 General Powers

- (1) The Trustees, subject only to the specific limitations contained in this Declaration of Trust, including without limitation Section 5.1 and Section 5.2, shall have, without further or other authorization and free from any control or direction on the part of the Unitholders, full, absolute and exclusive power, control and authority over the assets of the Trust and over the affairs of the Trust to the same extent as if the Trustees were the sole owners of such assets in their own right, to do all such acts and things as in their sole judgment and discretion are necessary or incidental to, or desirable for, the carrying out of any of the purposes of the Trust or the conducting of the affairs of the Trust. In construing the provisions of this Declaration of Trust, there shall be a presumption in favour of the power and authority having been granted to the Trustees. The enumeration of any specific power or authority herein shall not be construed as limiting the general powers or authority or any other specified power or authority conferred herein on the Trustees. Except as specifically required by such laws, the Trustees shall in carrying out investment activities not be in any way

restricted by the provisions of the laws of any jurisdiction limiting or purporting to limit investments which may be made by trustees.

- (2) For greater certainty and without limiting the generality of this Section 4.1, the Trust is authorized to complete the transactions set forth in the Circular and any documents incorporated by reference therein, including to (i) prepare, file, execute and deliver the such documents and all other agreements, documents and instruments as may be necessary or, in the Trustees' discretion, desirable to complete the transactions contemplated thereby; (ii) enter into the agreements contemplated therein to which it is a party; and (iii) negotiate and enter into any financing arrangements, including those described in such documents. For greater certainty, the Trust is not required to complete the transactions contemplated by the Circular and any documents incorporated by reference therein unless and until the Trustees are satisfied with the terms and conditions thereof.

Section 4.2 Specific Powers and Authorities

- (1) Subject only to the express limitations contained in this Declaration of Trust including, without limitation Section 5.1 and Section 5.2, and in addition to any powers and authorities conferred by this Declaration of Trust or which the Trustees may have by virtue of any present or future statute or rule of law, the Trustees without any action or consent by the Unitholders shall have and may exercise at any time and from time to time the following powers and authorities which may or may not be exercised by them in their sole judgment and discretion and in such manner and upon such terms and conditions as they may from time to time deem proper:
 - (a) to retain, invest and re-invest the capital or other funds of the Trust in real or personal property of any kind, all without regard to whether any such assets are authorized by law for the investment of trust funds, and to possess and exercise all the rights, powers and privileges appertaining to the ownership of the property of the Trust and to increase the capital of the Trust at any time by the issuance of additional Units for such consideration as they deem appropriate;
 - (b) for such consideration as they deem proper, to invest in, purchase or otherwise acquire for cash or other property or through the issuance of Units or through the issuance of notes, debentures, bonds or other obligations or securities of the Trust and hold for investment the entire or any participating interest in any Mortgages. In connection with any such investment, purchase or acquisition, the Trustees shall have the power to acquire a share of rents, lease payments or other gross income from or a share of the profits from or a share in the equity or ownership of real property;
 - (c) to sell, rent, lease, hire, exchange, release, partition, assign, mortgage, pledge, hypothecate, grant security interests in, encumber, negotiate, convey, transfer or otherwise dispose of any or all of the property of the Trust by deeds, trust deeds, assignments, bills of sale, transfers, leases, Mortgages, financing statements, security agreements and other instruments for any of such

purposes executed and delivered for and on behalf of the Trust by one or more of the Trustees or by a duly authorized officer, employee, agent or any nominee of the Trust;

- (d) to enter into leases, contracts, obligations and other agreements for a term extending beyond the term of office of the Trustees and beyond the possible termination of the Trust or for a lesser term;
- (e) to borrow money from or incur indebtedness to any person; to guarantee, indemnify or act as surety with respect to payment or performance of obligations of third parties; to enter into other obligations on behalf of the Trust; and to assign, convey, transfer, mortgage, subordinate, pledge, grant security interests in, encumber or hypothecate the property of the Trust to secure any of the foregoing;
- (f) to lend money or other property of the Trust, whether secured or unsecured;
- (g) to incur and pay out of the property of the Trust any charges or expenses and disburse any funds of the Trust, which charges, expenses or disbursements are, in the opinion of the Trustees, necessary or incidental to or desirable for the carrying out of any of the purposes of the Trust or conducting the affairs of the Trust including, without limitation, taxes or other governmental levies, charges and assessments of whatever kind or nature, imposed upon or against the Trustees in connection with the Trust or the property of the Trust or upon or against the property of the Trust or any part thereof and for any of the purposes herein;
- (h) to deposit funds of the Trust in banks, trust companies and other depositories, whether or not such deposits will earn interest, the same to be subject to withdrawal on such terms and in such manner and by such person or persons (including any one or more Trustees, officers, agents or representatives) as the Trustees may determine;
- (i) to possess and exercise all the rights, powers and privileges appertaining to the ownership of all or any mortgages or securities, issued or created by, or interest in, any person, forming part of the assets of the Trust, to the same extent that an individual might and, without limiting the generality of the foregoing, to vote or give any consent, request or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more persons, which proxies and powers of attorney may be for meetings or action generally or for any particular meeting or action and may include the exercise of discretionary power;
- (j) to elect, appoint, engage or employ officers for the Trust (including a Chair, a Chief Executive Officer, a Chief Financial Officer, a Chief Operating Officer, a President, one or more Vice-Presidents and a Secretary and other officers as the Trustees may determine), who may be removed or discharged at the discretion of the Trustees, such officers to have such powers and duties, and

to serve such terms as may be prescribed by the Trustees or by the Trustees' Regulations; to engage or employ any persons as agents, representatives, employees or independent contractors (including, without limitation, real estate advisors, investment advisors, underwriters, accountants, lawyers, real estate agents, property managers, appraisers, brokers, architects, engineers, construction managers, general contractors or otherwise) in one or more capacities, and to pay compensation from the Trust for services in as many capacities as such persons may be so engaged or employed; and to delegate any of the powers and duties of the Trustees to any one or more Trustees, agents, representatives, officers, employees, independent contractors or other persons;

- (k) to collect, sue for and receive sums of money coming due to the Trust, and to engage in, intervene in, prosecute, join, defend, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, demands or other litigation relating to the Trust, the assets of the Trust or the Trust's affairs, to enter into agreements therefor whether or not any suit is commenced or claim accrued or asserted and, in advance of any controversy, to enter into agreements regarding the arbitration, adjudication or settlement thereof;
- (l) to renew, modify, release, compromise, extend, consolidate or cancel, in whole or in part, any obligation to or of the Trust;
- (m) to purchase and pay for, out of the assets of the Trust, insurance contracts and policies insuring the assets of the Trust against any and all risks and insuring the Trust and/or any or all of the Trustees, the Unitholders or officers of the Trust against any and all claims and liabilities of any nature asserted by any person arising by reason of any action alleged to have been taken or omitted by the Trust or by the Trustees, the Unitholders or the officers of the Trust;
- (n) to cause legal title to any of the assets of the Trust to be held by and/or in the name of the Trustees, or by and/or in the name of the Trust or one or more of the Trustees or any other person, on such terms, in such manner with such powers in such person as the Trustees may determine and with or without disclosure that the Trust or Trustees are interested therein provided, however, that should legal title to any of the assets of the Trust be held by and/or in the name of any person or persons other than the Trust, the Trustees shall require such person or persons to execute a declaration of trust acknowledging that legal title to such assets is held in trust for the benefit of the Trust;
- (o) to determine conclusively the allocation to capital, income or other appropriate accounts for all receipts, expenses, disbursements and property of the Trust;
- (p) to prepare, sign and file or cause to be prepared, signed and filed any prospectus, offering memorandum or similar document, and any amendment thereto, relating to or resulting from any offering of the Trust Units or other

securities issued or held by the Trust and to pay the cost thereof and related thereto out of the property of the Trust;

- (q) to make or cause to be made application for the listing on any stock exchange of any Trust Units or other securities of the Trust, and to do all things which in the opinion of the Trustees may be necessary or desirable to effect or maintain such listing or listings;
- (r) to determine conclusively the value of any or all of the property of the Trust from time to time and, in determining such value, to consider such information and advice as the Trustees, in their sole judgment, may deem material and reliable;
- (s) prepare, execute and file the Trust's income tax returns, make all designations, elections, determinations, allocations and applications under the Tax Act as the Trustees consider to be reasonable in the circumstances and satisfy, perform and discharge all obligations and responsibilities of the Trustees under the Tax Act (including any obligations of the Trust under Part XIII of the Tax Act);
- (t) to do all such acts and things and to exercise such powers as may be delegated to the Trustees by any person who co-owns mortgages with the Trust; and
- (u) to do all such other acts and things as are incidental to the foregoing, and to exercise all powers that are necessary or useful to promote any of the purposes for which the Trust is formed and to carry out the provisions of this Declaration of Trust.

Section 4.3 Further Powers of the Trustees

The Trustees shall have the power to prescribe any form provided for or contemplated by this Declaration of Trust. The Trustees may make, adopt, amend, or repeal regulations containing provisions relating to the Trust, the conduct of its affairs, the rights or powers of the Trustees and the rights or powers of the Unitholders or officers, provided that such regulations shall not be inconsistent with law or with this Declaration of Trust. The Trustees shall also be entitled to make any reasonable decisions, designations or determinations not inconsistent with law or with this Declaration of Trust which they may determine are necessary or desirable in interpreting, applying or administering this Declaration of Trust or in administering, managing or operating the Trust. To the extent of any inconsistency between this Declaration of Trust and any regulation, decision, designation or determination made by the Trustees, this Declaration of Trust shall prevail and such regulation, decision, designation or determination shall be deemed to be modified to eliminate such inconsistency. Any regulations, decisions, designations or determinations made in accordance with this section shall be conclusive and binding upon all persons affected thereby.

Section 4.4 Banking

The banking activities of the Trust, or any part thereof, including, but without restricting the generality of the foregoing, the operation of the Trust's accounts; the making, signing, drawing, accepting, endorsing, negotiation, lodging, depositing or transferring of any cheques, promissory notes, drafts, acceptances, bills of exchange and orders for the payment of money; the giving of receipts for orders relating to any property of the Trust; the execution of any agreement relating to any property of the Trust; the execution of any agreement relating to any such banking activities and defining the rights and powers of the parties thereto; and the authorizing of any officer of such bank to do any act or thing on the Trust's behalf to facilitate such banking activities, shall be transacted with such bank, trust company, or other firm or corporation carrying on a banking business as the Trustees may designate, appoint or authorize from time to time and shall be transacted on the Trust's behalf by one or more officers of the Trust as the Trustees may designate, appoint or authorize from time to time.

Section 4.5 Standard of Care

- (1) The exclusive standard of care required of the Trustees in exercising their powers and carrying out their functions hereunder shall be that they exercise their powers and discharge their duties hereunder as Trustees honestly, in good faith and with a view to the best interests of the Trust and the Unitholders and that in connection therewith they exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Unless otherwise required by law, no Trustee shall be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations hereunder. The Trustees in their capacity as Trustees shall not be required to devote their entire time to the investments, business or affairs of the Trust.
- (2) No Trustee shall be liable in carrying out such Trustee's duties under this Declaration of Trust except in cases where the Trustee fails to act honestly, in good faith and in the best interests of the Trust and the Unitholders or, in connection therewith, fails to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The duties and standard of care of the Trustees provided as aforesaid are intended to be similar to, and not to be any greater than, those imposed on a director of a corporation governed by the *Canada Business Corporations Act*.

Section 4.6 Reliance Upon Trustees

Any person dealing with the Trust in respect of any matters pertaining to the assets of the Trust and any right, title or interest therein or to the Trust or to securities of the Trust shall be entitled to rely on a certificate or statutory declaration (including, without limiting the foregoing, a certificate or statutory declaration as to the passing of a resolution of the Trustees) executed by any single Trustee or, without limiting the foregoing, such other person as may be authorized by the Trustees as to the capacity, power and authority of the Trustees or any such other person to act for and on behalf and in the name of the Trust. No person dealing with the Trustees shall be bound to see to the application of any funds or

property passing into the hands or control of the Trustees. The receipt by or on behalf of the Trustees for monies or other consideration shall be binding upon the Trust.

Section 4.7 Determinations of Trustees Binding

All determinations of the Trustees which are made in good faith with respect to any matters relating to the Trust, including, without limiting the generality of the foregoing, whether any particular investment or disposition meets the requirements of this Declaration of Trust, shall be final and conclusive and shall be binding upon the Trust and all Unitholders (and, where the Unitholder is a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan or registered pension fund or plan as defined in the Tax Act, or other similar fund or plan registered under the Tax Act, upon plan beneficiaries and plan holders past, present and future) and Units shall be issued and sold on the condition and understanding that any and all such determinations shall be binding as aforesaid.

Section 4.8 Limitations on Liability of Trustees

- (1) Subject to the standard of care set forth in Section 4.5, none of the Trustees nor any officers, employees or agents of the Trust shall be liable to any Unitholder or any other person in tort, contract or otherwise for any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; for any depreciation of, or loss to, the Trust incurred by reason of the sale of any security; for the loss or disposition of monies or securities; for any action or failure to act by any person to whom the Trustees are permitted to delegate and have delegated any of their duties hereunder; or for any other action or failure to act including, without limitation, the failure to compel in any way any former Trustee to redress any breach of trust or any failure by any person to perform obligations or pay monies owed to the Trust, unless such liabilities arise out of a breach of the standard of care, diligence and skill as set out in Section 4.5. If the Trustees have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under this Declaration of Trust, the Trustees may act or refuse to act based on the advice of such expert, advisor or legal counsel and, notwithstanding any provision of this Declaration of Trust, including, without limitation, the standard of care, diligence and skill set out in Section 4.5 hereof, the Trustees shall not be liable for and shall be fully protected from any action or refusal to act based on the advice of any such expert, advisor or legal counsel which it is reasonable to conclude is within the expertise of such expert, advisor or counsel to give.
- (2) None of the Trustees nor any officers or agents of the Trust shall be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustees for or in respect to the affairs of the Trust unless such Trustee shall have failed to meet the standard of care set out in Section 4.5. No property or assets of the Trustees, owned in their personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under this Declaration of Trust or under any other related agreements unless such Trustee shall have failed to meet the standard of care set out in Section 4.5. No

recourse may be had or taken, directly or indirectly, against the Trustees in their personal capacity or against any incorporator, shareholder, director, officer, employee or agent of the Trustees or any successor of the Trustees unless such Trustee shall have failed to meet the standard of care set out in Section 4.5. The Trust shall be solely liable therefor and resort shall be had solely to the Trust's property for payment or performance thereof unless such Trustee shall have failed to meet the standard of care set out in Section 4.5.

- (3) In the exercise of the powers, authorities or discretion conferred upon the Trustees under this Declaration of Trust, the Trustees are and shall be conclusively deemed to be acting as trustees of the Trust's property.

Section 4.9 Conflict of Interest

- (1) Subject to Section ~~15.16~~, 15.16 and except for the ownership of Units, if a Trustee or an officer of the Trust:

- (a) is a party to a material contract or transaction or proposed material contract or material transaction with the Trust (including, without limitation, a contract or transaction involving the making or disposition of any investment in mortgages or real property or a joint venture agreement); or
- (b) is a trustee, director ~~or an~~ officer or an employee, or an individual acting in a similar capacity, of, or otherwise has a material interest in, any person who is a party to a material contract or material transaction or proposed material contract or material transaction with the Trust,

the Trustee or the officer of the Trust, as the case may be, shall disclose in writing to the Trustees or request to have entered into the minutes of meetings of the Trustees or the Investment Committee, as the case may be, the nature and extent of such interest as follows:

- (c) The disclosure required in the case of a Trustee shall be made:
- (i) at the meeting of Trustees or the applicable committee, as the case may be, at which a proposed contract or transaction is first considered;
- (ii) if the Trustee was not then interested in a proposed contract or transaction, at the first such meeting after he becomes so interested;
- (iii) if the Trustee becomes interested after a contract is made or a transaction is entered into, at the first meeting after he becomes so interested; or
- (iv) if a person who is interested in a contract or transaction later becomes a Trustee, at the first such meeting after he becomes a Trustee.
- (d) The disclosure required in the case of an officer of the Trust who is not a Trustee shall be made:

- (i) forthwith after such person becomes aware that the contract or transaction or proposed contract or transaction is to be considered or has been considered at a meeting of the Trustees or the ~~Investment Committee~~applicable committee thereof, as the case may be;
 - (ii) if such person becomes interested after a contract is made or transaction is entered into, forthwith after such person becomes aware that he has become so interested; or
 - (iii) if a person who is interested in a contract or a transaction later becomes an officer of the Trust, forthwith after he becomes an officer of the Trust.
- (e) Notwithstanding subsection (c) and (d), where this section applies to any person in respect of a material contract or transaction or proposed material contract or transaction that, in the ordinary course of the affairs of the Trust, would not require approval by the Trustees or the Unitholders, such person shall disclose in writing to the Trustees or request to have entered into the minutes of meetings of the Trustees or the applicable committee thereof the nature and extent of such person's interest forthwith after such person becomes aware of the contract or transaction or proposed contract or transaction.
- (f) A Trustee referred to in this section shall not vote on any resolution to approve the said contract or transaction unless the contract or transaction is:
 - (i) one relating primarily to his remuneration as a Trustee, officer, employee or agents of the Trust or subsidiary; or
 - (ii) one for indemnity under Section 14.1 hereof or the purchase of liability insurance.
- (g) For the purposes hereof, a general notice to the Trustees by a Trustee or an officer of the Trust disclosing that he is a director or officer of or has a material interest in a person, and is to be regarded as interested in any contract made or any transaction entered into with that person, is a sufficient disclosure of interest in relation to any contract so made or transaction so entered into. In the event that a meeting of Unitholders is called to confirm or approve a contract or transaction which is the subject of a general notice to the Trustees, the notice and extent of the interest in the contract or transaction of the person giving such general notice shall be disclosed in reasonable detail in the notice calling the said meeting of Unitholders or in any information circular to be provided by this Declaration of Trust or by law.
- (h) Where a material contract is made or a material transaction is entered into between the Trust and a Trustee or an officer of the Trust, or between the Trust and another person of which a Trustee or an officer of the Trust is a director or officer or in which he has a material interest:

- (i) such person is not accountable to the Trust or to the Unitholders for any profit or gain realized from the contract or transaction; and
- (ii) the contract or transaction is neither void nor voidable,

by reason only of that relationship or by reason only that such person is present at or is counted to determine the presence of a quorum at the meeting of the Trustees or ~~Investment Committee~~the applicable committee thereof that authorized the contract or transaction, if such person disclosed his interest in accordance with Section 3.6, and the contract or transaction was reasonable and fair to the Trust at the time it was so approved.

- (i) Notwithstanding anything in this section, but without limiting the effect of subsection (h) hereof, a Trustee or an officer of the Trust, acting honestly and in good faith, is not accountable to the Trust or to the Unitholders for any profit or gain realized from any such contract or transaction by reason only of his holding such office or position, and the contract or transaction, if it was reasonable and fair to the Trust at the time it was approved, is not by reason only of such person's interest therein void or voidable, where:
 - (i) the contract or transaction is confirmed or approved by Special Resolution at a meeting of Unitholders duly called for that purpose; and
 - (ii) the nature and extent of such person's interest in the contract or transaction are disclosed in reasonable detail in the notice calling the meeting or in any information circular to be provided by this Declaration of Trust or by law.
- (j) Subject to subsections (h) and (i), where a Trustee or an officer of the Trust fails to disclose his interest in a material contract or material transaction in accordance with this Declaration of Trust or otherwise fails to comply with this section, the Trustees or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the contract or transaction and directing that such person account to the Trust for any profit or gain realized.

Section 4.10 Conditions Precedent

The obligation of the Trustees to commence or continue any act, action, suit or proceeding or to represent the Trust in any action, suit or proceeding shall be conditional upon sufficient funds being available to the Trustees from the Trust's property to commence or continue such act, action, suit or proceeding or to represent the Trust in any action, suit or proceeding and an indemnity reasonably satisfactory to the Trustees to protect and hold harmless the Trustees against the costs, charges and expenses and liabilities to be incurred therein and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Declaration of Trust shall require the Trustees to expend or risk their own

funds or otherwise incur financial liability in the performance of their duties or in the exercise of any of their rights or powers unless they are given an indemnity and funding satisfactory to the Trustees, acting reasonably.

Section 4.11 ~~Independent~~Non-Restricted Trustee Matters

In addition to requiring the approval of a majority of the Trustees, the following matters will require the approval of at least a majority of the ~~Independent~~Non-Restricted Trustees (who have no interest in the matter) to become effective:

- (a) making any material change to the Asset Management Agreement, the Property Management Agreement, the Services Agreement, the Pipeline Agreement or the Investor Rights Agreement (including any termination thereof) or any increase in the fees payable thereunder (or any change thereto which has the effect of increasing the fees payable thereunder); ~~and~~
- (b) any proposed material agreement with the Asset Manager;~~;~~
- ~~(c) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, development or leasing services in respect of a property in which the Asset Manager or an affiliate of the Asset Manager has any direct or indirect interest, whether as owner, operator, tenant or manager, in each case other than where such transaction is required to be entered into by the Trust in accordance with its obligations under the Pipeline Agreement;~~
- ~~(d) a material change to any agreement with the Asset Manager or an affiliate of the Asset Manager or any approval, consent, waiver or other decision of the Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;~~
- ~~(e) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the Trust or any of its subsidiaries, or the making, directly or indirectly, of any co-investment, in each case, with the Asset Manager;~~
- ~~(f) the refinancing, increase or renewal of any Indebtedness owed by or to, the Asset Manager; and~~
- ~~(g) decisions relating to any claims by or against one or more parties to any agreement with the Asset Manager or affiliate of the Asset Manager,~~

provided, however, that the foregoing shall not apply with respect to any circumstances in respect of which the only parties to the relevant transaction or agreement are (i) the Trust and a wholly-owned subsidiary or (ii) wholly-owned subsidiaries of the Trust.

ARTICLE 5 INVESTMENT GUIDELINES AND OPERATING POLICIES

Section 5.1 Investment Guidelines

Notwithstanding any other provision hereof, the assets of the Trust may be invested only with the approval of the Trustees and only in accordance with the following restrictions:

- (a) the Trust will only invest in units, notes and securities of its subsidiaries, amounts receivable in respect of such units, notes and securities, cash and similar deposits in a Canadian, European or Hong Kong chartered bank or trust company;
- (b) the Trust will not make, or permit any of its subsidiaries to make, any investment that could result in: (a) the Units being disqualified for investment by Plans; (b) the Trust owning “non-portfolio property” as defined in subsection 122.1(1) of the Tax Act; or (c) the Trust ceasing to qualify as a “mutual fund trust” for purposes of the Tax Act;~~(i)~~
- (c) the Trust will not acquire or continue to hold any property that would be “taxable Canadian property” (as such term is defined in the Tax Act if the definition were read without reference to paragraph (b) thereof) (or any such amendments to that definition);
- (d) subject to the other provisions hereof, the income-producing real property (including ownership and leasehold interests) in which the subsidiaries of the Trust have an interest shall only be located outside of Canada;
- (e) subsidiaries of the Trust will not invest in raw land (except for the acquisition of properties adjacent to the Trust’s existing properties for the purpose of renovation or expansion of existing assets where the total cost of all such investments does not exceed 10% of the Trust’s Gross Book Value or raw land that is ancillary to an acquisition that otherwise satisfies the Trust’s investment guidelines);
- (f) subsidiaries of the Trust may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies;
- (g) except for temporary investments held in cash, deposits with a Canadian, European or Hong Kong chartered bank or trust company registered under the laws of a province of Canada, short- term government debt securities or in money market instruments of, or guaranteed by, a Schedule I Canadian chartered bank, a European or a Hong Kong chartered bank maturing prior to one year from the date of issue, subsidiaries of the Trust may not hold securities or enter into derivative contracts other than (i) for hedging and other risk management purposes; or (ii) securities of a joint venture entity or a

partnership, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned by the applicable subsidiary of the Trust, or an entity owned by the applicable subsidiary of the Trust formed and operated solely for the purpose of holding a particular real property or real properties; or (iii) securities of a public real estate entity;

- (h) subsidiaries of the Trust shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (i) subsidiaries of the Trust may invest in mortgages and mortgage bonds (including a participating or convertible mortgage, mezzanine financings and “vendor take-back” mortgages), if the income from such property would otherwise meet the investment restrictions of the Trust on a consolidated basis and where the aggregate amount of such investments after giving effect to the proposed investment, will not exceed 15% of the of the Trust’s Gross Book Value calculated at the time of such investment, provided that, notwithstanding the foregoing, subsidiaries of the Trust may invest in any mortgage if such investment is specifically approved by the Trustees;
- (j) subsidiaries of the Trust may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the Trust and secured by a mortgage on such property) up to 20% of the Trust’s Gross Book Value in investments or transactions which do not otherwise comply with the other provisions of this Section 5.1, so long as the investment is outside of Canada and does not contravene Section 5.1(b) or Section 5.1(c).

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement or a limited partnership, the whole subject to Section 5.1(b) and Section 5.1(c). Except as specifically set forth in this Declaration of Trust to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust, but always subject to Section 5.1(b) and Section 5.1(c).

Section 5.2 Operating Policies

~~(1)~~—The operations and affairs of the Trust are to be conducted in accordance with, and the Trust will not permit any of its subsidiaries to conduct its operations and affairs other than in accordance with, the following policies:

- (a) any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and to the extent management of the Trust determines to be practicable, any written instrument which is, in the judgment of management of the Trust, a material obligation, shall contain a

provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of real property;

- (b) subsidiaries of the Trust may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties that are capital property of the Trust;
- (c) to the extent that a subsidiary of the Trust acquires a freehold interest in a property, title to such real property shall be held by and registered in the name of the relevant subsidiary of the Trust, the Trustees or in the name of a corporation or other entity majority owned, directly or indirectly, by the Trust or jointly, directly or indirectly, by the Trust with joint venturers;
- (d) the Trust will not incur or assume any Indebtedness if, after giving effect to the incurring of the indebtedness, the total Indebtedness of the Trust would be more than 65% of the aggregate Gross Book Value;
- (e) the Trust will monitor its tax status as a “mutual fund trust”;
- (f) the Trust will not directly or indirectly guarantee any Indebtedness or liabilities of any kind of any person, except Indebtedness or liabilities assumed or incurred by a person in which the Trust holds an interest, directly or indirectly, or by an entity jointly-owned by the Trust with joint venturers and operated solely for the purpose of holding a particular property or properties where such Indebtedness, if granted by the Trust directly, would not cause the Trust to otherwise contravene the guidelines set out under Section 5.1. The Trust is not required but shall use its reasonable best efforts to comply with this requirement:
 - (i) in respect of obligations assumed by the Trust pursuant to the acquisition of real property; or
 - (ii) if doing so is necessary or desirable in order to further the initiatives of the Trust permitted under this Declaration of Trust;
- (g) subsidiaries of the Trust shall obtain and maintain at all times insurance coverage in respect of potential liabilities of subsidiaries of the Trust and the accidental loss of value of the assets of subsidiaries of the Trust from risks, in amounts, with such insurers, and on such terms as the Trustees consider

appropriate, taking into account all relevant factors including the practices of owners of comparable properties;

- (h) other than in connection with the Transaction and other than with respect to the acquisition of any properties that were owned by the Asset Manager at the time of the closing of the Transaction, subsidiaries of the Trust shall conduct or receive on terms approved by the Trustees an independent appraisal and an engineering survey with respect to the physical condition thereof (including capital replacement programs) of each property that it intends to acquire; and
 - (i) other than in connection with the Transaction and other than with respect to the acquisition of any properties that were owned by the Asset Manager at the time of the closing of the Transaction, the Trust shall obtain or review a Phase I environmental audit (or reliance letter from an environmental consultant in respect of a Phase I environmental audit) of each real property to be acquired by it, dated within eighteen months of the date of acquisition, and, if the Phase I environmental audit report recommends or recommended a Phase II environmental audit be obtained, the Trust shall obtain or review a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the Trustees.
- (2) For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust, partnership or other entity in which the Trust has an interest will be deemed to be owned by the Trust on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Section 5.3 Amendments to Investment Guidelines and Operating Policies

The investment guidelines set out under Section 5.1 may be amended only Special Resolution. The operating policies set out under Section 5.2 may be amended only by a resolution approved by a majority of the votes cast by Unitholders at a meeting called for such purpose or by way of a written instrument signed by all of the Unitholders entitled to vote on such matters.

Section 5.4 Application of Investment Guidelines and Operating Policies

With respect to the investment guidelines and operating policies contained in Section 5.1 and Section 5.2, where any maximum or minimum percentage limitation is specified in any of the ~~guidelines and policies therein contained,~~ such guidelines and policies therein contained, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value will not require divestiture of any investment.

Section 5.5 Regulatory Matters

If at any time a government or regulatory authority having jurisdiction over the Trust or any property of the Trust shall enact any law, regulation or requirement which is in conflict with any investment policy of the Trust then in force, such restriction in conflict shall, if the Trustees on the advice of legal counsel to the Trust so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Trustees shall not require the prior approval of Unitholders.

ARTICLE 6 TRUST UNITS

Section 6.1 Units

- (1) The beneficial interests in the Trust shall be divided into interests of two classes, described and designated as "Trust Units" and "Special Voting Units", respectively, which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out herein. Each Unit and Special Voting Unit shall vest indefeasibly in the holder thereof and the interest of each Unitholder shall be determined by the number of Trust Units and Special Voting Units registered in the name of the Unitholder.
- (2) The number of Trust Units and Special Voting Units that the Trust may issue shall be unlimited.
- (3) The issued and outstanding Trust Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or approval of the holders of Trust Units or holders of Special Voting Units.
- (4) Each Trust Unit shall represent a proportionate, undivided beneficial ownership interest in the Trust and shall confer the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the Trust (subject to any contractual waiver of rights to such distributions), whether of net income or other amounts, and, in the event of termination or winding-up of the Trust, in the net assets of the Trust remaining after satisfaction of all liabilities. No Trust Unit shall have any preference or priority over any other. Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. The Trust Units are redeemable at the holder's option, (as described below) and the Trust Units have no other conversion, retraction, redemption or pre-emptive rights.

Section 6.2 Special Voting Units

- (1) Each Special Voting Unit shall have no economic entitlement in the Trust or in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the Unitholders equal to the number of Trust Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into Trust Units for the

purpose of providing voting rights with respect to the Trust to the holders of such securities.

- (2) Special Voting Units shall not be transferable separately from the exchangeable securities to which they are attached and will automatically be transferred upon the transfer of any such exchangeable securities.
- (3) Upon the exchange or surrender of an exchangeable security for a Trust Unit, the Special Voting Unit attached to such exchangeable security will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.
- (4) Concurrently with the issuance of Special Voting Units attached to exchangeable securities issued from time to time, the Trust shall enter into such agreements (including the Limited Partnership Agreements) as may be necessary or desirable to properly provide for the terms of the exchangeable securities, including to provide for the voting of such Special Voting Units.

Section 6.3 Consideration for Trust Units

No Trust Units shall be issued other than as fully paid and non-assessable and a Trust Unit shall not be fully paid until the consideration therefor has been received in full by or on behalf of the Trust, provided that Trust Units may be issued and sold on an instalment basis, in which event beneficial ownership of such Trust Units may be represented by instalment receipts, but shall otherwise be non-assessable. The consideration for any Trust Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that the Trust would have received if the Trust Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the Trustees may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit the Trust.

Section 6.4 Pre-Emptive Rights

Subject to any binding agreement entered into by the Trust, no person shall be entitled, as a matter of right, to subscribe for or purchase any Units of the Trust, whether by pre-emptive right or otherwise.

Section 6.5 Fractional Units

If as a result of any act of the Trustees hereunder any person becomes entitled to a fraction of a Unit, such fractional Unit will not be issued but rather rounded down to the nearest whole Unit.

Section 6.6 Allotment and Issue

The Trustees may allot and issue Trust Units at such time or times and in such manner (including, without limitation, as consideration for the acquisition of new properties or assets, pursuant to any incentive or option plan established by the Trust from time to time or any plan from time to time in effect relating to reinvestment by Unitholders of

distributions of the Trust in Units or pursuant to a unitholder rights plan of the Trust) and for such consideration and to such person, persons or class of persons as the Trustees in their sole discretion shall determine. Special Voting Units may only be issued in connection with or in relation to exchangeable securities for the purpose of providing voting rights to the holders of such securities with respect to the Trust. In the event that Trust Units are issued in whole or in part for consideration other than money, the resolution of the Trustees allotting and issuing such Trust Units shall express the fair equivalent in money of the other consideration received. The price or value of the consideration for which Trust Units may be issued will be determined by the Trustees in their sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Trust Units.

Section 6.7 Rights, Warrants and Options

- (1) The Trust may create and issue rights, warrants or options or other instruments or securities to subscribe for fully paid Trust Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the Trustees may determine. The rights, warrants, options, instruments or securities so created may be issued for such consideration or for no consideration, all as the Trustees may determine. A right, warrant, option, instrument or security shall not be a Trust Unit and a holder thereof shall not be a Unitholder. Upon the approval by the Trustees of any unit option plan for the Trustees, officers and/or employees of the Trust or any subsidiary of the Trust and/or their personal holding companies or family trusts and/or persons who provide services to the Trust, the Trustees may grant such options upon the terms and subject to the conditions set forth in such plan.
- (2) Subject to the provisions of Article 5 hereof, the Trustees may create and issue Indebtedness of the Trust in respect of which interest, premium or principal payable thereon may be paid, at the option of the Trust or the holder, in fully paid Trust Units, or which Indebtedness, by its terms, may be convertible into Trust Units at such time and for such prices as the Trustees may determine. Any Indebtedness so created shall not be a Trust Unit and a holder thereof shall not be a Unitholder unless and until fully paid Trust Units are issued in accordance with the terms of such Indebtedness.

Section 6.8 Commissions and Discounts

The Trustees may provide for the payment of commissions or may allow discounts to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for Trust Units or other securities issued by the Trust or of their agreeing to procure subscriptions therefor, whether absolute or conditional.

Section 6.9 Transferability

The Trust Units are freely transferable and, except as stipulated in Section 6.10, the Trustees shall not impose any restriction on the transfer of Trust Units by any Unitholder except with the consent of such Unitholder. Special Voting Units will not be transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities.

Section 6.10 Transfer of Units

- (1) Subject to the provisions of this Article 6, the Trust Units shall be for all purposes of the Trust and this Declaration of Trust, personal and moveable property, and the Trust Units shall be fully transferable without charge as between persons, but no transfer of Trust Units shall be effective as against the Trustees or shall be in any way binding upon the Trustees until the transfer has been recorded on the Register maintained by the Trustees, the Trust or the Transfer Agent or in the case of the Initial Unit, the transfer has been approved by the Trustees. No transfer of a Trust Unit shall be recognized unless such transfer is of a whole Unit.
- (2) Subject to the provisions of this Article 6, Units shall be transferable on the Register only by the holders of record thereof or their executors, administrators or other legal representatives or by their agents or attorneys duly authorized in writing, and only upon delivery to the Trust or to the Transfer Agent of the certificate, if any, therefor, properly endorsed or accompanied by a duly executed instrument of transfer or power of attorney and accompanied by all necessary transfer or other taxes imposed by law, together with such evidence of the genuineness of such endorsement, execution and authorization and other matters that may reasonably be required by the Trustees or the Transfer Agent. Upon such delivery the transfer shall be recorded on the Register or branch transfer registers and a new Unit certificate for the Units may, if applicable, be issued to the transferee and a new Unit certificate, if applicable, for the balance of Units not transferred shall be issued to the transferor. Unit certificates representing any number of Units may be exchanged without charge for Trust Unit certificates representing an equivalent number of Units in the aggregate. Any exchange of Unit certificates may be made at the offices of the Trust or the Transfer Agent where registers are maintained for Unit certificates pursuant to the provisions of this Article 6. Any Unit certificates tendered for exchange shall be surrendered to the Trustees or appropriate Transfer Agent and then shall be cancelled.
- ~~(3) Immediately after the Closing, the Trust will purchase the Initial Unit from the Initial Unitholder, and the Initial Unitholder will sell the Initial Unit to the Trust, for a purchase price of \$10.00 and, upon the completion of such purchase and sale, the Initial Unit shall be cancelled and shall no longer be outstanding for any of the purposes of this Declaration of Trust.~~

Section 6.11 Non-certified Inventory System

- (1) The provisions of this Section 6.11 shall not in any way alter the nature of Units or the relationships of a Unitholder to the Trustees and of one Unitholder to another but are intended only to facilitate the recording of all transactions in respect of Trust Units whether by the Trust, securities dealers, stock exchanges, transfer agents, registrars or other persons.
- (2) Except as otherwise provided in this Section 6.11, registration of interests in and transfers of Trust Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the Trust, via its Transfer Agent, will electronically deliver the Trust Units registered to CDS or its nominee, and CDS will

credit interests in such Trust Units to the accounts of the applicable CDS Participants as directed on Closing. Trust Units held in CDS will be purchased and transferred through a CDS Participant. All rights of beneficial Trust Unitholders who hold Trust Units in CDS must be exercised through, and all payments or other property to which such beneficial Trust Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the beneficial Trust Unitholder holds such Trust Units.

- (3) Except as described below, no purchaser of a Trust Unit will be entitled to a certificate or other instrument from the Trust evidencing that purchaser's ownership thereof, and no holder of a beneficial interest in a Trust Unit will be shown on the records maintained by CDS except through the accounts of CDS Participants acting on behalf of the applicable beneficial owners. CDS will be responsible for establishing and maintaining accounts for CDS Participants having interests in the Trust Units, and sales of interests in the Trust Units may only be completed through CDS Participants.
- (4) Trust Units may be issued in fully registered form to holders or their nominees, if any, who purchase the Trust Units pursuant to a private placement of Trust Units made in reliance upon Rule 144A adopted under the United States Securities Act of 1933, and to transferees thereof in the United States who purchase such Trust Units in reliance upon Rule 144A. Likewise, any Trust Units transferred to a transferee within the United States or outside the United States to a "U.S. person" (within the meaning of Regulation S) may be evidenced in definitive certificates representing any such Trust Units unless the Trust otherwise agrees that such Trust Units need not be evidenced in definitive certificates. If any such Trust Units represented by definitive certificates are subsequently traded into Canada, or otherwise outside the United States in compliance with Regulation S, the Transfer Agent will electronically deliver such Trust Units registered to CDS or its nominee, and CDS will credit interests in such Trust Units to the accounts of the applicable CDS Participants as directed by the Transfer Agent.
- (5) Except as noted in the foregoing paragraph, Trust Units will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the Trust is required to do so by applicable law; (ii) the depositary system of CDS ceases to exist; (iii) the Trustees determine that CDS is no longer willing, able or qualified to discharge properly its responsibility as depositary and the Trustees are unable to locate a qualified successor; (iv) the Trustees elect to prepare and deliver definitive certificates representing the Trust Units; or (v) the Trustees elect to terminate the NCI system in respect of the Trust Units through CDS.
- (6) All references herein to actions by, notices given or payments made to Trust Unitholders shall, where such Trust Units are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the CDS Participants in accordance with CDS's rules and procedures. For the purposes of any provision hereof requiring or permitting actions with the consent of or at the direction of Unitholders evidencing a specified percentage of the aggregate Units outstanding, such direction or consent may be given by Trust Unitholders acting

through CDS and the CDS Participants beneficially owning Trust Units evidencing the requisite percentage of the Units, subject to the voting rights of holders of Special Voting Units. The rights of a Trust Unitholder whose Trust Units are held through CDS shall be exercised only through CDS and the CDS Participants and shall be limited to those established by law and agreements between such Trust Unitholders and CDS and/ or the CDS Participants or upon instruction from the CDS Participants. Each of the Transfer Agent and the Trustees may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Trust Unitholders and such dealing with CDS shall constitute satisfaction or performance, as applicable, towards their respective obligations hereunder.

- (7) For so long as Trust Units are held through CDS, if any notice or other communication is required to be given to Trust Unitholders, the Trustees and the Transfer Agent will give all such notices and communications to CDS.
- (8) If CDS resigns or is removed from its responsibilities as depositary and the Trustees are unable or do not wish to locate a qualified successor, CDS shall surrender the Trust Units held by it to the Transfer Agent with instructions from CDS for registration of Trust Units in the name and in the amounts specified by CDS and the Trust shall issue and the Trustee and Transfer Agent shall execute and deliver the aggregate number of Trust Units then outstanding in the form of definitive certificates representing such Trust Units.

Section 6.12 Redemption of Units

- (1) Each Trust Unitholder shall be entitled to demand, at any time, the Trust to redeem from time to time all or any part of the Trust Units registered in the name of the Trust Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided.
- (2) To exercise a Trust Unitholder's right to require redemption under this Section 6.12, a duly completed and properly executed notice requiring the Trust to redeem Trust Units, in a form approved by the Trustees, together with written instructions as to the number of Trust Units to be redeemed, shall be sent to the Trust at the head office of the Trust. No form or manner of completion or execution shall be sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any further evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.
- (3) Upon receipt by the Trust of the notice to redeem Trust Units, the Trust Unitholder shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions thereon which are declared payable to the Trust Unitholders of record on a date which is subsequent to the day of receipt by the Trust of such notice. Trust Units shall be considered to be tendered for redemption on the date that the Trust has, to the satisfaction of the Trustees, received the notice and other required documents or evidence as aforesaid.

- (4) Upon receipt by the Trust of the notice to redeem Trust Units, and other required documentation, if any, in accordance with this Section 6.12, the holder of the Units tendered for redemption shall be entitled to receive a price per Trust Unit (the “**Redemption Price**”) equal to the lesser of:
- (a) 90% of the “market price” of the Trust Units calculated as of the date (the “**Redemption Date**”) on which the Trust Units were surrendered for redemption; and
 - (b) 100% of the “closing market price” on the Redemption Date;

For the purposes of this calculation, “market price” of a Trust Unit as at a specified date will be:

- (x) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;
- (y) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (z) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The “closing market price” of a Unit for the purpose of the foregoing calculations, as at any date will be:

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

- (x) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (y) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (z) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

- (5) Subject to Section 6.12(6) and Section 6.12(7), the Redemption Price payable in respect of the Units tendered for redemption during any calendar month shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to, or to the order of, the Unitholder who exercised the right of redemption on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments made by the Trust of the Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder unless such cheque is dishonoured upon presentment. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in respect of the Units so redeemed.
- (6) Section 6.12(5) shall not be applicable to Units tendered for redemption by a Unitholder, if:
 - (a) the total amount payable by the Trust pursuant to Section 6.12(4) in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds \$50,000 (the “**Monthly Limit**”); provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month and, in the absence of such a waiver, Units tendered for redemption in any calendar month in which the total amount payable by the Trust pursuant to Section 6.12(4) exceeds the Monthly Limit will be redeemed for cash pursuant to Section 6.12(4) and, subject to any applicable regulatory approvals, by a distribution in specie of assets held by the Trust on a pro rata basis;
 - (b) at the time the Units are tendered for redemption, the outstanding Units are not listed for trading on the TSX-V or traded or quoted on any stock exchange

or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; or

- (c) the normal trading of the outstanding Units is suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading, on the Redemption Date for such Units or for more than five trading days during the 10 trading day period commencing immediately after the Redemption Date for such Units.
- (7) If Section 6.12(5) is not applicable to Units tendered for redemption by a Unitholder pursuant to Section 6.12(6)(a), the Redemption Price per Unit specified in Section 6.12(4) shall be paid and satisfied as follows: (A) a portion of the Redemption Price per Unit equal to the Monthly Limit divided by the number of Units tendered for redemption in the month shall be paid and satisfied in accordance with Section 6.12(5) applied *mutatis mutandis* and (B) subject to receipt of all necessary regulatory approvals (which the Trust shall use reasonable commercial efforts to obtain forthwith), the remainder of the Redemption Price per Unit shall be paid and satisfied by way of a distribution *in specie* to such Unitholder of Subsidiary Notes having a fair market value determined by the Trustees equal to the product of (y) the remainder of the Redemption Price per Unit of the Units tendered for redemption and (z) the number of Units tendered by such Unitholder for redemption.
 - (8) If Section 6.12(5) is not applicable to all of the Units tendered for redemption by a Unitholder pursuant to Section 6.12(6)(b) above and Section 6.12(6)(c) above, the Redemption Price per Unit specified in Section 6.12(4) above shall, subject to receipt of all necessary regulatory approvals (which the Trust shall use reasonable commercial efforts to obtain forthwith), be paid and satisfied by way of a distribution *in specie* to such Unitholder of Subsidiary Notes having a fair market value equal to the product of (A) the Redemption Price per Unit of the Units tendered for redemption and (B) the number of Units tendered by such Unitholder for redemption.
 - (9) For purposes of Section 6.12(7) above, no Subsidiary Notes in integral multiples of less than \$100 will be distributed and, where Subsidiary Notes to be received by a Unitholder includes a multiple less than that number, the number of Subsidiary Notes shall be rounded to the next lowest integral multiple of \$100 and the balance shall be paid in cash.
 - (10) The Redemption Price payable pursuant to Section 6.12(7) above in respect of Units tendered for redemption during any month shall, subject to receipt of all necessary regulatory approvals, be paid by the transfer to or to the order of the Unitholder who exercised the right of redemption, of the Subsidiary Notes, if any, and the cash payment, if any, determined in accordance with the provisions of this Section 6.12(7) above, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption.

- (11) Payments by the Trust pursuant to Section 6.12(7) above are conclusively deemed to have been made upon the mailing of certificates representing the Subsidiary Notes, if any, and a cheque, if any, by registered mail in a postage prepaid envelope addressed to the former Unitholder and/or any party having a security interest and, upon such payment, the Trust shall be discharged from all liability to such former Unitholder and any party having a security interest in respect of the Units so redeemed.
- (12) The Trust shall be entitled to all accrued interest, paid or unpaid, on the Subsidiary Notes, if any, on or before the date of distribution in specie pursuant to Section 6.12(7).
- (13) Where the Trust makes a distribution in specie on a redemption of Units pursuant to Section 6.12(7), the Trustees may, in their sole discretion, designate and treat as having been paid to the redeeming Unitholders any amount of the capital gains or income realized by the Trust on or in connection with the distribution of such securities to the Unitholder.
- (14) All Units which are redeemed under this Section 6.12 shall be cancelled and such Units shall no longer be outstanding and shall not be reissued.

Section 6.13 Certificate Fee

The Trustees may establish a reasonable fee to be charged for every Unit certificate issued.

Section 6.14 Form of Unit certificate

- (1) The form of certificate representing Units and the instrument of transfer, if any, on the reverse side thereof shall, subject to the provisions hereof, be in such form as is from time to time authorized by the Trustees.
- (2) The form of certificate representing Special Voting Units and the instrument of transfer, if any, on the reverse side thereof shall, subject to the provisions hereof, be in such form as is from time to time authorized by the Trustees.

Section 6.15 Unit certificates

- (1) If issued, Unit certificates are issuable only in fully registered form.
- (2) The definitive form of the Unit certificates shall:
 - (a) be in the English language or in the English language and the French language;
 - (b) be dated as of the date of issue thereof; and
 - (c) contain such distinguishing letters and numbers as the Trustees shall prescribe.
- (3) In the event that the Unit certificate is translated into the French language and any provision of the Unit certificate in the French language shall be susceptible of an

interpretation different from the equivalent provision in the English language, the interpretation of such provision in the English language shall be determinative.

- (4) Each Unit certificate shall be signed on behalf of the Trustees and if so decided by the Trustees, signed or certified by the Transfer Agent of the Units. The signature of the Trustees required to appear on such certificate may be printed, lithographed or otherwise mechanically reproduced thereon and, in such event, certificates so signed are as valid as if they had been signed manually. If a Unit certificate contains the printed or mechanically reproduced signature of a person, then the Trust may issue the Unit certificate even though such person has ceased to be a Trustee or an authorized representative thereof and such Unit certificate is as valid as if such person continued to be a Trustee or an authorized representative thereof at the date of its issue.

Section 6.16 Contents of Unit certificates

- (1) Until otherwise determined by the Trustees, each Unit certificate shall legibly set forth on the face thereof, *inter alia*, the following:
- (a) the name of the Trust and the words “A trust governed under the laws of the Province of Ontario governed by ~~an~~ a second amended and restated Declaration of Trust made the ~~3rd~~ 3rd day of ~~May~~ May, ~~2017~~, 2019, as amended from time to time” or words of like effect;
 - (b) the name of the person to whom the Unit certificate is issued as Unitholder;
 - (c) the number of Units represented thereby and whether or not the Units represented thereby are fully paid;
 - (d) that the Units represented thereby are transferable;
 - (e) “The Units represented by this certificate are issued upon the terms and subject to the conditions of the Declaration of Trust, which Declaration of Trust is binding upon all holders of Units and, by acceptance of this certificate, the holder assents to the terms and conditions of the Declaration of Trust. A copy of the Declaration of Trust, pursuant to which this certificate and the Units represented thereby are issued, may be obtained by a Unitholder on demand and without fee from the head office of the Trust” or words of like effect; and
 - (f) “For information as to personal liability of a Unitholder, see the reverse side of this certificate” or words of like effect.
- (2) Until otherwise determined by the Trustees, each such certificate shall legibly set forth on the reverse side thereof, *inter alia*, the following:
- (a) “The Declaration of Trust provides that no Unitholder shall be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the assets of the Trust or the obligations or the affairs of the

Trust and all such persons shall look solely to the assets of the Trust for satisfaction of claims of any nature arising out of or in connection therewith and the assets of the Trust only shall be subject to levy or execution", or words of like effect; and

- (b) appropriate forms of notice of exercise of the right of redemption, if applicable, and of powers of attorney for transferring Units.

The Unit certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Trustees may determine.

Section 6.17 Register of Unitholders

A register shall be kept at the principal office in Toronto, Ontario of the Transfer Agent, which Register shall contain the names and addresses of the Unitholders, the respective numbers of Units held by them, the certificate numbers of certificates representing such Units, if any, and a record of all transfers and redemptions thereof and a register shall be kept at the principal office in Toronto, Ontario of the Trust, which Register shall contain the names and addresses of the holders of Special Voting Units, the respective numbers of Special Voting Units held by them, the certificate numbers of certificates representing such Special Voting Units, if any, and a record of all transfers and redemptions thereof (collectively, the "**Register**"). Only Unitholders whose certificates are so recorded shall be entitled to receive distributions or to exercise or enjoy the rights of Unitholders hereunder. The Trustees shall have the right to treat the person registered as a Unitholder on the Register as the owner of such Units for all purposes, including, without limitation, payment of any distribution, giving notice to Unitholders and determining the right to attend and vote at meetings of Unitholders.

Section 6.18 Successors in Interest to Unitholders

Any person purporting to become entitled to any Units as a consequence of the death, bankruptcy or incompetence of any Unitholder or otherwise by operation of law, shall be recorded in the Register as the holder of such Units, but until such record is made, the Unitholder of record shall continue to be and shall be deemed to be the holder of such Units for all purposes whether or not the Trust, the Trustees or the Transfer Agent or registrar of the Trust shall have actual or other notice of such death, bankruptcy, incompetence or other event and any person becoming entitled to such Units shall be bound by every notice or other document in respect of the Units which shall have been duly given to the person from whom such person derives title to such Units. Once such record is made, the Trustees shall deal with the new holder of such units as Unitholder from thereon and shall have no liability to any other person purporting to have been entitled to the Units prior to the making of such record.

Section 6.19 Units Held Jointly or in Fiduciary Capacity

The Trust may treat two or more persons holding any Unit as joint tenants of the entire interest therein unless the ownership is expressly otherwise recorded in the Register, but no entry shall be made in the Register that any person is in any other manner entitled to any future, limited or contingent interest in any Unit; provided, however, that any person recorded in the Register as a Unitholder may, subject to the provisions herein contained, be

described in the Register as a fiduciary of any kind and any customary words may be added to the description of the holder to identify the nature of such fiduciary relationship.

Section 6.20 Performance of Trusts

None of the Trustees of the Trust, the officers of the Trust, the Unitholders or the Transfer Agent or other agent of the Trust or the Trustees shall have a duty to inquire into any claim that a transfer of a Unit or other security of the Trust was or would be wrongful or that a particular adverse person is the owner of or has an interest in the Unit or other security or any other adverse claim, or be bound to see to the performance of any trust, express, implied or constructive, or of any charge, pledge or equity to which any of the Units or other securities or any interest therein are or may be subject, or to ascertain or inquire whether any sale or transfer of any such Units or other securities or interest therein by any such Unitholder or holder of such security or his personal representatives is authorized by such trust, charge, pledge or equity, or to recognize any person as having any interest therein, except for the person recorded as Unitholder.

Section 6.21 Lost Unit certificates

In the event that any Unit certificate is lost, stolen, destroyed or mutilated, the Trustees may authorize the issuance of a new Unit certificate for the same number of Units or Special Voting Units, as the case may be, in lieu thereof. The Trustees may in their discretion, before the issuance of such new Unit certificate, require the owner of the lost, stolen, destroyed or mutilated Unit certificate, or the legal representative of the owner, to make such affidavit or statutory declaration, setting forth such facts as to the loss, theft, destruction or mutilation as the Trustees or any officers of the Trust deem necessary and may require the applicant to surrender any mutilated Unit certificate and to require the applicant to supply to the Trust a "lost certificate bond" or similar bond in such reasonable amount as the Trustees or Transfer Agent may direct indemnifying the Trustees or any officers of the Trust and the Transfer Agent for so doing. The Trustees or any officers of the Trust shall have the power to acquire from an insurer or insurers a blanket lost security bond or bonds in respect of the replacement of lost, stolen, destroyed or mutilated Unit certificates. The Trust shall pay all premiums and other sums of money payable for such purpose out of the property of the Trust with such contribution, if any, by those insured as may be determined by the Trustees or any officers of the Trust. If such blanket lost security bond is acquired, the Trustees or any officers of the Trust may authorize and direct (upon such terms and conditions as they from time to time impose) any registrar, transfer agent, trustee or others to whom the indemnity of such bond extends to take such action to replace such lost, stolen, destroyed or mutilated Unit certificates without further action or approval by the Trustees or any officers of the Trust.

Section 6.22 Death of Unitholders

The death of a Unitholder during the continuance of the Trust shall not terminate the Trust or give the personal representatives or the heirs of the estate of the deceased Unitholder a right to an accounting or to take any action in the courts or otherwise against other Unitholders or the Trustees, officers of the Trust or the property of the Trust, but shall only entitle the personal representatives or the heirs of the estate of the deceased Unitholder to succeed to all rights of the deceased Unitholder under this Declaration of Trust.

Section 6.23 Unclaimed Payments

In the event that the Trustees hold any amounts to be paid to Unitholders because such amounts are unclaimed or cannot be paid for any reason, neither the Trustees nor any distribution disbursing agent shall be under any obligation to invest or reinvest the same and shall only be obligated to hold the same in a current or other non-interest bearing account with a chartered bank or trust company, pending payment to the person or persons entitled thereto. The Trustees shall, as and when required by law, and may at any time prior to such required time, pay all or part of such amounts so held to a court in the province where the Trust has its principal office or to the Public Guardian and Trustee (or other similar government official or agency) in the province where the Trust has its principal office whose receipt shall be a good and sufficient discharge of the obligations of the Trustees.

Section 6.24 Repurchase of Units

The Trust shall be entitled to purchase for cancellation at any time the whole or from time to time any part of the outstanding Units, at a price per Unit and on a basis determined by the Trustees in compliance with all applicable ~~Securities Laws~~securities laws or the rules or policies of any applicable stock exchange.

Section 6.25 Take-Over Bids

- (1) If within 120 days after the date of a Take-Over Bid the bid is accepted by the holders of not less than 90% of the Units, other than Units held at the date of the Take-Over Bid by or on behalf of the Offeror or an ~~Affiliate~~affiliate or associate of the Offeror, the Offeror is entitled, on complying with this Section 6.25, to acquire the Units held by the Dissenting Offerees.
- (2) An Offeror may acquire Units held by a Dissenting Offeree by sending by registered mail within 60 days after the date of termination of the Take-Over Bid and in any event within 180 days after the date of the Take-Over Bid, an Offeror's notice to each Dissenting Offeree stating that:
 - (a) the Offerees holding more than 90% of the Units to which the bid relates accepted the Take-Over Bid;
 - (b) the Offeror is bound to take up and pay for or has taken up and paid for the Units of the Offerees who accepted the Take-Over Bid;
 - (c) a Dissenting Offeree is required to elect:
 - (i) to transfer her Units to the Offeror on the terms on which the Offeror acquired the Units of the Offerees who accepted the Take-Over Bid, or
 - (ii) to demand payment of the fair value of her Units in accordance with Section 6.25(10) to Section 6.25(19) by notifying the Offeror within 20 days after she receives the Offeror's notice;
- (3) a Dissenting Offeree who does not notify the Offeror in accordance with Section 6.25(2)(c)(ii) is deemed to have elected to transfer her Units to the Offeror on the same

terms that the Offeror acquired the Units from the Offerees who accepted the Take-Over Bid; and

- (4) a Dissenting Offeree must send her Unit certificates representing the Units to which the Take-Over Bid relates to the Trust within 20 days after she receives the Offeror's notice.
- (5) Concurrently with sending the Offeror's notice under Section 6.25(2), the Offeror shall send to the Trust a notice of adverse claim disclosing the name and address of the Offeror and the name of the Dissenting Offeree with respect to each Unit held by a Dissenting Offeree.
- (6) A Dissenting Offeree to whom an Offeror's notice is sent under Section 6.25(2) shall, within 20 days after she receives that notice, send her Unit certificates to the Trust.
- (7) Within 20 days after the Offeror sends an Offeror's notice under Section 6.25(2), the Offeror shall pay or transfer to the Trust the amount of money or other consideration that the Offeror would have had to pay or transfer to a Dissenting Offeree if the Dissenting Offeree had elected to accept the Take-Over Bid under Section 6.25(2)(c)(i).
- (8) The Trust is deemed to hold in trust for the Dissenting Offeree the money or other consideration it receives under Section 6.25(7), and the Trust shall deposit the money in a separate account in a bank or other body corporate any deposits of which are insured by the Canada Deposit Insurance Corporation or guaranteed by the Québec Deposit Insurance Board, and shall place the other consideration in the custody of a bank or such other body corporate.
- (9) Within 30 days after the Offeror sends an Offeror's notice under Section 6.25(2), the Trust shall:
 - (a) issue to the Offeror a Unit certificate in respect of the Units that were held by Dissenting Offerees;
 - (b) give to each Dissenting Offeree elects to accept the Take-Over Bid terms under Section 6.25(2)(c)(i) and who sends her Unit certificates as required under Section 6.25(6), the money or other consideration to which she is entitled, disregarding fractional Units, if any, which may be paid for in money; and
 - (c) send to each Dissenting Offeree who has not sent her Unit certificates as required under Section 6.25(6) a notice stating that:
 - (i) his Units have been cancelled,
 - (ii) the Trust or some designated person holds in trust for her the money or other consideration to which she is entitled as payment for or in exchange for her Units, and

- (iii) the Trust will, subject to Section 6.25(10) to Section 6.25(19), send that money or other consideration to her forthwith after receiving her Units.
- (10) If a Dissenting Offeree has elected to demand payment of the fair value of her Units under Section 6.25(2)(c)(ii), the Offeror may, within 20 days after it has paid the money or transferred the other consideration, under Section 6.25(7), apply to a court to fix the fair value of the Units of that Dissenting Offeree.
 - (11) If an Offeror fails to apply to a court under Section 6.25(10), a Dissenting Offeree may apply to a court for the same purpose within a further period of 20 days.
 - (12) Where no application is made to a court under Section 6.25(11) within the period set out in that subsection, a Dissenting Offeree is deemed to have elected to transfer her Units to the Offeror on the same terms that the Offeror acquired the Units from the Offerees who accepted the Take-Over Bid.
 - (13) An application under Section 6.25(10) or Section 6.25(11) shall be made to a court having jurisdiction in the place where the Trust has its registered office.
 - (14) A Dissenting Offeree is not required to give security for costs in an application made under Section 6.25(10) or Section 6.25(11).
 - (15) On an application under Section 6.25(10) or Section 6.25(11):
 - (a) all Dissenting Offerees referred to in Section 6.25(2)(c)(ii) whose Units have not been acquired by the Offeror shall be joined as parties and shall be bound by the decision of the court; and
 - (b) the Offeror shall notify each affected Dissenting Offeree of the date, place and consequences of the application and of her right to appear and be heard in person or by counsel.
 - (16) On an application to a court under Section 6.25(10) or Section 6.25(11) the court may determine whether any other person is a Dissenting Offeree who should be joined as a party, and the court shall then fix a fair value for the Units of all Dissenting Offerees.
 - (17) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the Units of a Dissenting Offeree.
 - (18) The final order of the court shall be made against the Offeror in favour of each Dissenting Offeree and for the amount for her Units as fixed by the court.
 - (19) In connection with proceedings under this Section 6.25, a court may make any order it thinks fit and, without limiting the generality of the foregoing, it may:

- (a) fix the amount of money or other consideration that is required to be held in trust under Section 6.25(8);
- (b) order that money or other consideration be held in trust by a person other than the Trust; and
- (c) allow a reasonable rate of interest on the amount payable to each Dissenting Offeree from the date she sends or delivers her Unit certificates under Section 6.25(6) until the date of payment.

ARTICLE 7 MEETINGS OF UNITHOLDERS

Section 7.1 Annual Meeting

There shall be an annual meeting of the Unitholders at such time and place as the Trustees shall prescribe for the purpose of electing Trustees, appointing or removing the Auditors and transacting such other business as the Trustees may determine or as may properly be brought before the meeting. The annual meeting of Unitholders shall be held after delivery to the Unitholders of the annual report referred to in Section 15.6 and, in any event, within 180 days after the end of each fiscal year of the Trust, or such later date (not to exceed 15 months from the date of the most recently held annual meeting) as the Trustees may determine is in the best interests of Unitholders, subject to the receipt of all applicable regulatory approvals. Notwithstanding the foregoing, the Trust may extend the time for calling an annual meeting subject to regulatory approval. The business transacted at such meetings shall include (i) the presentation of the audited financial statements of the Trust for the immediately preceding fiscal year, (ii) the appointment of the Trustees for the ensuing year in accordance with Article 3, (iii) the appointment of Auditors, and (iv) the transaction of such other business as Unitholders may be entitled to vote upon as hereinafter provided in this Article 7 or as the Trustees may determine.

Section 7.2 Other Meetings

- (1) The Trustees shall have power at any time to call special meetings of the Unitholders at such time and place as the Trustees may determine. Unitholders holding in the aggregate not less than 5.0% of the outstanding Units of the Trust may requisition the Trustees in writing to call a special meeting of the Unitholders for the purposes stated in the requisition. The requisition shall state in reasonable detail the business proposed to be transacted at the meeting and shall be sent to each of the Trustees at the principal office of the Trust. Upon receiving the requisition, the Trustees shall call a meeting of Unitholders to transact the business referred to in the requisition, unless:
 - (a) a record date for a meeting of the Unitholders has been fixed and notice thereof has been given to each stock exchange in Canada on which the Units are listed for trading;
 - (b) the Trustees have called a meeting of the Unitholders and have given notice thereof pursuant to Section 7.3;

- (c) the business as stated in the requisition includes the nomination for the election of Trustees where such nomination was not made in accordance with the provisions of Section 3.6; or
 - (d) in connection with the business as stated in the requisition:
 - (i) it clearly appears that the matter covered by the requisition is submitted by the Unitholder primarily for the purpose of enforcing a personal claim or redressing a personal grievance against the Trust, the Trustees, the officers of the Trust or its security holders, or primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes;
 - (ii) the Trust, at the Unitholder's request, included a matter covered by a requisition in an information circular relating to a meeting of Unitholders held within two years preceding the receipt of such request, and the Unitholder failed to present the matter, in person or by proxy, at the meeting;
 - (iii) substantially the same matter covered by the requisition was submitted to Unitholders in an information circular (including a dissident's information circular) relating to a meeting of Unitholders held within two years preceding the receipt of the Unitholder's request and the matter covered by the requisition was defeated; or
 - (iv) the rights conferred by this Section 7.2 are being abused to secure publicity.
- (2) If the Trustees do not within 21 days after receiving the requisition call a meeting, any Unitholder who signed the requisition may call the meeting in accordance with the provisions of Section 7.3 and Section 7.9 and the Trustees' Regulations, *mutatis mutandis*. If there shall be no Trustees, the officers of the Trust shall promptly call a special meeting of the Unitholders for the election of successor Trustees. The phrase "meeting of the Unitholders" wherever it appears in this Declaration of Trust shall mean and include both an annual meeting and any other meeting of Unitholders.

Section 7.3 Notice of Meeting of Unitholders

Notice of all meetings of the Unitholders shall be mailed or delivered by the Trustees to each Unitholder at his address appearing in the Register, to each Trustee and to the Auditors not less than 21 nor more than 60 days before the meeting. Notice of any meeting of the Unitholders shall state the purposes of the meeting and shall specify the time when, and the place in Canada where, such meeting is to be held. If a meeting is adjourned for less than thirty days it is not necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of Unitholders is adjourned by one or more adjournments for an aggregate of thirty days or more, notice of the adjourned meeting shall be given as for an original meeting. The accidental omission to give notice or the non-receipt of such notice by a Unitholder shall not invalidate any resolution

passed at any such meeting. Notwithstanding the foregoing, a meeting of Unitholders may be held at any time without notice if all the Unitholders are present or represented thereat (unless the Unitholder or other person attends the meeting for the purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called) or those not so present or represented have waived notice. Any Unitholder (or a duly appointed proxy of a Unitholder) may waive any notice required to be given under the provisions of this Section, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice.

Section 7.4 Court Requisitioned Meetings

- (1) A Trustee or a Unitholder who is entitled to vote at a meeting of Unitholders may apply to a court to order a meeting of the Unitholders to be called, held, and conducted in the manner that the court directs, if:
 - (a) it is impracticable to call the meeting within the time or in the manner in which those meetings are to be called pursuant to this Declaration of Trust;
 - (b) it is impracticable to conduct the meeting in the manner required by this Declaration of Trust; or
 - (c) the court thinks that the meeting should be called, held and conducted within the time or in the manner it directs for any other reason.
- (2) Without restricting the generality of this Section 7.4, the court may order that the quorum required by this Declaration of Trust be varied or dispensed with at a meeting called, held and conducted pursuant to this section.

Section 7.5 Quorum

A quorum for any meeting of Unitholders shall be individuals present not being less than two in number and being Unitholders or representing by proxy Unitholders who hold in the aggregate not less than 10% of the total number of outstanding Units provided that if the Trust has only one Unitholder the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. 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, if called by request of Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than 7 days later and to such place in Canada and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. The Chair, or any Trustee determined by the Trustees, shall be the chair of any meeting of the Unitholders.

Section 7.6 Voting

Holders of Units may attend and vote at all meetings of the Unitholders either in person or by proxy. Each Trust Unit shall entitle the holder of record thereof to one vote at all

meetings of the Unitholders. Each Special Voting Unit will entitle the holder of record thereof to a number of votes at all meeting of the Unitholders equal to the number of Trust Units that may be obtained upon the exchange of the exchangeable security, including an Exchangeable Unit, to which such Special Voting Unit is attached. Any action to be taken by the Unitholders shall, except as otherwise required by this Declaration of Trust or by law, be authorized when approved by a majority of the votes cast at a meeting of the Unitholders or by way of a written instrument signed by all of the Unitholders. When any Unit is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Unit, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote purporting to be executed by or on behalf of a Unitholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. The chair of any such meeting shall not have second or casting vote.

Section 7.7 Matters on which Unitholders Shall Vote

- (1) None of the following shall occur unless the same has been duly approved by the Unitholders at a meeting duly called and held:
 - (a) except as provided in Section 3.1, Section 3.3, Section 3.4, Section 3.5, Section 3.6 or Section 3.10, the appointment, election or removal of Trustees;
 - (b) except as provided in Section 15.4, the appointment or removal of Auditors;
 - (c) any amendment to the Declaration of Trust (except as provided in Section 5.3 or Article 12);
 - (d) the sale of the assets of the Trust as an entirety or substantially as an entirety (other than as a part of an internal reorganization of the assets of the Trust as approved by the Trustees); or
 - (e) the termination of the Trust or this Declaration of Trust.
- (2) Nothing in this section, however, shall prevent the Trustees from submitting to a vote of Unitholders any matter which they deem appropriate. Except with respect to the matters specified in this section, Section 12.2, Section 12.3, Section 12.4, and Section 13.2 or matters submitted to a vote of the Unitholders by the Trustees, no vote of the Unitholders shall in any way bind the Trustees.

Section 7.8 Units Held by the Trust

- (1) If the Trust holds any Units, the Trust shall not vote or permit those Units to be voted unless:
 - (a) the Trust holds the Units for the benefit of the beneficial owner;
 - (b) the Trust, without delay following the filing or receipt by the Trust, as applicable, of the notice of the meeting, financial statements, management proxy circular, dissident's proxy circular and any other documents (other than the form of proxy) sent to registered Unitholders entitled to vote at the

applicable meeting by or on behalf of any person for use in connection with the applicable meeting, sends a copy of the document to the beneficial owner of the Units and, except where the Trust has received written voting instructions from the beneficial owner of the Units, a written request for such instructions; and

- (c) the Trust receives written voting instructions from the beneficial owner of the Units;

in which case the Trust shall vote, or appoint a proxyholder to vote, any such Units in accordance with any written voting instructions received from the beneficial owner thereof.

- (2) A Unitholder by or on behalf of whom a solicitation is made shall provide, at the request of the Trust, without delay, to the Trust at the Unitholder's expense the necessary number of copies of the documents referred to in Section 7.8(1), other than copies of the document requesting voting instructions.
- (3) If a beneficial owner of Units held by the Trust so requests and provides the Trust with appropriate documentation, the Trust must appoint the beneficial owner or a nominee of the beneficial owner as proxyholder.
- (4) The Trust, the Trustees and the Unitholders agree that the failure of the Trust to comply with this section does not render void any meeting of Unitholders or any action taken at the meeting.
- (5) Nothing in this section gives the Trust the right to vote Units that the Trust is otherwise prohibited from voting.
- (6) The Trust shall not permit any of its subsidiaries holding Units to vote, or permit those Units to be voted, unless the subsidiary satisfies the requirements of Section 7.8(1).

Section 7.9 Record Dates

For the purpose of determining the Unitholders who are entitled to vote or act at any meeting or any adjournment thereof, the Trustees may fix a date not more than 60 days and not less than 21 days prior to the date of any meeting of Unitholders as a record date for the determination of Unitholders entitled to vote at such meeting or any adjournment thereof, and any Unitholder who was a Unitholder at the time so fixed shall be entitled to receive notice of and vote at such meeting or any adjournment thereof even though the Unitholder has since that time disposed of his or her Units, and no Unitholder becoming such after that time shall be so entitled to vote at such meeting or any adjournment thereof, unless the Trustees determine otherwise. In the event that the Trustees do not fix a record date for any meeting of Unitholders, the record date for such meeting shall be the date upon which notice of the meeting is given as provided under Section 7.3.

Section 7.10 Proxies

- (1) Whenever the vote or consent of Unitholders is required or permitted under this Declaration of Trust, such vote or consent may be given either directly by the Unitholder or by a proxy. The instrument appointing a proxy must be in writing and either substantially in a form which may be approved by the Trustees acting reasonably or as may be satisfactory to the chair of the meeting at which it is sought to be exercised. The instrument of proxy must be executed, or in Quebec, signed by the Unitholder giving the proxy or by his or her agent duly authorized in writing and, if given on behalf of joint holders, must be executed by all of them and may be revoked by any of them, and, if given by a Unitholder which is a body corporate, must be executed or, in Quebec, signed on its behalf by a person duly authorized in writing. Any person may be appointed a proxy, whether or not that person is a Unitholder. The Trustees, on behalf of the Trust, may solicit instruments of proxy from the Unitholders or any of them in respect of any matter requiring or permitting the Unitholders' vote or consent. The Trustees may specify in a notice calling a meeting of Unitholders a time not exceeding twenty-four hours, excluding Saturdays, Sundays and holidays, before the meeting or adjournment before which time proxies to be used at the meeting must be deposited with the Trust or its agent or mandatary in order to be voted at the meeting. In any event, no proxy shall be voted at any meeting unless it shall have been received by the Trust or its agent or mandatary prior to the commencement of the meeting.
- (2) An instrument of proxy executed in compliance with the foregoing shall be valid unless challenged at the time of or prior to its exercise and the person challenging the instrument shall have the burden of proving, to the satisfaction of the chair of the meeting at which the instrument is proposed to be used, that the instrument of proxy is invalid. Any decision of the chair of the meeting in respect of the validity of an instrument of proxy shall be final and binding upon all persons. An instrument of proxy shall be valid only at the meeting with respect to which it was solicited or any adjournment thereof.
- (3) A Unitholder may revoke a proxy:
 - (a) by depositing an instrument or act in writing executed or, in Quebec, signed by the Unitholder or by the Unitholder's personal representative authorized in writing:
 - (i) at the principal office of the Trust at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used; or
 - (ii) with the chair of the meeting on the day of the meeting or any adjournment thereof, or
 - (b) in any other manner permitted by law.

- (4) A vote cast in accordance with any proxy shall be valid notwithstanding the death, incapacity, insolvency or bankruptcy of the Unitholder giving the proxy or the revocation of the proxy unless written notice of the death, incapacity, insolvency, bankruptcy of the Unitholder or revocation of the proxy has been received by the chair of the meeting prior to the time the vote is cast.

Section 7.11 Resolution in Lieu of Meeting

A resolution signed in writing by all of the Unitholders entitled to vote on that resolution at a meeting of Unitholders is as valid as if it had been passed at a meeting of Unitholders.

Section 7.12 Actions by Unitholders

Any action, change, approval, decision or determination required or permitted to be taken or made by the Unitholders hereunder shall be effected by a resolution passed by the Unitholders at a duly constituted meeting (or a written resolution in lieu thereof) in accordance with this Article 7.

**ARTICLE 8
MEETINGS OF THE TRUSTEES**

Section 8.1 Trustees May Act Without Meeting

The Trustees may act with or without a meeting. Any action of the Trustees or any committee of the Trustees may be taken at a meeting by vote, or without a meeting by written consent signed by all of the Trustees or the members of the applicable committee, as the case may be.

Section 8.2 Notice of Meeting

Meetings of the Trustees may be held from time to time upon the giving of notice by any Trustee. Regular meetings of the Trustees may be held without call or notice at a time and place fixed in accordance with the Trustees' Regulations. Notice of the time and place of any other meetings shall be mailed or otherwise verbally, by telephone or by other means of communication given not less than 48 hours before the meeting but may be waived in writing by any Trustee either before or after such meeting. Notice of a meeting of Trustees need not specify the purpose of or the business to be transacted at the meeting. If a quorum of Trustees is present, the Trustees may without notice hold a meeting immediately following an annual meeting of Unitholders. The attendance of a Trustee at a meeting, in person or by telephone shall constitute a waiver of notice of such meeting except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Each committee of Trustees appointed by the Trustees may adopt its own rules or procedures for the calling, conduct, adjournment and regulation of the meetings of such committees as it sees fit and may amend or repeal such rules or procedures from time to time; provided, however, that the Trustees' Regulations and any such rules or procedures shall not be inconsistent with this Declaration of Trust.

Section 8.3 Quorum

A quorum for all meetings of the Trustees or any committee thereof shall be at least two-fifths of the Trustees or of the Trustees on such committee, as the case may be, present in person, provided that if there is no quorum, the meeting may be adjourned to a business day on notice to all of the Trustees or members of such committee, as the case may be, and, at the reconvened meeting, the presence of two-fifths of the Trustees or members of such committee, as the case may be, is required in order to constitute a quorum.

Section 8.4 Place of Meeting

Meetings of the Trustees may be held at any place in Canada and may not be held outside Canada. A Trustee who attends a meeting of Trustees, in person or by telephone, is deemed to have consented to the location of the meeting except when he or she attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not lawfully called or convened. A majority of Trustees participating in a meeting of Trustees must be present in person in Canada or participating from a location in Canada.

Section 8.5 Chair

The chair of any meeting of the Trustees shall be the Trustee present at the meeting who holds the office of Chair of the Trustees or if such person is not present, the Trustees present shall choose one of their number to be chair.

Section 8.6 Adjourned Meetings

Any meeting of Trustees may be adjourned from time to time by the chairperson of the meeting with the consent of the meeting to a fixed time and place. Further notice of the adjourned meeting need not be given. The adjourned meeting shall be duly constituted if a quorum is present and if it is held in accordance with the terms of the adjournment. If there is not a quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated upon its adjournment.

Section 8.7 Voting at Meetings

- (1) Questions arising at any meeting of the Trustees or of a committee of Trustees shall unless otherwise specified herein, be decided by a majority of the votes cast.
- (2) In the case of an equality of votes at any meeting of Trustees or of a committee of Trustees, the chair of the meeting shall not have a second or casting vote in addition to his original vote, if any. The powers of the Trustees may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all Trustees. Resolutions in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

Section 8.8 Meeting by Telephone

Any Trustee may participate in a meeting of the Trustees or any committee thereof by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other and a Trustee so participating shall

be considered for the purposes of this Declaration of Trust to be present in person at that meeting.

ARTICLE 9 DELEGATION OF POWERS

Section 9.1 **General**

The Trustees may appoint from among their number a committee or committees of Trustees and may delegate to such committee or committees any of the powers of the Trustees. The Trustees shall have the power to appoint, employ or contract with any person for any matter relating to the Trust or its assets or affairs. For greater certainty, the Trustees may delegate to any person (including, without limitation any one or more officers of the Trust) the power to execute any document or enter into any agreement on behalf of the Trust or exercise any discretion or make any amendment in relation thereto. The Trustees may grant or delegate such authority to an advisor (including the Asset Manager and any property manager) as the Trustees may in their sole discretion deem necessary or desirable without regard to whether such authority is normally granted or delegated by trustees. The Trustees shall have the power to determine the term and compensation of an advisor or any other person whom they may employ or with whom they may contract. The Trustees shall have the power to grant powers of attorney as required in connection with any financing or security relating thereto. Notwithstanding the foregoing, the Trustees may not delegate to any managing Trustee or any committee of Trustees or any officer the authority to:

- (a) submit to the Unitholders any question or matter requiring the approval of the Unitholders;
- (b) fill a vacancy among the Trustees or in the office of Auditor, or appoint additional Trustees;
- (c) issue Units except as authorized by the Trustees;
- (d) declare distributions;
- (e) approve a proxy circular;
- (f) approve a Take-Over Bid circular or directors' circular;
- (g) approve the annual financial statements of the Trust; or
- (h) adopt, amend or repeal the by-laws of the Trust, if any, or amend this Declaration of Trust.

Section 9.2 **Investment Committee**

- (1) The Trustees shall appoint an investment committee (the "**Investment Committee**") to initially consist of all of the Trustees, and which shall consist of not less than three Trustees, a majority of whom shall be Independent Trustees. The duties of the Investment Committee will be to:

- (a) review all investments of the Trust on at least an annual basis;
 - (b) adjudicate and advise on transactions involving potential conflicts of interest or any other transactions which may be detrimental to the interests of the Unitholders; and
 - (c) deal with such other matters as may be referred to the Investment Committee by the Trustees.
- (2) Questions arising at any meeting of the Investment Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the members of the Investment Committee. Any member of the Investment Committee may call a meeting of the Investment Committee upon not less than 48 hours' notice. Notwithstanding the appointment of the Investment Committee, the Trustees may consider and approve any matter which the Investment Committee has the authority to consider or approve.

Section 9.3 Audit Committee

The Trustees shall appoint an audit committee (the "**Audit Committee**") to consist of not less than three Trustees, a majority of whom shall be Independent Trustees. The Audit Committee shall review the financial statements of the Trust and payments to the Asset Manager pursuant to the Asset Management Agreement and report thereon to the Trustees. The Auditors are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the Auditors. Questions arising at any meeting of the Audit Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the members of the Audit Committee. The Auditors or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice.

ARTICLE 10 DISTRIBUTIONS

Section 10.1 Distributions

- (1) The Trust may distribute to Trust Unitholders on each Distribution Date, such amounts for the calendar quarter ending immediately prior to the calendar month in which the Distribution Date falls, as the Trustees determine in their sole discretion. Special Voting Units have no economic entitlement in the Trust and have no entitlement to any distributions from the Trust.
- (2) On the last day of each Taxation Year, an amount equal to the net income of the Trust for such Taxation Year, determined in accordance with the provisions of the Tax Act other than Paragraph 82(1)(b) and Subsection 104(6) thereof, including Net Realized Capital Gains of the Trust (other than capital gains the tax on which may be recoverable by the Trust) shall, without any further action of the Trustees, be payable to Trust Unitholders of record at the close of business on such day (whether or not

such day is a Business Day), subject to any adjustments the Trustees consider reasonable, at their sole discretion.

- (3) The Trustees may designate and make payable any income or capital gains realized by the Trust as a result of the redemption of Trust Units pursuant to Section 6.12 to the redeeming Unitholders in accordance with Section 6.12(7).
- (4) Distributions payable to Trust Unitholders pursuant to this Article 10 shall be deemed to be distributions of income of the Trust (including dividends), net realized taxable capital gains of the Trust, Trust Capital or other items in such amounts as the Trustees, in their absolute discretion determine and shall be allocated to the Trust Unitholder in the same proportions as distributions received by the Trust Unitholder, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances. For greater certainty it is hereby declared that any distribution of Net Realized Capital Gains of the Trust shall include the non-taxable portion of the capital gains of the Trust which are included in such distribution.
- (5) Any distribution shall be made on a Distribution Date proportionately to persons who are Trust Unitholders (subject to a contractual waiver of rights to such distributions) as of the close of business on the record date for such distribution which shall be the last Business Day of the calendar quarter ending immediately prior to the calendar month in which the Distribution Date falls or such other date, if any, as is fixed by the Trustees in accordance with Section 7.8. Each year the Trust intends to deduct such amounts as are paid or payable to Trust Unitholders for the year as is necessary to ensure that the Trust is not liable for non-refundable income tax under Part I of the Tax Act in the related Taxation Year.
- (6) Distributions may be adjusted for amounts paid in prior periods if the actual distribution for the prior periods is greater than or less than the estimates for the prior periods.
- (7) For greater certainty, it is hereby expressly declared that a Trust Unitholder (subject to a contractual waiver of rights to such distributions) shall have the legal right to enforce payment of any amount which is stated to be payable to a Trust Unitholder hereunder at the time such amount is made payable.

Section 10.2 Special Distributions

In addition to the distributions that are declared payable to Trust Unitholders pursuant to Section 10.1, the Trustees may declare to be payable and/or make distributions, from time to time, out of income of the Trust (including dividends), net realized taxable capital gains of the Trust, Trust Capital or other items, in any year, in such amount or amounts, and on such dates as the Trustees may determine, to Trust Unitholders of record on such date as is fixed by the Trustees in accordance with Section 7.9.

Section 10.3 Allocation

Unless the Trustees otherwise determine, the (i) net income of the Trust for a Taxation Year, determined in accordance with the provisions of the Tax Act other than Paragraph 82(1)(b) and Subsection 104(6); and (ii) Net Realized Capital Gains of the Trust payable to Trust Unitholders shall be allocated to the Trust Unitholders for the purposes of the Tax Act in the same proportion as the total distributions made to Trust Unitholders in the Taxation Year under Section 10.1. The Trustees shall in each year make such other designations for tax purposes in respect of distributions that the Trustees consider to be reasonable in all of the circumstances.

Section 10.4 Payment of Distributions

- (1) Subject to this paragraph, distributions shall be made by cheque payable to or to the order of the Trust Unitholder or by electronic funds transfer or by such other manner of payment approved by the Trustees from time to time. The payment, if made by cheque, shall be conclusively deemed to have been made upon hand-delivery of a cheque to the Trust Unitholder or to her agent duly authorized in writing or upon the mailing of a cheque by prepaid first-class mail addressed to the Trust Unitholder at her address as it appears in the Register unless the cheque is not paid on presentation. The Trustees may issue a replacement cheque if they are satisfied that the original cheque has not been received or has been lost or destroyed upon being furnished with such evidence of loss, indemnity or other document in connection therewith that they may in their discretion consider necessary.
- (2) The Trustees shall deduct or withhold from distributions payable to any Trust Unitholder all amounts required by law to be withheld from such distribution and the Trust shall remit such taxes to the appropriate governmental authority within the times prescribed by law. Trust Unitholders who are Non-Residents will be required to pay all withholding taxes payable in respect of any distributions of income by the Trust, whether such distributions are in the form of cash or additional Units, and the Trust may dispose of any Units or other property that is otherwise to be so distributed to such Trust Unitholders in order to pay such withholding taxes and to pay all the Trust's reasonable expenses with regard thereto and the Trust shall have the power of attorney of such Trust Unitholders to do so.
- (3) If the Trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Trust Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution. Immediately after a pro rata distribution of such Trust Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated so that each Trust Unitholder will hold after the consolidation the same number of Trust Units as the Trust Unitholder held before the non-cash distribution. Each Trust Unit certificate representing a number of Trust Units prior to the non-cash distribution is deemed to represent the same number of Trust Units after the non-cash distribution and the consolidation.

- (4) Notwithstanding the foregoing, where tax is required to be withheld from a Trust Unitholder's share of the distribution and such amount is not paid by the Trust Unitholder to the Trust, the consolidation will result in such Trust Unitholder holding that number of Units equal to (i) the number of Trust Units held by such Trust Unitholder prior to the distribution plus the number of Trust Units received by such Trust Unitholder in connection with the distribution (net of the number of whole and part Units withheld on account of withholding taxes) multiplied by; (ii) the fraction obtained by dividing the aggregate number of Units outstanding prior to the distribution by the aggregate number of Trust Units that would be outstanding following the distribution and before the consolidation if no withholding were required in respect of any part of the distribution payable to any Trust Unitholder. Such Trust Unitholder will be required to surrender the Trust Unit certificates, if any, representing such Trust Unitholder's original Trust Units, in exchange for a Trust Unit certificate representing such Trust Unitholder's post-consolidation Trust Units.

Section 10.5 Income Tax Matters

In computing the net income of the Trust for income tax purposes for any year, the Trust shall claim the maximum amount available to it as deductions under the relevant law, including but not limited to maximum capital cost allowance, unless the Trustees determine otherwise.

Section 10.6 Designations

The Trustees shall make such designations for income tax purposes in respect of amounts paid or payable to Trust Unitholders as distributions or redemption proceeds for such amounts that the Trustees consider to be reasonable, including, without limitation, designations relating to taxable dividends received by the Trust in the year on shares of taxable Canadian corporations, net taxable capital gains of the Trust in the year and foreign source income of the Trust for the year.

Section 10.7 Definitions

Unless otherwise specified or the context otherwise requires, any term in this Article 10 which is defined in the Tax Act shall have for the purposes of this Article 10 the meaning that it has in the Tax Act.

Section 10.8 Reinvestment

The Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment of distributions by some or all Trust Unitholders as the Trustees determine. Such plan may entitle those Trust Unitholders that elect to participate in a bonus distribution from the Trust or otherwise be entitled to receive additional Trust Units in respect of each distribution.

ARTICLE 11 FEES AND EXPENSES

Section 11.1 Expenses

- (1) The Trust shall pay all expenses incurred in connection with the administration and management of the Trust and its investments, including without limitation:
 - (a) interest and other costs of borrowed money of the Trust;
 - (b) fees and expenses of lawyers, accountants, auditors, appraisers and other agents or consultants employed by or on behalf of the Trust;
 - (c) fees and expenses of the Trustees;
 - (d) fees and expenses connected with the acquisition, disposition and ownership of real property interests or other property;
 - (e) insurance as considered necessary by the Trustees;
 - (f) expenses in connection with payments of distributions of Units;
 - (g) expenses in connection with communications to Unitholders and the other bookkeeping and clerical work necessary in maintaining relations with Unitholders;
 - (h) expenses of amending the Declaration of Trust or terminating the Trust;
 - (i) fees and charges of transfer agents, registrars, indenture trustees and other trustees and custodians of the Trust;
 - (j) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to the public of Units and other required governmental filings;
 - (k) all costs and expenses in connection with the incorporation, organization and maintenance of corporations formed to hold investments or other assets of the Trust; and
 - (l) all costs and expenses in connection with marketing, promotional, advertising and related activities incurred by the Trust or on behalf of the Trust by the Asset Manager.

Section 11.2 Payment of Real Property and Brokerage Commissions

The Trust may pay real property and brokerage commissions at commercial rates in respect of the acquisition and disposition of any investment acquired or disposed of by it. Such commissions may be paid to an advisor (including the Asset Manager) or to others.

Section 11.3 Administrative and Management Fees

The Trust may pay asset management fees, property management fees, administrative fees and financing fees in respect of such advisory, property management, administrative and management services as are rendered to the Trust. Such fees may be paid to an advisor (including the Asset Manager and any property manager) or to others.

ARTICLE 12 AMENDMENTS TO THE DECLARATION OF TRUST

Section 12.1 Amendments by the Trustees

- (1) The Trustees may make the following amendments to this Declaration of Trust in their sole discretion and without the approval of Unitholders:
 - (a) amendments for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Trust, its status as a “mutual fund trust” and a “registered investment” under the Tax Act or the distribution of Units;
 - (b) amendments which, in the opinion of the Trustees, provide additional protection for Unitholders;
 - (c) amendments to remove any conflicts or inconsistencies in this Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
 - (d) amendments which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Circular and this Declaration of Trust;
 - (e) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors which amendments in the opinion of the Trustees are necessary or desirable and not prejudicial to the Unitholders;
 - (f) amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws;
 - (g) amendments for any purpose which, in the opinion of the Trustees, are not prejudicial to Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Unitholder vote is specifically otherwise required);
 - (h) (i) to create and issue one or more new classes of Preferred Units (each of which may be comprised of unlimited series) that rank in priority to the Trust Units and Special Voting Units (in payment of distributions and in connection with any termination or winding-up of the Trust) and/or (ii) to remove the

redemption right attaching to the Units and convert the Trust into a closed-end limited purpose trust;

- (i) amendments which, in the opinion of the Trustees, are necessary or desirable to enable the Trust to issue Units for which the purchase price is payable on an instalment basis, as permitted pursuant to Section 5.4 hereof;
- ~~(j) amendments to the frequency of a distribution made by the Trust or any of its subsidiaries so long as the frequency of such distribution is either monthly or quarterly; and~~
- ~~(k) ~~(j)~~ as otherwise deemed by the Trustees in good faith to be necessary or desirable.~~

Section 12.2 Amendments by Unitholders

Subject to Section 12.3 and Section 12.4 this Declaration of Trust may be amended by the vote of a majority of the votes cast at a meeting of Unitholders called for that purpose or by way of a written instrument signed by all of the Unitholders entitled to vote on such matters.

Section 12.3 Approval by Special Resolution

- (1) None of the following shall occur unless the same has been duly approved by Special Resolution:
 - (a) the termination of the Trust
 - (b) any amendment to this Section 12.3;
 - (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Trust Units or Special Voting Units, including:
 - (i) the removal or change of rights to distributions;
 - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or
 - (iii) the reduction or removal of a distribution preference or liquidation preference;
 - (d) any amendment to the duration or termination provisions of the Trust;
 - (e) other than in connection with an amendment made pursuant to Section 12.1(j), any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees;
 - (f) any sale or transfer of the assets of the Trust as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Trust as approved by the Trustees);

- (g) the combination, amalgamation or arrangement of any of the Trust or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the Trust as approved by the Trustees); or
- (h) any amendment to Section 5.1, except for any amendment contemplated that, in the opinion of the Trustees, are not prejudicial to Unitholders and are necessary or desirable (which, for greater certainty, exclude amendments in respect of which a Unitholder vote is specifically otherwise required).

Section 12.4 No Termination

No amendment to or amendment and restatement of this Declaration of Trust, whether pursuant to this Article 12 or otherwise, shall be construed as a termination of the Trust and the settlement or establishment of a new trust.

ARTICLE 13 TERMINATION OF TRUST

Section 13.1 Duration of the Trust

Unless the Trust is sooner terminated as otherwise provided herein, the Trust shall continue in full force and effect so long as any property of the Trust is held by the Trustees, and the Trustees shall have all the powers and discretions, expressed and implied, conferred upon them by law or by this Declaration of Trust.

Section 13.2 Termination by Unitholders

The Trust may be terminated only by Special Resolution.

Section 13.3 Effect of Termination

Upon the termination of the Trust, the liabilities of the Trust shall be discharged with due speed and the net assets of the Trust shall be liquidated and the proceeds distributed proportionately to the Unitholders. Such distribution may be made in cash or in kind or partly in each, all as the Trustees in their sole discretion may determine.

ARTICLE 14 LIABILITIES OF THE TRUSTEES AND OTHERS

Section 14.1 Liability and Indemnification of the Trustees

- (1) The Trustees shall at all times be indemnified and saved harmless out of the property of the Trust from and against all liabilities, damages, losses, debts and claims whatsoever, including costs, charges and expenses in connection therewith, sustained, incurred, brought, commenced or prosecuted against them for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of their duties as Trustees and also from and against all other liabilities, damages, losses, debts, claims, costs, charges, and expenses which they sustain or incur in or about or in relation to the affairs of the Trust. Further, the Trustees shall not be liable to the Trust or to any Unitholder or annuitant for any loss or damages relating to any matter regarding the Trust,

including any loss or diminution in the value of the Trust or its assets. The foregoing provisions of this Section 14.1 in favour of any Trustee do not apply unless:

- (a) the Trustee acted honestly and in good faith with a view to the best interests of the Trust and the Unitholders; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Trustee had reasonable grounds for believing his conduct was lawful.

Section 14.2 Liability of the Trustees

The Trustees shall not be liable to the Trust or to any Unitholder, annuitant or any other person for the acts, omissions, receipts, neglects or defaults of any person, firm or corporation employed or engaged by it as permitted hereunder, or for joining in any receipt or act of conformity or for any loss, damage or expense caused to the Trust through the insufficiency or deficiency of any security in or upon which any of the monies of or belonging to the Trust shall be paid out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, firm or corporation with whom or which any monies, securities or property of the Trust shall be lodged or deposited, or for any loss occasioned by error in judgment or oversight on the part of the Trustees, or for any other loss, damage or misfortune which may happen in the execution by the Trustees of their duties hereunder, except to the extent the Trustees have not acted in accordance with Section 14.1(1)(a) and Section 14.1(1)(b).

Section 14.3 Reliance Upon Advice

The Trustees may rely and act upon any statement, report or opinion prepared by or any advice received from the auditors, lawyers or other professional advisors of the Trust and shall not be responsible or held liable for any loss or damage resulting from so relying or acting.

Section 14.4 Liability of Unitholders and Others

- (1) Notwithstanding any other provision of this Declaration of Trust, no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Unitholder and annuitant under a plan of which a Unitholder acts as trustee or carrier shall be entitled to be reimbursed out of the assets of the Trust in respect of any payment of a Trust obligation made by such Unitholder or annuitant.

- (2) In addition to the policies set out in Section 5.2(1), the Trustees shall cause the operations of the Trust to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent which they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders, any material risk of liability on the Unitholders for claims against the Trust, and shall, to the extent available on terms which they determine to be practicable, including in the cost of premiums, cause the insurance carried by the Trust, to the extent applicable, to cover the Unitholders and annuitants as additional insureds. Any potential liability of the Trustees with respect to their foregoing obligations or their failure to perform the same shall be governed by the provisions of Section 14.1, Section 14.2 and Section 14.3.

ARTICLE 15 GENERAL

Section 15.1 Execution of Instruments

The Trustees shall have power from time to time to appoint any Trustee or Trustees or any person or persons on behalf of the Trust either to sign instruments in writing generally or to sign specific instruments in writing. Provisions respecting the foregoing may be contained in the Trustees' Regulations.

Section 15.2 Manner of Giving Notice

Any notice required or permitted by the provisions of this Declaration of Trust to be given to a Unitholder, a Trustee or the Auditors shall be deemed conclusively to have been given if given either by delivery or by prepaid first-class mail addressed to the Unitholder at his address shown on the Register, to the Trustee at the last address provided by such Trustee to the Chair of the Trust, or to the Auditors at the last address provided by such Auditors to the Chair of the Trust, as the case may be.

Section 15.3 Failure to Give Notice

The failure by the Trustees, by accident or omission or otherwise unintentionally, to give any Unitholder, any Trustee or the Auditors any notice provided for herein shall not affect the validity, effect, taking effect or time of taking effect of any action referred to in such notice, and the Trustees shall not be liable to any Unitholder for any such failure.

Section 15.4 Trust Auditors

The Auditors shall be an independent recognized firm of chartered accountants which has an office in Canada. The Auditors shall be appointed at each annual meeting. If at any time a vacancy occurs in the position of auditors of the Trust, the Trustees may appoint new auditors to act as the Auditors until the next annual meeting of Unitholders. The Auditors shall report to the Trustees and the Unitholders on the annual financial statements of the Trust and shall fulfil such other responsibilities as they may properly be called upon by the Trustees to assume. The Auditors shall have access to all records relating to the affairs of the Trust.

Section 15.5 Fiscal Year

The fiscal year of the Trust shall end on December 31 in each year.

Section 15.6 Reports to Unitholders

Prior to each annual or special meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*. Furthermore, the Trust will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Section 15.7 Trust Property to be Kept Separate

The Trustees shall maintain the property of the Trust separate from all other property in their possession.

Section 15.8 Trustees May Hold Units

Any Trustee or associate of a Trustee may be a Unitholder or may be an annuitant.

Section 15.9 Information Available to Unitholders

- (1) Each Unitholder and other securityholders of the Trust and their respective personal representatives, on payment of a reasonable fee therefor and on sending the Trust or its agent or mandatary an affidavit required by Section 15.9(5), may on application require the Trust or its agent or mandatary to provide within 10 days after receipt of the affidavit a list (in this section referred to as the "basic list") made up to a date not more than ten days before the receipt of the affidavit setting out the names of the Unitholders, the number of Units held by each Unitholder and the address of each Unitholder as shown in the records of the Trust.
- (2) A person requiring the Trust to provide a basic list may, by stating in the affidavit referred to in subsection (1) that they require supplemental lists, require the Trust or its agent or mandatary on payment of a reasonable fee to provide supplemental lists setting out any changes from the basic list in the names or addresses of the Unitholders and the number of Units owned by each Unitholder for each business day following the date the basic list is made up to.
- (3) The Trust or its agent or mandatary shall provide a supplemental list required under Section 15.9(2):
 - (a) on the date the basic list is furnished, where the information relates to changes that took place prior to that date; and
 - (b) on the business day following the day to which the supplemental list relates, where the information relates to changes that take place on or after the date the basic list is furnished.

- (4) A person requiring the Trust to furnish a basic list or a supplemental list may also require the Trust to include in that list the name and address of any known holder of an option or right to acquire Units.
- (5) A list of Unitholders or information from a securities register obtained pursuant to the provisions of this Declaration of Trust shall not be used by any person except in connection with:
 - (a) an effort to influence the voting of Unitholders of the Trust;
 - (b) an offer to acquire securities of the Trust; or
 - (c) any other matter relating to the affairs of the Trust.
- (6) An affidavit required under this Section 15.9 or Section 15.10 shall state:
 - (a) the name and address of the applicant;
 - (b) the name and address for service of the body corporate, if the applicant is a body corporate; and
 - (c) that the information contained in the securities register obtained pursuant to this Section 15.9 or Section 15.10, as the case may be, will not be used except as permitted under subsection Section 15.9(5).

Section 15.10 Trust Records

- (1) The Trustee shall prepare and maintain, at the principal office of the Trust or at any other place in Canada designated by the Trustees, records containing:
 - (a) this Declaration of Trust and any amendments thereto;
 - (b) minutes of meetings and resolutions of the Unitholders; and
 - (c) a securities register which records the Units and any other securities issued by the Trust in registered form, showing with respect to each class of securities:
 - (i) the names, alphabetically arranged, and the latest known address of each person who is or has been a security holder;
 - (ii) the number of securities held by each security holder; and
 - (iii) the date and particulars of the issue and transfer of each security.
- (2) The Trust shall also prepare and maintain adequate accounting records and records containing minutes of meetings and resolutions of the Trustees and any committee thereof. Such records shall be kept at the principal office of the Trust or at such other place in Canada as the Trustees think fit and shall at all reasonable times be open to inspection by the Trustees.

- (3) Unitholders and other securityholders of the Trust and their respective personal representatives may examine the records described in Section 15.10(1) during normal business hours, and take extracts from the records, free of charge.
- (4) Any person described in Section 15.10(3) who wishes to examine the securities register of the Trust must first make a request to Trust or its agent or mandatary, accompanied by an affidavit referred to in Section 15.9(5). On receipt of the affidavit, the Trust or its agent or mandatary shall allow the applicant access to the securities register during the normal business hours, and, on payment of a reasonable fee, provide the applicant with an extract from the securities register.

Section 15.11 Consolidations

Any one or more Trustees may prepare consolidated copies of the Declaration of Trust as it may from time to time be amended or amended and restated and may certify the same to be a true consolidated copy of the Declaration of Trust, as amended or amended and restated.

Section 15.12 Counterparts

This Declaration of Trust may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 15.13 Severability

The provisions of this Declaration of Trust are severable and if any provisions are in conflict with any applicable law, the conflicting provisions shall be deemed never to have constituted a part of the Declaration of Trust and shall not affect or impair any of the remaining provisions thereof.

Section 15.14 Headings for Reference Only

The headings preceding the articles and sections hereof have been inserted for convenience and reference only and shall not be construed to affect the meaning, construction or effect of this Declaration of Trust.

Section 15.15 Governing Law

This Declaration of Trust shall be interpreted and governed by and take effect exclusively in accordance with the laws of the Province of Ontario. Any and all disputes arising under this Declaration of Trust, whether as to interpretation, performance or otherwise, shall be subject to the exclusive jurisdiction of the courts of the Province of Ontario and each of the Trustees hereby irrevocably attorns, and each Unitholder shall be deemed to hereby irrevocably attorn, to the exclusive jurisdiction of the courts of such province.

Section 15.16 Transition

Notwithstanding any other provision hereof (a) neither the approval of the Investment Committee nor the approval of the Independent Trustees shall be required, and

the provisions of Section 3.6, Section 5.1 (other than Section 5.1(b) or Section 5.1(c)), Section 5.2, Section 7.4 and Section 8.2 shall not be operative or effective with respect to the entering into, any material contract or transaction or proposed material contract or transaction referred to in Section 4.1(2) and in the Circular.

Execution Version

IN WITNESS WHEREOF the Trustees have caused these presents to be signed and sealed as of the date first above written.

"Phillip Burns"

PHILLIP BURNS

"Thomas Schwartz"

THOMAS MICHAEL SCHWARTZSTEIN

"David Ehrlich"

DAVID GINA EHRlich CODY

"Frederic Waks"

FREDERIC HAROLD WAKSBURKE

"Jan Arie Breure"

JAN ARIE BREURE

IRA GLUSKIN

APPENDIX "E" - BOARD SIZE RESOLUTION

BE IT RESOLVED THAT:

1. the number of trustees ("**Trustees**") of European Commercial Real Estate Investment Trust (the "**Trust**") is hereby increased to six Trustees; and
2. any Trustee or officer of the Trust is hereby authorized to enter into, execute or cause to be executed on behalf of the Trust or to prepare and deliver or cause to be prepared and delivered all such documents, agreements and instruments, or cause to be done all such other acts and things, as such Trustee or officer shall determine to be necessary or desirable in order to carry out the intent of the foregoing resolutions and the matters authorized thereby, such determination being conclusively evidenced by the execution or preparation and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX "F" - EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The REIT is currently obligated to pay Maple Knoll certain amounts pursuant to the terms of the Current Maple Knoll Management Agreement. Upon Closing, In addition, on Closing, the REIT and CAPREIT will enter into the New Management Agreement, whereby the Manager will act as the asset manager of the REIT. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - New Management Agreement".

Pre-Acquisition Management of the REIT

The REIT's executive officers are principals of Maple Knoll. Historically, Maple Knoll has acted as the asset manager of the REIT and provided management services to the REIT, for which the REIT paid certain fees to Maple Knoll, pursuant to the Current Maple Knoll Management Agreement. As at the date of this Circular, the REIT does not have any employment agreements with members of the executive management team and does not pay any cash compensation to any individuals serving as the REIT's executive officers, directly or indirectly. Officers of the REIT may, however, be granted Unit Options from time to time at the discretion of the Trustees, in accordance with the terms of the Unit Option Plan.

Post-Acquisition Management of the REIT

Following the completion of the Acquisition, the REIT and CAPREIT will enter into the New Management Agreement, whereby a subsidiary of CAPREIT will assume the role of Manager of the REIT. On the Acquisition Closing Date, the Current Maple Knoll Management Agreement will be replaced with the Amended Maple Knoll Management Agreement pursuant to which Maple Knoll will act as the asset manager to the REIT in respect of the REIT's existing Commercial Properties. See "Particulars of Matters to be Acted Upon at the Meeting - The Acquisition - Amended Maple Knoll Management Agreement".

Following the Acquisition Closing Date, Phillip Burns will remain as Chief Executive Officer of the REIT.

The REIT is not expected to have any employment agreements with members of the executive management team and does not expect to pay any cash compensation to any individuals serving as the REIT's executive officers, directly or indirectly. Officers of the REIT may, however, be granted Unit Options from time to time at the discretion of the Trustees, in accordance with the terms of the Unit Option Plan.

No director or executive officer of the REIT, nor any of their respective Affiliates or associates, is, or has at any time, been indebted to the REIT or its subsidiaries, or been engaged in any significant transaction or arrangement with the REIT, except as otherwise disclosed in this Circular.

Principal Elements of Compensation

As described in this Circular, Maple Knoll currently provides certain management services to the REIT and its subsidiaries, and is entitled to annual asset management fees in consideration for those services provided pursuant to the Current Maple Knoll Management Agreement.

Among other services, Maple Knoll provides administrative and management personnel to the REIT and its subsidiaries as is reasonably necessary, including providing the REIT with a chief executive officer and chief financial officer. As a result, the REIT does not pay any cash compensation to its chief executive officer or chief financial officer.

Maple Knoll's compensation from the REIT is calculated in accordance with the Current Maple Knoll Management Agreement and is not subject to the general discretion of the Board. Accordingly, any compensation received from Maple Knoll by Maple Knoll's senior management and its employees and contractors is not within or subject to the discretion of the Board. Any compensation paid by Maple Knoll to the named executive officers will, therefore, not impact the REIT's financial obligations.

The REIT's officers named in the "Summary Compensation Table" below are directors of Maple Knoll. These officers are referred to herein as the "named executive officers", and individually, as a "named executive officer".

Other than as set forth herein, the REIT did not pay any other compensation to any Trustees or the named executive officers of the REIT during the last fiscal year.

The named executive officers of the REIT do not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not part of compensation of the named executive officers of the REIT.

The compensation of the named executive officers of the REIT is currently provided only through the granting of Unit Options issued pursuant to the Unit Option Plan. The REIT believes that equity-based awards provide management (whether employed by the REIT or provided by Maple Knoll to serve as officers of the REIT) with a strong link to long-term REIT performance and the creation of Unitholder value and allow the REIT to reward executive officers for their sustained contributions to the REIT. With the competitive nature of the market for talented executives, the retention of successful executive officers is considered to be critical to the REIT's continued success. The Board does not award Unit Options according to a prescribed formula or target, but instead takes into account the individual's position, scope of responsibility, ability to affect profits, the individual's historic and recent performance and the value of the awards in relation to other elements of the executive's total compensation. The Board takes previous grants of Unit Options into consideration when considering new grants of Unit Options under the REIT's Unit Option Plan.

Mr. Burns and Mr. Dyke presently own Unit Options of the REIT and may be granted additional Unit Options at the discretion of the Board and pursuant to the terms of the Unit Option Plan, which forms the REIT's only current element of executive compensation. Further, Mr. Burns and Mr. Dyke each hold material equity positions in the REIT, demonstrating their commitment to the REIT and alignment with independent Unitholders. The named executive officers, along with the Trustees and certain other Unitholders, have further demonstrated their commitment to the growth and success of the REIT by formally waiving all distributions in respect of all Units acquired prior to May 2017, until the earlier of the May 3, 2020 or the REIT's meeting certain pre-defined financial criteria.

Financial Instruments and Compensation Risk

The named executive officers and Trustees of the REIT are not formally prohibited from purchasing financial instruments designed to hedge or offset a decrease in the market value of Units, including Units held directly or indirectly by a Named Executive Officer or a Trustee.

In light of the REIT's arrangement with Maple Knoll, the Board does not believe it to be necessary to formally consider the implications of the risks associated with the REIT's compensation policies and practices.

Summary Compensation Table

The following table sets out information concerning the annual compensation earned during the REIT's two most recently completed financial years since its inception for the named executive officers. For greater certainty, the REIT does not have any employment agreements with members of senior management and the REIT does not pay cash compensation to any individuals serving as officers of the REIT directly or indirectly. The disclosure below is provided to comply with Securities Laws:

Name and principal position	Year	Salary (\$)	Unit-based awards (\$)	Option-based awards ⁽¹⁾⁽²⁾⁽³⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total compensation ⁽²⁾⁽³⁾ (\$)
Phillip Burns Chief Executive Officer	2018	Nil	Nil	Nil	Nil	N/A	Nil	Nil
	2017	Nil	Nil	285,637	Nil	N/A	Nil	285,637
	2016	Nil	Nil	60,301	Nil	N/A	Nil	60,301
Ian Dyke ⁽⁴⁾ Chief Financial Officer	2018	Nil	Nil	Nil	Nil	N/A	Nil	Nil
	2017	Nil	Nil	181,194	Nil	N/A	Nil	181,194
	2016	Nil	Nil	30,151	Nil	N/A	Nil	30,151

Notes:

- (1) The Board may grant additional Unit Options from time to time.
- (2) The amount presented is the estimated fair value of each Unit Option grant on the grant date (calculated using the Black-Scholes option pricing model). The values recorded include the impact of the REIT's \$0.35 per Unit annualized distribution, and therefore differ from the presentation included in the REIT's consolidated financial statements for periods prior to September 30, 2017.
- (3) On November 27, 2018, the REIT granted 408,667 Unit Options to certain executive officers, employees and consultants of the REIT. Such Unit Options were granted during the REIT's blackout period and, as such, have not been ascribed any exercise price at the time of this Circular. The Unit Options will be priced subject to all applicable securities laws and the TSXV.
- (4) Ian Dyke owns 392,193 Units and has 280,534 Unit Options.

Incentive Plan Awards

Outstanding Option-Based and Unit-Based Awards

The following table sets out, for each named executive officer and Trustee, information concerning all option-based and unit-based awards outstanding as of December 31, 2018:

Name	Option-based Awards				Unit-based Awards		
	Number of securities underlying unexercised options	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of Units that have not vested (#)	Market or payout value of unit-based awards that have not vested (\$)	Market or payout value of vested unit-based awards not paid out or distributed (\$)
Phillip Burns, Chief Executive Officer and Trustee	64,000	\$3.13	October 7, 2026	90,623			
	32,000	\$3.44	January 31, 2027	43,537			
	62,400	\$5.00	May 18, 2027	Nil	N/A	N/A	N/A
	100,000	\$3.75	December 4, 2027	Nil			

	194,400	N/A ¹	November 14, 2028	Nil			
	32,000	\$3.13	October 7, 2026	45,312			
Ian Dyke, Chief Financial Officer and Secretary	20,160	\$3.44	January 31, 2027	27,428			
	37,440	\$5.00	May 18, 2027	Nil	N/A	N/A	N/A
	66,667	\$3.75	December 4, 2027	Nil			
	124,267	N/A ¹	November 14, 2028	Nil			
Frederic Waks, Trustee	7,200	\$3.13	October 7, 2026	10,195			
	4,160	\$3.44	January 31, 2027	5,660	N/A	N/A	N/A
David Ehrlich, Trustee	25,600	\$3.13	October 7, 2026	36,249			
	19,360	\$3.44	January 31, 2027	26,340	N/A	N/A	N/A
Jan Arie Breure, Trustee	7,200	\$3.13	October 7, 2026	10,195			
	4,160	\$3.44	January 31, 2027	5,660	N/A	N/A	N/A
Ira Gluskin, Trustee	Nil	N/A	N/A	N/A	N/A	N/A	N/A

Note:

(1) These Unit Options were granted during the REIT's blackout period and, as such, have not been ascribed any exercise price at the time of this Circular. The Unit Options will be priced subject to all applicable securities laws and the TSXV.

Value Vested or Earned During the Year

The following table sets out, for each named executive officer, information concerning the value of incentive plan awards (option-based and unit-based awards as well as non-equity incentive plan compensation) vested or earned during the financial year ended December 31, 2018:

Name	Option-based awards - Value vested during the year (\$)	Unit-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Phillip Burns, Chief Executive Officer and Trustee	142,124	N/A	Nil
Ian Dyke, Chief Financial Officer and Secretary	82,651	N/A	Nil

Termination and Change of Control Benefits

Other than in respect of the "Current Maple Knoll Management Agreement", the REIT currently does not have any contracts, agreements, plans or arrangements in place that provide for payments to any of the named executive officers, at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the REIT or a change in any of the named executive officer's responsibilities with respect to the REIT.

TRUSTEE COMPENSATION

Compensation of Trustees

The Trustees have each agreed to waive any right to compensation in their capacities as members of the Board or any committee thereof until such time as the REIT's total assets are valued at €250 million or greater. The compensation of the Board is reviewed on an annual basis by the Board.

The Trustees are reimbursed for their reasonable out-of-pocket expenses incurred in acting as Trustees. In addition, Trustees are entitled to receive remuneration for services rendered to the REIT in any other capacity, except in respect of their service as Trustees of any of the REIT's subsidiaries. Trustees who are employees of and who receive salary from the REIT or Maple Knoll are not entitled to receive any remuneration for their services in acting as Trustees, but are entitled to reimbursement of their out-of-pocket expenses incurred in acting as Trustees.

Trustee Compensation Table

The following table sets out all compensation provided to the Trustees who are not named executive officers for the financial year ended December 31, 2018.

Name	Fees earned (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Frederic Waks, Trustee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David Ehrlich, Trustee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Jan Arie Breure, Trustee	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ira Gluskin, Trustee	Nil	Nil	Nil	Nil	Nil	Nil	Nil

EQUITY COMPENSATION PLAN INFORMATION

Overview

The following table sets forth details of the REIT's equity compensation plans as at December 31, 2018:

Plan Category	Number of Units to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Units Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Securityholders	1,187,974	3.87 ²	489,876
Equity Compensation Plans not Approved by Securityholders	N/A	N/A	N/A
Total:	1,187,974	3.87 ²	489,876

Notes:

- (1) On November 27, 2018, the REIT granted Unit Options to certain executive officers, employees and consultants of the REIT. Such Unit Options were granted during the REIT's blackout period and, as such, have not been ascribed any exercise price at the time of this Circular. The Unit Options will be priced subject to all applicable securities laws and the TSXV.
- (2) On November 27, 2018, the REIT granted 408,667 Unit Options to certain executive officers, employees and consultants of the REIT. Such Unit Options were granted during the REIT's blackout period and, as such, have not been ascribed any exercise price at the time of this Circular. The Unit Options will be priced subject to all applicable securities laws and the TSXV..

Unit Option Plan

The following description of certain material provisions of the Unit Option Plan is a summary only and is not comprehensive.

The REIT has established the Unit Option Plan for the benefit of employees, officers and Trustees of the REIT and its subsidiaries, as well as other consultants. The Unit Option Plan was previously approved by the Unitholders on May 24, 2018. The Board is authorized to grant Unit Options for up to 10% of the issued and outstanding Units from time to time (on a non-diluted basis, but including the Units issuable on exchange of the issued and outstanding Special Voting Units).

The following is a summary of the material terms of the Unit Option Plan:

- (a) all Unit Options granted under the Unit Option Plan are non-assignable, non-transferable and exercisable for a period of up to 10 years;
- (b) upon expiration of the period in which the Unit Options may be exercised, the Unit Options shall expire and terminate and be of no further force or effect;
- (c) Unit Options may only be granted to Trustees, officers, employees or service providers (inclusive of management company employees) of the REIT or any subsidiary;
- (d) generally, no Unit Option may be exercised unless the optionee is, at the time of such exercise:

- (i) in the case of an employee, in the employ of the REIT or any Affiliate and has been continuously so employed since the grant of his or her Unit Option, or has been a consultant of the REIT or any Affiliate during such time thereafter;
 - (ii) in the case of a consultant, under contract with the REIT or any Affiliate and has been continuously so contracted since the grant of the Unit Option; or
 - (iii) in the case of an executive, a trustee or officer of the REIT or any Affiliate and has been such a trustee or officer continuously since the grant of the Unit Option;
- (e) all Unit Options granted (except to optionees performing investor relations activities) will vest as determined by the Board when the Unit Option is granted;
- (f) the minimum exercise price of a Unit Option granted under the Unit Option Plan cannot be less than the "Discounted Market Price";
- (g) if an optionee dies while employed or retained by the REIT, any Unit Options held by the optionee at the date of death which have vested will become exercisable, but only by the person(s) to whom the optionee's rights under the Unit Option shall pass by the optionee's will or the laws of descent and distribution. All such Unit Options will be exercisable only to the extent that the optionee was entitled to exercise the option at the date of his or her death and only for one year after the date of death or prior to the expiration of the option exercise period in respect thereof, whichever is sooner, except that in the event the expiration of the option exercise period is earlier than one year after the date of death, with the consent of the TSXV, the Unit Options will be exercisable for up to one year after the date of death of the optionee;
- (h) if the employment or engagement of an optionee terminates with the REIT due to disability while the optionee is employed or retained by the REIT, any Unit Option held by the optionee on the date the employment or engagement of the optionee is terminated due to disability which have vested will become exercisable, in whole or in part. All such Unit Options are exercisable only to the extent that the optionee was entitled to exercise the Unit Options at the date of his or her termination due to disability and only for one year after the date of termination or prior to the expiration of the option exercise period in respect thereof, whichever is sooner, provided that Unit Options that become exercisable due to disability will be only exercisable by the person(s) who have the legal authority to act on behalf of the optionee;
- (i) if an optionee ceases to be an eligible person (other than as a result of death, disability or termination due to disability), any Unit Options held by the optionee on the date such optionee ceased to be an eligible person, which have vested will become exercisable. All such incentive stock options are exercisable only to the extent that the optionee was entitled to exercise the Unit Option at the date he or she ceased to be an eligible person and only for 30 days after the date such optionee ceased to be an eligible person, subject to the Board's discretion to extend such period for up to one year, or prior to the expiration of the option exercise period in respect thereof, whichever is sooner;
- (j) if the employment of an employee or consultant is terminated for cause, no Unit Option held by such employee or consultant may be exercised following the date upon which termination occurred;

- (k) the Board, in its discretion, may resolve that all of the Unit Options held by an optionee, which have not yet vested, on the date: (i) the employment or engagement of the optionee is terminated due to disability, or (ii) of death, shall vest immediately upon such date; and
- (l) the granting of Unit Options shall be subject to the following conditions:
 - (i) not more than 2% of the issued and outstanding Units (on a non-diluted basis, but including the Units issuable on exchange of the issued and outstanding Special Voting Units) may be granted to any one consultant in any 12-month period;
 - (ii) not more than an aggregate of 2% of the issued and outstanding Units (on a non-diluted basis, but including the Units issuable on exchange of the issued and outstanding Special Voting Units) may be granted in aggregate to persons conducting investor relations activities in any 12-month period;
 - (iii) unless the REIT obtains Unitholder approval, not more than 5% of the issued and outstanding Units (on a non-diluted basis, but including the Units issuable on exchange of the issued and outstanding Special Voting Units) may be issued to any one individual in any 12-month period;
 - (iv) unless the REIT has obtained Unitholder approval, not more than an aggregate of 10% of the issued and outstanding Units (on a non-diluted basis, but including the Units issuable on exchange of the issued and outstanding Special Voting Units) may be issued to insiders in any 12-month period; and
 - (v) unless the REIT has obtained Unitholder approval, the REIT shall not decrease the Exercise Price (as defined in the Unit Option Plan) of Unit Options previously granted to insiders.

APPENDIX "G" - STATEMENT OF GOVERNANCE PRACTICES

All defined terms used in this Appendix "G" shall have the meanings ascribed thereto in the management information circular dated as of February 22, 2019, to which this Appendix "G" is attached.

General Principles

The Declaration of Trust provides that, subject to certain conditions, the Trustees have absolute and exclusive power, control and authority over the REIT's properties and assets and affairs, as if the Trustees were the sole owners of such properties and assets. The REIT's governance practices, Investment Guidelines and Operating Policies (as defined in the Declaration of Trust) are overseen by the Board consisting of a minimum of three and a maximum of nine Trustees, a majority of whom must be Canadian residents. The REIT must also have, at all times, a majority of Trustees who are Independent Trustees; provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board of Trustees, be reasonably expected to interfere with a Trustee's independent judgment. The Board is currently comprised of five Trustees, being Frederic Waks, David Ehrlich, Jan Arie Breure, Ira Gluskin and Phillip Burns, all of whom except Mr. Burns are considered to be "independent" within the meaning of section 1.4 of NI 52-110 (as defined herein). The REIT has determined that Phillip Burns is not independent under these standards due to his role as an executive of the REIT.

The Trustees may, between meetings of the Unitholders, appoint one or more additional Trustees, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders (rounding to the nearest whole number). The Declaration of Trust provides that any Trustee may resign upon written notice signed by the resigning Trustee and delivered or mailed to the REIT's president or, if there is no president, the REIT's chair, and if there is no chair, the REIT's chief executive officer. A Trustee may be removed at any time with or without cause by a majority of the votes cast at a meeting of Unitholders called for that purpose or by the written consent of all of the Unitholders or with cause by the resolution passed by an affirmative vote of not less than two-thirds of the remaining Trustees. Any removal of a Trustee shall take effect immediately following the aforesaid vote or resolution and any Trustee so removed shall be so notified by the president or another officer of the REIT forthwith following such removal.

The exclusive standard of care required of the Trustees in exercising their powers and carrying out their functions shall be that they exercise their powers and discharge their duties hereunder as Trustees honestly, in good faith and with a view to the best interests of the REIT and the Unitholders and that in connection therewith they exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Unless otherwise required by law, no Trustee shall be required to give bond, surety or security in any jurisdiction for the performance of any duties or obligations set forth in this Appendix "G". The Trustees in their capacity as trustees shall not be required to devote their entire time to the investments, business or affairs of the REIT. No Trustee shall be liable in carrying out such Trustee's duties under the Declaration of Trust except in cases where the Trustee fails to act honestly, in good faith and in the best interests of the REIT and the Unitholders or, in connection therewith, fails to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The duties and standard of care of the Trustees provided as

aforesaid are intended to be similar to, and not to be any greater than, those imposed on a director of a corporation governed by the CBCA.

Board Mandate

The mandate of the Board, which it discharges directly or through one of its committees of the Board, is one of stewardship and oversight of the REIT and its business, and includes responsibility for strategic planning, review of operations, disclosure and communication policies, oversight of financial and other internal controls, corporate governance, Trustee orientation and education, management compensation, if any, and oversight, and Trustee compensation and assessment. The text of the Board of Trustee's written mandate is attached to this Circular as Appendix "H".

Code of Conduct

The REIT has adopted a written Code of Conduct that applies to all of the REIT's Trustees, officers and employees. The objective of the Code of Conduct is to provide guidelines for maintaining the REIT's integrity, reputation, honesty, objectivity and impartiality. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board monitors compliance with the Code of Conduct by encouraging all Trustees, officers and employees to talk to supervisors, managers or other appropriate personnel about observed illegal behavior and when in doubt about the best course of action in a particular situation. Certain of the REIT's Trustees and executive officers may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. The Board has the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct is available on SEDAR under the REIT's profile at www.sedar.com.

Position Descriptions

The Chairman of the Board and Committee Chairs

Frederic Waks, the Chairman of the Board, is an Independent Trustee. The Board will adopt a written position description for the Chairman of the Board which sets out the Chairman's key responsibilities, including duties relating to setting Board meeting agendas, chairing Board and Unitholder meetings, Trustee development and communicating with Unitholders and regulators. The Board will also adopt a written position description for the chair of the Audit Committee, which sets out the Audit Committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the committee and management to ensure, to the greatest extent possible, the effective functioning of the committee. Once adopted, these descriptions will be considered by the Board for approval annually.

Chief Executive Officer of the REIT

The primary functions of the Chief Executive Officer of the REIT are to lead the management of the REIT's business and affairs and to lead the implementation of the resolutions and policies of the Board. The Board will develop a written position description and mandate for the Chief Executive Officer, which sets out the Chief Executive Officer's key responsibilities, including duties relating to strategic planning, operational direction, Board interaction, succession planning and communication with unitholders and

regulators. Once adopted, the Chief Executive Officer mandate will be considered by the Board for approval annually.

Committees of the Board

Pursuant to the Declaration of Trust, the Board has established the Audit Committee. The Declaration of Trust requires that a majority of the Audit Committee will be Independent Trustees. The Declaration of Trust also requires that a majority of the Trustees on this committee be residents of Canada. Each member of this committee shall serve at the pleasure of the Board and, in any event, only so long as he or she shall be a Trustee.

Audit Committee

National Instrument 52-110 – *Audit Committees (“NI 52-110”)* and the Declaration of Trust require the Board to have an audit committee consisting of not less than three Trustees, a majority of whom must be Independent Trustees. Following Closing, the Audit Committee will review the financial statements of the REIT and payments to CAPREIT pursuant to the New Management Agreement and report thereon to the Board. The auditors of the REIT are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the REIT, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the auditors. Questions arising at any meeting of the Audit Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the members of the Audit Committee. The auditors of the REIT or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours’ notice.

The Board has adopted a written charter for the Audit Committee, the full text of which is attached to this Circular as Appendix “I”, which provides that the Audit Committee will assist the Board of Trustees in fulfilling its oversight responsibilities with respect to financial reporting, including: (i) reviewing the REIT’s procedures for internal control with the REIT’s auditors and chief financial officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT’s annual information form, if required by applicable Securities Laws, and management’s discussion and analysis; (iv) assessing the REIT’s financial and accounting personnel; (v) assessing the REIT’s accounting policies; and (vi) reviewing the REIT’s risk management procedures.

The Audit Committee currently consists of Frederic Waks, Jan Arie Breure and David Ehrlich as the chair. Each of these individuals is an Independent Trustee and “financially literate” within the meaning of NI 52-110. Each initial member of the Audit Committee possesses considerable education and experience relevant to the performance of his responsibilities as an Audit Committee member. Each member of the Audit Committee has the relevant education and experience that provides the member with: (i) an understanding of the accounting principles used by the REIT to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth of and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the REIT’s financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting.

Orientation and Continuing Education

The Board oversees the orientation program for new members of the Board and coordinates continuing Trustee development programs to enable the continuing Trustees to maintain or enhance their skills and abilities as Trustees as well as ensuring their knowledge and understanding of the REIT and its business remains current.

In order to orient new Trustees as to the nature and operation of the REIT's business, they are given the opportunity to meet with key members of the management team to discuss the REIT's business and activities. In addition, new Trustees receive copies of Board materials, corporate policies and procedures, and other information regarding the business and operations of the REIT.

Trustees are expected to keep themselves current with industry trends and developments and are encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of the REIT. Board members have access to the REIT's legal counsel in the event of any questions or matters relating to the Trustee responsibilities and to keep themselves current with changes in legislation. The REIT's Trustees have full access to the REIT's records.

Compensation

The REIT does not currently have a compensation committee. As a result of the REIT's arrangements with Maple Knoll, the REIT does not employ any senior officers and thus, the Trustees have determined that there is no need for a separate compensation committee. The compensation of Maple Knoll is determined based on the provisions of the Current Maple Knoll Management Agreement. Following the completion of the Acquisition, the compensation of CAPREIT as the new Manager of the REIT will be determined based on the provisions of the New Management Agreement.

Nomination and Assessment of Trustees

The Board is responsible for overseeing the recruitment and selection of candidates as Trustees of the REIT. The recruitment and selection of candidates involves an identification of the qualifications for Trustees that are required to fulfill Board responsibilities and an evaluation of the qualifications that existing Trustees possess. Such qualifications may include the competencies, skills, business and financial experience, real estate expertise, leadership roles and level of commitment required of a Trustee to fulfill Board responsibilities. This process takes into account the Board's views regarding the appropriate size of the Board, with a view to facilitating effective decision-making.

The Board invites suggestions for potential candidates from other Trustees and management, which list of potential candidates is considered by the REIT's chief executive officer, based on the qualifications of the candidates and other factors as noted in the foregoing paragraph.

The Board is responsible for implementing a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Trustees. In carrying out its responsibilities, the Board is required to periodically review the mandates of the Trustees and the Board's committees and to make an assessment of the effectiveness of the Trustees. The Trustees have determined that the present number of Trustees is appropriate for the Board to function at this time and that the Board is properly constituted to reflect the investment of all Unitholders in the REIT. On an ongoing basis, the Trustees review the size and composition of the Board.

Disclosure Policy

The Board has adopted a Disclosure Policy to seek to ensure that communications to the public regarding the REIT are timely, factual, accurate, complete and broadly disseminated and, where necessary, filed with the regulators in accordance with applicable Securities Laws.

The Disclosure Policy applies to all Trustees, directors, officers, employees, consultants and contractors of the REIT and its subsidiaries who have access to confidential information about the REIT. The Disclosure Policy covers disclosure documents filed with the Canadian securities regulators and written statements made in the REIT's annual and interim reports, press releases, letters to Unitholders, presentations by executives and information contained on the REIT's web site and other electronic communications. The Disclosure Policy also applies to oral statements made in group and individual meetings and telephone conversations with members of the investment community (which includes analysts, investors, investment dealers, brokers, investment advisers and investment managers), or with employees, interviews with the media as well as speeches, industry conferences, news conferences and conference calls and dealings with the public generally.

The REIT's Chief Executive Officer and Chief Financial Officer are responsible for overseeing the REIT's disclosure practices, setting benchmarks for the assessment of materiality, determining when developments justify public disclosure and ensuring adherence to the Disclosure Policy. The REIT's Chief Financial Officer is primarily responsible for ensuring that the REIT complies with all legal and regulatory disclosure requirements, including (a) overseeing the REIT's disclosure practices and monitoring compliance with the Disclosure Policy; (b) initiating, with input and advice from other members of senior management, disclosure of material information in accordance with the processes and procedures set out in the Disclosure Policy; and (c) dealing with any issues which may be raised from time to time by the regulatory authorities.

The Disclosure Policy has been circulated to all persons subject to such policy and the executive officers of the REIT endeavour to ensure that all such persons are aware of the existence of the Disclosure Policy, its importance and the REIT's expectation that such persons will comply with the Disclosure Policy. The Disclosure Policy is reviewed periodically by the Board.

APPENDIX "H" - BOARD MANDATE

(attached.)

BOARD MANDATE

EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST BOARD MANDATE

1. Purpose

The Declaration of Trust for European Commercial Real Estate Investment Trust (the “REIT”) stipulates that the trustees (the “Trustees”) of the REIT have full, absolute and exclusive power, control and authority over the assets of the REIT and over the affairs of the REIT. The objectives of the REIT are approved by the Trustees and may be amended or replaced by the Trustees from time to time. In setting the objectives of the REIT, the Trustees are subject to the investment guidelines and operating policies set out in the Declaration of Trust. For purposes of this Mandate, the “REIT” refers to European Commercial Real Estate Investment Trust together with its subsidiaries and controlled entities.

2. Procedure and Organization

The operations of the REIT are subject to the control of the Trustees and the Declaration of Trust. The Trustees may delegate any of their powers to committees of Trustees and allow any person to operate the real properties of the REIT. The Trustees, however, retain all other responsibilities and duties to themselves including appointing officers of the REIT, constituting committees of the Trustees and those other responsibilities and duties that the Trustees cannot delegate as expressly set out in the Declaration of Trust.

3. Duties and Responsibilities

As noted above, the Trustees are responsible for the stewardship of the REIT. In fulfilling their responsibilities and duties, the Trustees shall exercise their power and carry out their functions honestly, in good faith and in the best interests of the REIT and its unitholders and in connection therewith they must exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trustees’ principal responsibilities and duties fall into a number of categories which are outlined below.

Declaration of Trust

The Trustees shall be responsible for exercising their powers or taking whatever actions as may be necessary or desirable in order to carry out the provisions of the Declaration of Trust and ensuring that the exercise of such powers or taking of such actions is not inconsistent with the provisions of the Declaration of Trust.

Strategic Planning

Strategic Plans

At least annually, the board of Trustees of the REIT (the “Board”) shall review and, if advisable, adopt and approve a strategic planning process and a strategic plan for the REIT. In discharging this responsibility, the Board shall review the plan in light of management’s assessment of emerging trends, the competitive environment, the opportunities for the business of the REIT, risk issues and significant business practices and products.

Business and Capital Plans

At least annually, the Board shall review and, if advisable, approve the REIT's annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

Monitoring

At least annually, the Board shall review management's implementation of the REIT's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

Risk Management

General

At least annually, the Board shall review reports provided by management of principal risks associated with the REIT's business and operations, review the implementation by management of appropriate systems to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

Verification of Controls

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

Oversight of Management

General

At least annually, the Board shall review the REIT's approach to executive compensation and trustee compensation and assessment.

Succession Review

At least annually, the Board shall review the succession plans of the REIT for the Chair, Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

Integrity of Senior Management

The Board shall, to the extent feasible, oversee management and satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the REIT and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the REIT.

Corporate Governance

General

At least annually, the Board shall review the REIT's approach to corporate governance.

Trustee Independence

At least annually, the Board shall review Trustee independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

Ethics Reporting

The Board has adopted a written Code of Business Conduct and Ethics (the "Code") applicable to Trustees, officers and employees of the REIT. At least annually, the Board shall review compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review any complaints received under the Code.

Board Mandate Review

At least annually, the Board shall review and assess the adequacy of its Mandate to ensure compliance with any rules of regulations promulgated by any regulatory body and approve any modifications to this Mandate as considered advisable.

Communications

General

The Board has adopted a Disclosure Policy for the REIT. At least annually, the Board shall review the REIT's overall Disclosure Policy, including measures for receiving feedback from the REIT's stakeholders, and management's compliance with such policy. The Board shall, if advisable, approve material changes to the REIT's Disclosure Policy.

Unitholders

The REIT shall endeavor to keep its unitholders informed of its progress through disclosures required by applicable securities laws, including annual and interim financial statements and periodic press releases. Trustees and management meet with the REIT's unitholders at the annual meeting and are available to respond to questions at that time.

4. Composition General

The composition and organization of the Board, including: the number, qualifications and remuneration of Trustees; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are required by applicable law and the REIT's Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements.

Each Trustee must have an understanding of the REIT's principal operational and financial objectives, plans and strategies, and financial position and performance. Trustees who experience a significant change in their personal circumstances are expected to advise the Board and the Chief Executive Officer.

Independence

A majority of the Board must be independent, unless the Board considers otherwise advisable. "Independent" shall have the meaning, as the context requires, given to it in National Policy 58-201 - *Corporate Governance Guidelines*, as may be amended from time to time.

Chair of the Board

The Chair of the Board shall be an independent Trustee, unless the Board determines that it is inappropriate to require the Chair to be independent. If the Board determines that it would be inappropriate to require the Chair of the Board to be independent, then the independent Trustees shall select from among their number a Trustee who will act as “Lead Trustee” and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chair, if independent, or the Lead Trustee if the Chair is not independent, shall act as the effective leader of the Board and ensure that the Board’s agenda will enable it to successfully carry out its duties.

Residency

A majority of the trustees must be persons who are resident in Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder, as replaced or amended from time to time. Trustees who propose to become non-residents of Canada shall advise the Board as soon as reasonably practicable.

5. Committees of the Board

The Board has established the Audit Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee.

Committee Mandates

The Board shall approved mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each mandate shall be reviewed by the Board, which shall consider any proposed changes.

Delegation to Committees

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee’s mandate.

Consideration of Committee Recommendations

As required by applicable law, by applicable committee Mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

6. Meetings

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any Trustee may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting. Meetings of the Board shall be conducted in accordance with the REIT’s Declaration of Trust.

Secretary and Minutes

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Board for approval.

Meetings Without Management

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent Trustees and members of management are not present.

Trustees' Responsibilities

Each Trustee is expected to attend all meetings of the Board and any committee of which he or she is a member. Trustees will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

Access to Management and Outside Advisors

The Board shall have unrestricted access to management and employees of the REIT. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the REIT. The REIT shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Service on Other Boards and Audit Committee

Trustees may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Trustees must advise the Chair in advance of accepting an invitation to serve on the board of another public company.

7. Trustee Development and Evaluation

Each new Trustee shall participate in an initial orientation program to be established by the Board and each Trustee shall participate in the REIT's continuing trustee development programs to be coordinated by the Governance, Compensation and Nominating Committee. At least annually, the Board shall review the REIT's initial orientation program and continuing trustee development programs.

8. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the REIT. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the REIT's Declaration of Trust, it is not intended to establish any legally binding obligations.

Approved on April 17, 2018.

APPENDIX "I" - AUDIT COMMITTEE CHARTER

(attached.)

AUDIT COMMITTEE CHARTER

EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST (the "REIT")

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

I. PURPOSE

The Audit Committee is a committee of the board of trustees (the "**Board**") of the REIT. The function of the Audit Committee is to assist the Board in fulfilling its responsibilities to the unitholders of the REIT, the securities regulatory authorities and stock exchanges, the investment community and others by:

- (a) reviewing the annual and interim (quarterly) financial statements, related management discussion and analysis ("**MD&A**") and, where applicable, other financial information disclosed by the REIT to any governmental body or the public, prior to its approval by the Board;
- (b) overseeing the review of interim (quarterly) financial statements and/or MD&A by the REIT's external auditor;
- (c) recommending the appointment and compensation of the REIT's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;
- (d) directly, overseeing the work of the external auditor on the audit of annual financial statements; and
- (e) monitoring the REIT's financial reporting process and internal controls and compliance with legal and regulatory requirements related thereto.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("**GAAP**"), to conduct investigations, or to assure compliance with laws and regulations or the REIT's internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

II. COMPOSITION

1. The Audit Committee shall have a minimum of three members.
2. Every Audit Committee member must be a trustee of the REIT. The Audit Committee shall be comprised of such trustees as are determined by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any

- relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.
3. All members of the Audit Committee must have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices and otherwise be financially literate within the meaning of NI 52-110 (or exempt therefrom). Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the REIT or an outside consultant.
 4. The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Audit Committee members shall hold office until the next annual meeting of unitholders subsequent to their appointment.
 5. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.
 6. The Secretary of the Audit Committee will be appointed by the Chair.
 7. Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee on ceasing to be a trustee of the REIT. The Board may fill vacancies on the Audit Committee by election from among the trustees on the Board. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains.

III. DUTIES AND RESPONSIBILITIES

1. The Audit Committee shall review and recommend to the Board for approval:
 - (a) the REIT's annual and interim financial statements, including any certification, report, opinion or review rendered by the external auditor, and review related MD&A;
 - (b) press releases of the REIT that contain financial information;
 - (c) other financial information provided to any governmental body, stock exchange or the public as they see fit;
 - (d) documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form- (when applicable)) prior to their release; and
 - (e) any other matter not mentioned herein but otherwise required pursuant to applicable laws, including, without limitation, NI 52-110.
2. The Audit Committee, in fulfilling its mandate, will:
 - (a) satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws, as applicable;

- (b) review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable);
- (c) ensure that adequate procedures are in place for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and periodically assess the adequacy of those procedures;
- (d) recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor;
- (e) review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant;
- (f) review the annual audit plans of the internal and external auditors of the REIT;
- (g) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the REIT;
- (h) monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor;
- (i) periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper;
- (j) arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditors communicate directly with the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the unitholders to whom the auditors are ultimately responsible;
- (k) ensure that the external auditors are prohibited from providing non-audit services and approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation;
- (l) review with management and the external auditor the REIT's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results;
- (m) review with management their approach to controlling and securing REIT assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements;

- (n) review and approve the REIT's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the REIT;
 - (o) review the expenses of the Chairman and president, if any, or chief executive officer of the REIT annually;
 - (p) establish procedures for the receipt, retention and treatment of complaints received by the REIT regarding accounting, internal controls, or auditing matters and the confidential, anonymous submission by the REIT's employees of concerns regarding questionable accounting or auditing matters; and
 - (q) perform such other duties as required by the REIT's declaration of trust or other constating documents and applicable securities legislation and policies, including, without limitation, NI 52-110.
3. The Audit Committee may engage independent counsel and other advisors as it determines necessary to carry out its duties, and may set and pay the compensation of such counsel and advisors. The Audit Committee may communicate directly with the REIT's internal and external counsel and advisors.

IV. MEETING PROCEDURES

1. The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. The Audit Committee should meet within forty-five (45) days (sixty (60) days in the event the REIT is a "venture issuer" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*)) following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and shall meet within ninety (90) days (one hundred and twenty (120) days in the event the REIT is a "venture issuer") following the end of the financial year end to review and discuss the audited financial results for the preceding year and the related MD&A as well as any accompanying press release, or in both cases, by such earlier times as may be required in order to comply with applicable law or any stock exchange regulation.
2. Members of the Audit Committee shall be provided with reasonable notice of the time and place of meetings, which shall be not less than twenty-four (24) hours. The notice period may be waived by all members of the Audit Committee. Each of the Chairman of the Board, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to request that any member of the Audit Committee call a meeting.
3. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all REIT information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the REIT with senior employees, officers and the external auditor of the REIT, and others as they consider appropriate. The external auditor may, at its option, attend meetings of the Audit Committee.
4. In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any

matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the REIT's interim financial statements.

5. Meetings of the Audit Committee may be conducted with members in attendance in person, by telephone or by video conference facilities.
6. Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.
7. A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.
8. The Audit Committee shall ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the REIT.

APPENDIX "J" - FINANCIAL STATEMENTS IN RESPECT OF THE ACQUISITION

(attached.)

CAPREIT NL HOLDING B.V.

**SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**



Independent auditor's report

To: the directors of CAPREIT NL Holding B.V.

Report on the special purpose consolidated financial statements 2018 and 2017

Our opinion

In our opinion, CAPREIT NL Holding B.V.'s special purpose consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2017 and 1 January 2017, and of its financial performance and its cash flows for the years ended 31 December 2018 and 31 December 2017 in accordance with International Financial Reporting Standards.

What we have audited

We have audited the accompanying special purpose consolidated financial statements 2018 and 2017 of CAPREIT NL Holding B.V., Amsterdam ('the Group').

The special purpose consolidated financial statements comprise:

- the special purpose consolidated statement of financial position as at 31 December 2018, 31 December 2017 and 1 January 2017;
- the following statements for 2018 and 2017: the special purpose consolidated statement of profit or loss and other comprehensive income, the special purpose consolidated statement of changes in shareholders' equity and the special purpose statement of cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the special purpose consolidated financial statements is IFRS.

The basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the special purpose consolidated financial statements' of our report.

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

AKD7WSP6H2AN-1601812744-38

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Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities for the special purpose consolidated financial statements and the audit

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the special purpose consolidated financial statements in accordance with IFRS; and for
- such internal control as the directors determine is necessary to enable the preparation of the special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the special purpose consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the directors should prepare the special purpose consolidated financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the special purpose consolidated financial statements.

Our responsibilities for the audit of the special purpose consolidated financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the special purpose consolidated financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 February 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA



Appendix to our auditor's report on the special purpose consolidated financial statements 2018 and 2017 of CAPREIT NL Holding B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the special purpose consolidated financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the special purpose consolidated financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with ISAs, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the special purpose consolidated financial statements as a whole. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and evaluating whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the special purpose consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the special purpose consolidated financial statements as a whole.



Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018, 31 December 2017, and 1 January 2017

As at	Note	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000	1 January 2017 CAD \$'000
Assets				
Non-Current Assets				
Investment properties	5	676,987	555,795	91,957
Deferred Income Tax Asset		-	-	792
		676,987	555,795	92,749
Current Assets				
Trade and Other Receivables	6	275	815	-
Cash and cash equivalents		3,497	9,739	-
		3,772	10,554	-
Total Assets		680,759	566,349	92,749
Liabilities				
Non-Current Liabilities				
Mortgages payable	8	318,007	306,437	57,376
Deferred Income Tax Liability	11	25,090	4,270	-
Redemption Liability	16	-	6,639	850
Other Non-Current Liabilities	15	166,915	168,099	35,812
		510,012	485,445	94,038
Current Liabilities				
Accounts payable and accrued liabilities	7	3,916	4,752	519
Security deposits		2,336	1,907	679
		6,252	6,659	1,198
Total Liabilities		516,264	492,104	95,236
Shareholder's Equity				
Share Capital	9	-	-	-
Capital Contributions	9	76,802	59,804	-
Currency translation reserve	9	6,532	1,775	(5)
Retained earnings (deficit)		81,161	12,666	(2,482)
Total Shareholders' Equity		164,495	74,245	(2,487)
Total Shareholders' Equity and Liabilities		680,759	566,349	92,749

The accompanying notes form an integral part of these financial statements.

By: 
 Title: Director CAPREIT NL Holding B.V.

By: 
 Title: Director CAPREIT NL Holding B.V.

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 and 31 December 2017

For the Year Ended	Note	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
Operating Revenues			
Revenue from investment properties		29,946	12,107
Service charge income		1,835	415
		31,781	12,522
Operating Expenses			
Service charge expenses		(2,037)	(415)
Property taxes		(536)	(239)
Property operating costs	12	(6,640)	(2,644)
		(9,213)	(3,298)
Net Rental Income ("NRI")			
General and administrative expenses	13	(2,510)	(1,877)
Mortgage expense		(6,093)	(3,091)
Intercompany interest		(10,193)	(4,386)
Accretion of redemption liability		(10,473)	(4,399)
Net movement in fair value of investment properties	5	93,354	24,654
Disposition of subsidiary	15	2,090	-
		88,743	20,125
Profit or loss before income taxes for the year		88,743	20,125
Deferred income tax expense	11	(20,248)	(4,977)
Profit or loss after income taxes for the year		68,495	15,148
Other Comprehensive Income, Including Items that may be reclassified subsequently to Net Income			
Currency translation		4,757	1,780
Other Comprehensive Income		4,757	1,780
Total Comprehensive Income for the Period		73,252	16,928

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018 and 31 December 2017

		Share Capital	Capital Contributio	Retained Earnings	Currency Translation Reserve	Total
	Note	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Shareholders' Equity at 1 January 2018	9	-	59,804	12,666	1,775	74,245
Total comprehensive income for the year						
Profit for the year				68,495		68,495
Other comprehensive income		-	-		4,757	4,757
Total comprehensive income for the year		-	-	68,495	4,757	73,252
Transactions with owners, recognised directly in equity						
Capital Contributions	9	-	16,998	-		16,998
Transactions with owners, recognised directly in equity		-	16,998	-		16,998
Shareholders' Equity at 31 December 2018		-	76,802	81,161	6,532	164,495
		Share Capital	Capital Contributio	Retained Earnings	Currency Translation Reserve	Total
	Note	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Shareholders' Equity at 1 January 2017	9	-	-	(2,482)	(5)	(2,487)
Total comprehensive income for the period						-
Profit for the year				15,148		15,148
Other comprehensive income		-	-		1,780	1,780
Total comprehensive income for the period		-	-	15,148	1,780	16,928
Transactions with owners, recognised directly in Shareholders' Equity						
Capital Contributions	9	-	59,804	-		59,804
Transactions with owners, recognised directly in Shareholders' Equity		-	59,804	-		59,804
Shareholders' Equity at 31 December 2017		-	59,804	12,666	1,775	74,245

The accompanying notes form an integral part of these financial statements

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 and 31 December 2017

	Note	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
Cash Flows from Operating Activities:			
Profit for the year		68,495	15,148
Adjustments for non-cash items:			
Fair value adjustment - investment properties	5	(93,354)	(24,654)
Deferred income taxes		20,248	4,977
Accretion of redemption liability	14	10,473	4,399
Amortisation of other financing costs		145	90
Paid mortgage financing costs		-	(1,053)
		6,007	(1,093)
Changes in operating assets and liabilities	14	(86)	4,573
Net Cash Generated from Operating Activities		5,921	3,480
Cash Flows from Investing Activities			
Acquisition of investment properties	5,14	(531)	(419,106)
Investment property enhancement expenditure	5	(4,565)	(5,495)
Net Cash Used in Investing Activities		(5,096)	(424,601)
Cash Flows from Financing Activities			
Proceeds of mortgage borrowings		-	241,888
Repayment of intercompany loan		(7,092)	128,786
Repayment of redemption liability	16	(16,998)	-
Proceeds of capital contribution		16,998	59,804
Net Cash Generated from Financing Activities		(7,092)	430,478
Changes in Cash and Cash Equivalents during the Year		(6,267)	9,357
Effect of exchange rate changes on cash		25	382
Cash and Cash Equivalents, Beginning of the Year		9,739	-
Cash and Cash Equivalents, End of the Year		3,497	9,739

The accompanying notes form an integral part of these financial statements

1. General Information

These financial statements present the consolidated financial position, financial performance and cash flows of CAPREIT NL Holding B.V. (the "Holding BV"), a private limited liability company and subsidiary of Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT"), a real estate investment trust domiciled in Canada, who is also the ultimate controlling party. The Holding BV was formed in the Netherlands on 16 December 2016 and owns the subsidiaries, CAPREIT NL I B.V., CAPREIT NL II B.V., CAPREIT NL I V.O.F., CAPREIT NL II V.O.F. and CANLIVING B.V., which directly or indirectly own the beneficial interest of all its properties along with the related mortgages and all the corporate debt obligations. Prior to 31 December 2018, LLS Capital BV, a non-controlling interest which contributed \$1,689 thousand, held an ownership interest in CAPREIT NL I V.O.F and CAPREIT NL II V.O.F, of 2.0% and 0.5%, respectively, the indirect subsidiaries of the Holding BV that own the properties. During 2018, CAPREIT purchased LLS Capital BV's equity interest by exercising the put option as stipulated in the partnership agreements of CAPREIT NL I V.O.F and CAPREIT NL II V.O.F. for \$17.0 million. See note 15 for further details. The Holding BV and its subsidiaries registered and actual address is Rhijnspoorplein 10, 1018 TX in Amsterdam. The Holding BV is registered at the trade register under number 67506291.

The Holding BV owns through its subsidiaries, interests in residential rental accommodations of 2,091 suites in 41 properties located in and near major urban centres across the Netherlands.

These financial statements are considered to be special purpose under Dutch corporate law as they are not statutory financial statements for the entity. The purpose of this special purpose financial statements is to present the Holding BV in Canadian Dollars (CAD), in the Management Information Circular filed in connection with the reverse acquisition of European Commercial REIT, a publicly traded real estate company on the TSX Venture Exchange. The Holding BV statements are a regulatory requirement under Canadian securities rules for reverse acquisitions.

2. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Holding BV have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB, IFRS Interpretations Committee ("IFRIC") interpretations. These consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of consolidated annual financial statements including IFRS 1, First-time Adoption of IFRS. The Holding BV has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet as at 1 January 2017 and throughout all periods presented, as if these policies had always been in effect.

Reconciliation impact transition from previous GAAP to IFRS

The Holding BV has prepared and filed financial statements in accordance with Dutch GAAP for the period 16 December 2016 to 31 December 2017. These financial statements are company only as no consolidated financial statements were prepared and filed. Below is a reconciliation between equity reported in the company financial statements and the special purpose consolidated financial statements. No accounting principle differences between Dutch GAAP and IFRS are identified to be relevant to these financial statements.

For the consolidated entities CAPREIT NL I V.O.F. and CAPREIT NL II V.O.F., financial statements in accordance with IFRS have been prepared for the year ended 31 December 2017.

	Equity (consolidated) CAD \$'000	Elimination subsidiaries CAD \$'000	IFRS adjustments CAD \$'000	Equity as per Dutch GAAP (company only) CAD \$'000
1 January 2017 (date of transition)	(2,487)	2,487	-	-
31 December 2017 (date of last annual period reported under the previous GAAP)	74,245	(15,087)	-	59,158

The financial statements of the Holding BV are prepared on a going concern basis of accounting and under the historical cost convention, as modified by the revaluation of investment properties at fair value through profit and loss. The financial statements of the Holding BV have been presented in Canadian dollars, as opposed to the Holding BV's functional currency of euro. All amounts in the consolidated financial statements are stated in \$'000 Canadian dollars, unless otherwise stated. Balance sheet balances are recorded at the closing exchange rate as at the period end. Income statement balances are recorded at the monthly average rate. Any gains or losses on foreign currency translation are recognized in other comprehensive income.

The financial statements of the Holding BV are as at 31 December 2018 and for the year ended 31 December 2018.

The Holding BV has not early adopted any forthcoming International Accounting Standards Board ("**IASB**") standards. Note 2(p) sets out details of such upcoming standards.

Consolidation

Subsidiaries are all entities over which the Holding B.V. has control. The Holding B.V. controls an entity when it's exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Holding B.V. They are deconsolidated from the date that control ceases.

All the companies within the consolidation have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

Inter-company transactions, balances and unrealised gains or losses on transactions between the companies within the consolidation are eliminated.

Going concern

The Holding BV meets its day-to-day working capital requirements through its cash balances. The Holding BV's plans indicate that it should have adequate resources to continue operating for the foreseeable future. Accordingly, the owner considers it appropriate that the Holding BV adopts the going concern basis of accounting in the preparation of the financial statements.

b) Investment properties

The Holding BV considers its income producing properties to be investment properties under IAS 40, Investment Property ("**IAS 40**"), and has chosen the fair value model to account for its investment properties in the financial statements. Under IFRS 13, Fair Value Measurement ("**IFRS 13**"), this IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment properties are recognized as acquired at the time when the Holding BV assumes the significant risks and returns of ownership, which normally occurs when the conveyancing contract has been performed by both buyer and seller and the contract has been deemed to have become unconditional and completed. Investment properties are deemed to have been sold when the buyer has assumed the risks and rewards of ownership and the contract has been completed.

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of generating income from rental properties, capital appreciation or both, but not for sale in the ordinary course of business.

All investment properties are initially recorded at cost, which includes transaction and other acquisition costs, at their respective acquisition dates, and are subsequently stated at fair value at each statement of financial position date, with any gain or loss arising from a change in fair value recognised within operating profit in the statement of profit

or loss and other comprehensive income for the period. Gains and losses incurred on the disposal of investment properties are also recognised in the statement of profit or loss and other comprehensive income. Investment properties are derecognised when they have been disposed. Where the Holding BV disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of profit or loss and other comprehensive income within net gain from fair value adjustment on investment property.

The fair value of investment properties has been determined by a qualified independent external valuer as at 31 December 2018 and 2017, using the direct capitalization method, in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (RICS). The independent valuer holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. At each reporting date, management undertakes a review of its investment property valuations to assess the continuing validity of the underlying assumptions, such as cash flows and capitalisation rates used in the independent valuation report, as well as property valuation movements when compared to the prior year valuation report, and holds discussions with the independent valuer.

Key estimations of inherent uncertainty in investment property valuations

The fair values derived are based on anticipated market values for the properties, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of the Holding BV's investment properties is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income in the future, an assessment of a property's ability to remain an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. While these and other similar matters are market standard considerations in determining the fair value of a property in accordance with the RICS methodology, they are all subjective assessments of future outturns and macroeconomic factors which are outside of the Holding BV's control or influence and therefore may prove to be inaccurate long-term forecasts. As a result of all these factors, the ultimate valuation the Holding BV places on its investment properties is subject to some uncertainty, which may not turn out to be accurate, particularly in times of macroeconomic volatility. The RICS property valuation methodology is considered by the Holding BV to be the valuation technique most suited to the measurement of the fair value of property investments. It is also the primary measurement of fair value that all major and reputable property market participants use when valuing a property investment. See note 5 for a detailed discussion of the significant assumptions, estimates and valuation methods used.

c) Property asset acquisition

At the time of acquisition of a property or a portfolio of investment properties, the Holding BV evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, Business Combinations is applicable only if it is considered that a business has been acquired. A business, under IFRS 3, is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors, or to lower costs or provide other economic benefits directly and proportionately to investors.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Holding BV applies judgement when determining whether an integrated set of activities is acquired in addition to the property or portfolio of properties. Activities can include whether employees were assumed in the acquisition and whether an operating platform has been acquired.

When an acquisition does not represent a business as defined under IFRS 3, the Holding BV classifies these properties, or portfolio of properties, as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their relative fair values at the acquisition date. Acquisition-related transaction costs are capitalised to the property.

d) **Financial instruments**

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for based on their classification, as described below. Classification of financial assets depends on the business model for which the financial instruments are held, and an assessment of whether their cash flows are based solely on payments of principal and interest.

Classification of financial instruments

The following summarises the classification and measurement the Holding BV has elected to apply to each of its significant categories of financial instruments:

Type	Classification under IFRS 9
Financial assets	
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Financial liabilities	
Mortgage payable	Amortised cost
Accounts payable and accrued liabilities	Amortised cost
Security deposits	Amortised cost

Loans and receivables

Such receivables arise when the Holding BV provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities of more than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position and are accounted for at amortised cost, which usually equals the face value adjusted for accumulated impairment losses. For financial assets including cash and cash equivalents, receivables, payables and accruals the carrying amounts approximate fair values due to their immediate or short-term maturity.

Other liabilities

Such financial liabilities are recorded at amortised cost and include all liabilities other than derivatives or liabilities, which are designated to be accounted for at fair value.

Determination of fair value

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is remeasured based on relevant market data. The Holding BV classifies the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13, Fair Value Measurement (“IFRS 13”). The fair value hierarchy distinguishes between market value data obtained from independent sources and the Holding BV’s own assumptions about market value. See note 10 for a detailed discussion of valuation methods used for investment properties with prices quoted in an active market and instruments valued using observable data.

e) **Revenue recognition**

The Holding BV recognises rental revenue using the straight-line method, whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognised and the amounts contractually due under the lease agreements is accrued within trade and other receivables.

Tenant inducements

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees who enter into a lease. The incentives are written off on a straight-line basis over the term of the lease as a reduction of rental revenue.

Early termination of leases

When the Holding BV receives rent loss payments from a tenant for the early termination of a lease, it is reflected in the accounting period in which the rent loss payment occurred.

Expected Losses for Receivables

A provision for impairment is established based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, the Holding BV estimates lifetime expected losses for its receivables at each balance sheet date based on available information. To measure the expected losses, amounts receivable are grouped based on the days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statement of profit or loss and other comprehensive income within properties operating expenses. Bad debt write-offs occur when the Holding BV determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against properties operating expenses in the consolidated statement of profit or loss and other comprehensive income.

f) Service Charges, Property Operating Expenses, and Administrative Expenses

In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, net of costs charged to tenants. These mainly relate to insurance, leasehold, repair and maintenance costs, and professional fees. These are expensed as incurred. Administrative expenses are expenses that are not directly attributable to the operation of properties (including charged management costs not directly related to properties, office overheads, advice, valuation and audit fees, listing costs and marketing and promotion costs).

Service charges for which the Holding BV acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which the Holding BV is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

g) Mortgage payable, borrowing costs and interest

Mortgage payable is initially recognised at fair value, less a deduction for transaction costs incurred, and subsequently measured at amortised cost. Interest and other financing costs include interest and transaction costs relating to the mortgage payable, which is expensed at the effective interest rate.

h) Operating segments

The Holding BV operates and is managed as one business segment, namely property investment, with all investment properties located in the Netherlands. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which has been identified as the Holding BV's asset and property manager, Canliving B.V.

i) Statement of cash flows

Cash and cash equivalents consist of cash on hand and balances with banks. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the statement of cash flows and are disclosed separately in the notes to the financial statements. Cash flows from operating activities are reported using the indirect method. Interest paid is presented within operating cash flows included in changes in operating assets and liabilities. Acquisitions of investment properties are disclosed as cash flow from investing activities because this most appropriately reflects the business activities of the entity.

j) Income taxes

CAPREIT NL Holding B.V., a private limited liability company is subject to tax at a rate of 20% on the first €200,000 of taxable income and 25% thereafter. Deferred taxes are calculated based on capital gains being taxed at 25%. As a result, taxes are recorded in the Holding BV. For further details, please refer to note 11.

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, tax is also recognised in other comprehensive income or equity.

The current income tax expense is calculated on the basis of tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Holding BV operates. The Holding BV periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate of the amounts expected to be paid to the tax authorities.

Deferred income tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income taxes expense is determined using tax rates and laws enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or when the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

k) Property taxes

Property taxes are paid annually and recognised as an expense evenly throughout the year, which is when the obligating event for the property tax is considered to occur.

l) Security deposits

Security deposits are amounts received from tenants at the beginning of a tenancy. When a tenant is no longer in possession of the property, the Holding BV will assess whether there were damages to the property above normal wear and tear for which deductions may be made to their deposit. Once the inspections and repairs are calculated, the remaining security deposit is returned to the tenant.

m) Leases

a) The Holding BV is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position.

b) The Holding BV is the lessor – fees paid in connection with arranging leases and lease incentives

The Holding BV makes payments to agents for services in connection with negotiating lease contracts with the Holding BV's lessees. The letting fees are capitalized within the carrying amount of the related investment property and amortized over the lease term. Lease incentives are recognized as a reduction of rental income on a straight-line basis over the lease term.

n) Redemption Liability

As a result of the put option feature in the partnership agreement in two indirect subsidiaries of the Holding BV, a financial liability is recognized at the present value of the redemption amount. The redemption amount represents the partner's partnership interest of the subsidiaries which is calculated based on the profit sharing component as stipulated in the partnership agreement and the partner's equity interest. The financial liability is measured in accordance with IFRS 9 and changes in the measurement are recognized in the statement of income and

comprehensive income. The put option feature allows the minority partner to the right to sell and transfer its entire partnership interest to the Holding BV after a specified number of years as stipulated in the partnership agreement.

o) *New accounting standards (applied throughout all periods presented)*

IFRS 9, Financial Instruments ("IFRS 9")

The revised IFRS 9 incorporates requirements for the classification and measurement of financial liabilities over the existing derecognition requirements of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 also introduces new requirements for classifying and measuring financial assets; specifically, investments in equity instruments can be designated as fair value through other comprehensive income ("FVOCI") with only dividends being recognized in profit or loss. IFRS 9 was further amended in November 2013 to: (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income ("OCI") (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of 1 January 2015.

The final amendment of IFRS 9 as at July 2014 included: (i) a third measurement category for financial assets – FVOCI; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date for IFRS 9 for annual periods beginning on or after 1 January 2018. During 2017, the Holding BV performed an assessment of key areas within the scope of IFRS 9 which includes, but not limited to, the classification and measurement of mortgages and loans receivable and fair value through profit or loss securities, as well as additional disclosures required by IFRS 7, "Financial Instruments - Disclosure" upon initial adoption of IFRS 9.

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 Financial Instruments – Accounting policies

Impairment of Financial Assets

Under IFRS 9, there is a new expected credit loss model resulting in the requirement to revise impairment methodology for three classes of financial assets

- Debt investments carried at amortized cost
- Debt instruments carried at FVOCI

Upon assessment, the Holding BV has determined there is no material impact regarding the above.

IFRS 15, Revenue from Contracts with Customers

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and adopted on 1 January 2018.

The Holding BV has assessed the impact of IFRS 15 on its various revenue streams including antenna and other income and have concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard.

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Holding BV has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which has replaced many reporting standards commonly used in the real estate industry, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 15 ‘Agreements for the Construction of Real Estate’. The new standard provides a single, comprehensive revenue recognition model. While early adoption was permitted for IFRS reporters, this standard is effective for the interim periods within years beginning on or after 1 January 2018. The Holding BV’s assessment included a review of relevant contracts for the following key areas which the Holding BV believes are in scope of IFRS 15 including, but not limited to property and asset management fees. The Holding BV has assessed the impact of IFRS 15 and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard.

p) Future accounting changes

The Holding BV has assessed the new or amended IFRS issued by the International Accounting Standards Board (“IASB”) and are expected to apply to the Holding BV for annual reporting periods beginning after 31 December 2018:

IFRIC 23, Uncertainty over Income Tax Treatments

This new IFRS interpretation clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments and is effective for years beginning on or after 1 January 2019.

Annual Improvements

IFRS 3, Business combinations

This amendment as per above is effective 1 January 2019.

IFRS 16, Leases

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. It addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about the leasing activities.

Under IAS 17, lessees were required to make a distinction between a finance lease (on the statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Holding BV intends to adopt the new standard on 1 January 2019. Currently, the Holding has assessed and made the conclusion that the impact is limited on adoption of their current form.

3. Critical Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the financial statements and accompanying notes. Areas of such estimation include, but are not limited to, valuation of investment properties. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The valuation estimate of investment properties is deemed to be more significant. See note 2(b) and 5 for a detailed discussion of valuation methods and the significant assumptions and estimates used.

4. Recent Investment Property Acquisitions

For the period 1 January 2018 to 31 December 2018

Property	Acquisition Date	Apartment Count	Total Acquisition Costs CAD \$'000
Anna Blamanplein land acquisition	29 June 2018	0	531
		0	531

For the period 1 January 2017 to 31 December 2017

Property	Acquisition Date	Apartment Count	Total Acquisition Costs CAD \$'000
James	1 December 2017	540	129,129
Stokhorst (Green Portfolio)	3 September 2017	57	12,691
Altera	25 August 2017	77	20,384
Ring Portfolio	12 July 2017	849	257,779
		1523	419,983

5. Investment Properties

Valuation basis

Investment properties are carried at fair value, which is the amount at which the individual properties could be sold in an orderly transaction between market participants at the measurement date, considering the highest and best use of the asset, with any gain or loss arising from a change in fair value recognised in the statement of profit or loss and other comprehensive income for the period.

The fair values of all of the Holding BV's investment properties are determined by a qualified independent external valuer. The valuer employs qualified valuation professionals and has recent experience in the location and category of the respective property. Valuations are prepared on a bi-annual basis at the interim reporting date and the annual reporting date.

The information provided to the valuer, and the assumptions and valuation methodologies and models used by the valuer, are reviewed by management. The valuer meets management and discusses the valuation results as at 31 December. The management determines the Holding BV's valuation policies and procedures for property valuations.

The bank decides which independent valuer to appoint for the external valuation of the Holding BV's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Investment property producing income

For investment property, the income approach / yield methodology involves applying market-derived capitalisation rates to current and projected future income streams. These capitalisation rates and future income streams are derived from comparable property transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account include the tenure of the property, tenancy details, planning, building and environmental factors that might affect the property.

Information about fair value measurements using unobservable inputs (Level 3)

The Holding BV tests the reasonableness of all significant unobservable inputs, capitalisation rates and stabilised net rental income (“**Stabilised NRI**”) used in the valuation, and reviews the results with the independent valuer for all independent valuations. The Stabilised NRI represents property revenue less property operating expenses, adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance. The capitalisation rates used in the calculation of the fair value of investment properties represents market transactions based on comparable properties close to valuation date.

At 31 December 2018 and 2017, the Holding BV considers that all of its investment properties fall within Level 3 fair value as defined by IFRS 13. As outlined in IFRS 13, a Level 3 fair value recognises that the significant inputs and considerations made in determining the fair value of property investments cannot be derived from publicly available data, as the valuation methodology in respect of a property also has to rely on a number of unobservable inputs including technical reports, legal data, building costs, rental analysis, professional opinion on profile, lot size, layout and presentation of accommodation. In addition, the valuers utilise proprietary databases maintained in respect of properties similar to the assets being valued.

Sensitivity analysis

Estimated Stabilised NRI and market-observed capitalisation rates are key inputs in the valuation model used. For example, completed properties are valued mainly using a term and reversion model: i.e., the present values of future cash flows from expected rental receipts are calculated. For the existing rental contract or “term” this is the expected net rents from tenants over the period to the next lease break option or expiry. After this period, the “reversion”, estimated Stabilised NRI is used to calculate cash flows based on expectations from current market conditions. Thus a decrease in the estimated Stabilised NRI will decrease the fair value, and an increase in the estimated Stabilised NRI will increase the fair value.

The capitalisation rates magnify the effect of a change in Stabilised NRI, with a lower capitalisation rate resulting in a greater effect on the fair value of investment properties than a higher capitalisation rate.

Across the entire portfolio of investment properties, an increase of 1% in the weighted average capitalisation rate would have the impact of a \$144.5 million reduction in fair value while a decrease of 1% in the weighted average capitalisation rate would result in a fair value increase of \$254.7million.

The direct operating expenses recognised in the statement of profit or loss and other comprehensive income for the Holding BV is \$9.2 million for the period ended 31 December 2018 (2017: \$3.3 million), arising from investment property that generated rental income during the period. The direct operating expenses are comprised of the following significant categories: property taxes, utilities, repairs and maintenance, wages, insurance, service charges and property management fees.

The direct operating expenses recognised in the year statement of profit or loss and other comprehensive income arising from investment property that did not generate rental income for the period ended 31 December 2018 were not material.

Notes to Special Purpose Consolidated Financial Statements

An investment property is comprised of various components, including undeveloped land and vacant residential and commercial units; no direct operating costs were specifically allocated to these components noted above.

Quantitative information

A summary of the Weighted Average Capitalisation Rates and ranges along with the fair value of investment properties as at 31 December 2018 is presented below:

As at 31 December 2018

Type of Interest	Fair Value CAD \$'000	WA NRI⁽¹⁾ CAD \$'000	Rate Type⁽²⁾	Max. %	Min. %	Weighted Average %
Investment properties	676,987	911	Weighted Average Capitalisation Rate	5.74	3.19	3.74
Total investment properties	676,987					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

As at 31 December 2017

Type of Interest	Fair Value CAD \$'000	WA NRI⁽¹⁾ CAD \$'000	Rate Type⁽²⁾	Max. %	Min. %	Weighted Average %
Investment properties	555,795	796	Weighted Average Capitalisation Rate	6.16	3.40	4.08
Total investment properties	555,795					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

As at 1 January 2017

Type of Interest	Fair Value CAD \$'000	WA NRI⁽¹⁾ CAD \$'000	Rate Type⁽²⁾	Max. %	Min. %	Weighted Average %
Investment properties	91,957	533	Weighted Average Capitalisation Rate	5.64	4.02	4.83
Total investment properties	91,957					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

The following table summarises the changes in the investment properties portfolio during the years:

Reconciliation of carrying amounts of investment properties

For the Year ended	31 December 2018
	Income Properties
	CAD \$'000
Balance at the beginning of the year	555,795
Acquisitions	531
Property capital investments and intensification	4,592
Foreign currency translation	22,715
Unrealised fair value movements	93,354
Balance at the end of the year	676,987

For the Year ended	31 December 2017
	Income Properties
	CAD \$'000
Balance at the beginning of the year	91,957
Acquisitions	419,983
Property capital investments and intensification	5,471
Foreign currency translation	13,730
Unrealised fair value movements	24,654
Balance at the end of the year	555,795

Most of the residential leases are for one year or less.

The carrying value of \$677.0 million and \$555.8 million for the investment properties at 31 December 2018 and 2017, respectively, was based on an external valuation carried out as at that date. The valuations were prepared in accordance with the RICS Valuation – Global Standards, 2017 (Red Book).

6. Trade and Other Receivables

As at	31 December 2018	31 December 2017	1 January 2017
	CAD \$'000	CAD \$'000	CAD \$'000
Trade and Other Receivables			
Trade receivables	219	800	-
Prepaid Expenses and Other	56	15	-
Total	275	815	-

7. Accounts Payable and Accrued Liabilities

As at	31 December 2018	31 December 2017	1 January 2017
	CAD \$'000	CAD \$'000	CAD \$'000
Accounts Payable and Accrued Liabilities⁽¹⁾			
Rent - early payments	495	376	473
Trade creditors	273	122	-
Accruals ⁽²⁾	1,543	2,595	16
Interest cost on mortgage	1,538	1,620	30
Value added tax	67	39	-
Total	3,916	4,752	519

(1) The carrying value of all accounts payable and accrued liabilities approximates their fair value.

(2) Includes property related accruals

8. Mortgage

As at	31 December 2018	31 December 2017	1 January 2017
	CAD \$'000	CAD \$'000	CAD \$'000
Mortgage			
Loan drawn down	319,145	307,678	57,611
Deferred loan costs, net	(1,138)	(1,241)	(235)
Total	318,007	306,437	57,376

CAPREIT NL V.O.F. I, an indirect subsidiary of the Holding BV entered into a non-amortizing mortgage on 23 December 2016 with ABN Amro, The Netherlands. The agreement provides for a mortgage of €40.7 million (\$61.1 million). This mortgage has a seven-year term starting from 23 December 2016. The interest on the mortgage is set at the annual fixed rate of 2.05%.

CAPREIT NL V.O.F. II, an indirect subsidiary of the Holding BV entered four non-amortizing mortgages with ING Bank, The Netherlands. The agreement provides for a mortgage of €100.8 million, €8.0 million, €5.0 million and €50.0 million (\$151.5 million, \$11.9 million, \$7.6 million, and \$75.0 million) for the acquisitions completed in 2017. The €100.8 million, €8.0 million, and €5.0 million mortgages have seven-year terms starting from 12 July 2017, 8 August 2017 and 25 August 2017 with interest set at the annual fixed rates of 2.04%, 1.87% and 1.95% respectively. The €50.0 million mortgage payable has a five-year term starting 1 December 2017 set at the annual fixed interest rate of 1.37%. The mortgages are subject to compliance with various provisions of the facility agreement (including certain financial covenants and commitments, as well as limitations on indebtedness). The debt is secured over the assets of the properties and there was a one-time arrangement fee relating to the mortgage.

As at 31 December 2018, the Holding BV has met its financial covenants and commitments as per the mortgage agreements.

9. Shareholders' Equity

As at 31 December 2018 and 31 December 2017 there was one unit issued and outstanding to CAPREIT LP at a notional amount of €1.00. During 2017 CAPREIT LP contributed €41.0 million (\$59.8 million) to the Holding BV as a capital contribution. During 2018, CAPREIT contributed €11.0 million (\$17.0 million) to the Holding BV as a capital contribution. The Holding BV is not obligated to distribute out its profit and loss. Distributions will be made on the Holding BV's discretion.

10. Financial Instruments, Investment Properties and Risk Management

a) *Fair value of financial instruments and investment properties*

As at 31 December 2018, the fair value of the Holding BV's mortgages payable is estimated to be \$325.4 million due to changes in interest rates since the dates the individual mortgages were financed and the impact of the passage of time on the primarily fixed rate nature of V.O.F.'s mortgages. The fair value of the mortgages payable is based on discounted future cash flows using rates that reflect current rates for similar financial instruments with similar duration, terms and conditions, which are considered Level 2 inputs (as described below).

The Holding BV classifies and discloses the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Holding BV's own assumptions about market value. The hierarchy levels are defined below:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on the Holding BV's own assumptions as there is little, if any, related market activity.

The Holding BV's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the asset or liability.

The following table presents the Holding BV's estimates of fair value on a recurring basis based on information available as at 31 December 2018, aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Holding BV could ultimately realise.

As at 31 December 2018	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs (2)	Significant unobservable inputs(1)	
	CAD \$'000	CAD \$'000	CAD \$'000	
Assets				
Investment properties (1)	-	-	676,987	676,987
Trade and other receivables (2)	-	275	-	275
Cash and cash equivalents	3,497	-	-	3,497
Total	3,497	275	676,987	680,759
Liabilities				
Mortgages payable (2)	-	325,402	-	325,402
Accounts payable and accrued liabilities (2)	-	3,916	-	3,916
Security deposits (2)	-	2,336	-	2,336
Total	-	331,654	-	331,654

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs (2)	Significant unobservable inputs(1)	
	CAD \$'000	CAD \$'000	CAD \$'000	
Assets				
Investment properties (1)	-	-	555,795	555,795
Trade and other receivables (2)	-	815	-	815
Cash and cash equivalents	9,739	-	-	9,739
Total	9,739	815	555,795	566,349
Liabilities				
Mortgages payable (2)	-	306,437	-	306,437
Accounts payable and accrued liabilities (2)	-	4,752	-	4,752
Security deposits (2)	-	1,907	-	1,907
Total	-	313,096	-	313,096

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

As at 1 January 2017	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs ⁽²⁾	Significant unobservable inputs ⁽¹⁾	
	CAD \$'000	CAD \$'000	CAD \$'000	
Assets				
Investment properties ⁽¹⁾	-	-	91,957	91,957
Total	-	-	91,957	91,957
Liabilities				
Mortgages payable ⁽²⁾	-	57,376	-	57,376
Accounts payable and accrued liabilities ⁽²⁾	-	519	-	519
Security deposits ⁽²⁾	-	679	-	679
Total	-	58,574	-	58,574

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

b) Risk management

The main risks arising from Holding BV's financial instruments are market risk, interest rate risk, liquidity risk and credit risk. The Holding BV's approach to managing these risks is summarised as follows:

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks that are limited.

The Holding BV's financial assets currently comprise short-term bank deposits and trade receivables.

Short-term bank deposits are held while awaiting suitable investment properties for investment. These are denominated in euros. Therefore, exposure to market risk in relation to these is limited to interest rate risk.

Interest rate risk

With regard to the cost of borrowing, CAPREIT NL V.O.F. I has a mortgage of €40.7 million (\$63.5 million) with a fixed interest rate of 2.05% over a seven-year term starting from 23 December 2016. CAPREIT NL V.O.F. II has a mortgage of up to €163.8 million (\$255.7 million). Three mortgages in CAPREIT NL V.O.F. II have seven-year terms starting from 12 July 2017, 8 August 2017 and 25 August 2017 with interest set at the annual fixed rates of 2.04%, 1.87%, and 1.95% respectively. The fourth mortgage in CAPREIT NL V.O.F. II has a five-year term starting 1 December 2017 set at the annual fixed interest rate of 1.37%. If the market rates fluctuate, the fair value of the mortgage loan would be affected.

Liquidity risk

Liquidity risk is the risk that the Holding BV may encounter difficulties in accessing capital markets and refinancing its financial obligations as they come due.

The Holding BV's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Holding BV's reputation. The Holding BV monitors the level of expected cash inflows on trade and other receivables, together with expected cash outflows on trade and other payables and capital commitments.

Detailed below are the contractual maturities of the Holding BV's financial liabilities:

	6 months or less⁽¹⁾	6 to 12 months⁽¹⁾	1 to 2 years⁽¹⁾	2 to 5 years⁽¹⁾	More than 5 years⁽¹⁾
As at 31 December 2018	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Mortgage Interest ⁽²⁾	2,983	2,983	5,966	17,313	4,608
Mortgage Payable	-	-	-	141,413	177,732
Other liabilities	-	3,916	-	-	-
Security deposits	-	2,336	-	-	-
	2,983	9,235	5,966	158,726	182,340

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

	6 months or less⁽¹⁾	6 to 12 months⁽¹⁾	1 to 2 years⁽¹⁾	2 to 5 years⁽¹⁾	More than 5 years⁽¹⁾
As at 31 December 2017	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Mortgage Interest ⁽²⁾	2,876	2,876	5,752	17,430	9,456
Mortgage Payable	-	-	-	75,131	232,547
Other liabilities	-	4,752	-	-	-
Security deposits	-	1,907	-	-	-
	2,876	9,535	5,752	92,561	242,003

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

	6 months or less⁽¹⁾	6 to 12 months⁽¹⁾	1 to 2 years⁽¹⁾	2 to 5 years⁽¹⁾	More than 5 years⁽¹⁾
As at 1 January 2017	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Mortgage Interest ⁽²⁾	591	591	1,181	3,543	2,634
Mortgage Payable	-	-	-	-	57,611
Other liabilities	-	519	-	-	-
Security deposits	-	679	-	-	-
	591	1,789	1,181	3,543	60,245

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

The carrying value of mortgage payable and trade and other payables (other liabilities) approximates their fair value.

Credit risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; or (ii) the possibility that the Holding BV's tenants may experience financial difficulty and be unable to meet their rental obligations.

The Holding BV monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions. The maximum exposure to credit risk amounts to the same amounts as recorded in the balance sheet for trade and other receivables and for cash and cash equivalents.

The Holding BV mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, and geographically diversifying its portfolio.

The Holding BV monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognised in the statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents are held by major European institutions. The Holding BV deposits cash with individual institutions to avoid concentration of risk with any one counterparty. The Holding BV has also engaged the services of a depository to ensure the security of the cash assets.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled by dealing with high quality institutions and by policy, limiting the amount of credit exposure to any one bank or institution.

Capital management

The Holding BV's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Holding BV's policy is to maintain a strong capital base so as to maintain creditor confidence, and to sustain the future development of the business. At 31 December 2018, capital consists of equity and debt, and the Holding BV's Total Gearing, calculated as the loan drawn down over investment properties, was 47.0%.

11. Taxation

The Netherlands deferred tax liability is as follows:

As at	31 December 2018	31 December 2017	1 January 2017
	CAD \$'000	CAD \$'000	CAD \$'000
Deferred Income Tax Asset	-	-	792
Deferred Income Tax Liability	25,090	4,270	-

Notes to Special Purpose Consolidated Financial Statements

As at	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
Income/(loss) before income tax	88,743	20,125
Increase/(decrease) resulting from:		
Fair value adjustment on investment property not tax-affected	(93,354)	(24,654)
Amortisation on deferred loan costs	146	90
Deduction in deferred loan costs	-	(1,054)
Tax depreciation	(4,021)	(3,912)
Disposition of subsidiary	(2,090)	-
Accretion of redemption liability - net fair value adjustment	10,255	4,219
Increase in temporary difference between valuation and book value	86,974	25,107
Taxable profit for the current year	86,653	19,921
Effective tax rate	23.4%	25.0%
Deferred income tax for the year	20,248	4,977

The income tax rate on taxable income in the Netherlands is 20% on the first 200 thousand euros and 25% on the remaining taxable income. The deferred tax liability is determined by applying the corporate tax rate of 25% to temporary differences between the carrying amounts of investment properties and their respective tax basis. The effective tax rate is 23.4% and 25.0% for 2018 and 2017, respectively.

12. Property Operating Costs

	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
Property operating costs		
Utilities	548	315
Repairs and maintenance	2,192	304
Wages and benefits	102	-
Management cost	1,864	806
On-site costs	1,077	816
Insurance	109	29
Advertising	474	369
Legal and Collection	274	4
Total	6,640	2,644

13. General and Administrative Expenses

	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
General and administrative expenses		
Consulting fees	808	21
Other expenses	1,691	1,855
Depreciation of property, plant and equipment	11	1
Total	2,510	1,877

14. Supplemental Cash Flow Information**a) Net income items related to investing and financing activities**

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Mortgage interest expense as per the statement of profit or loss and comprehensive income	6,093	3,091
Less: Interest paid	4,364	1,384
Less: Amortisation of other financing costs	145	90
Foreign currency translation	46	(2)
Interest costs payable on mortgage ⁽¹⁾	1,538	1,619

(1) Recorded under changes in operating assets and liabilities in increase in accounts payable and other liabilities.

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Opening interest costs payable on intercompany loan	4,386	-
Intercompany interest as per the statement of profit or loss and comprehensive income	10,193	4,386
Less: Interest paid	(15,074)	-
Foreign currency translation	495	-
Interest costs payable on intercompany loan	-	4,386

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Opening redemption liability	6,639	850
Accretion on redemption liability as per the statement of profit or loss and comprehensive income	10,473	4,399
Less: Amount paid	(16,998)	-
Contributions from non-controlling interest	-	877
Foreign currency translation	(114)	513
Ending redemption liability	-	6,639

b) Changes in operating assets and liabilities

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
(Increase) in prepayments	(41)	(15)
Decrease / (Increase) in trade receivables	611	(798)
Increase in accounts payable and other liabilities	(1,013)	4,201
(Decrease) / Increase in security deposits	357	1,185
Changes in operating assets and liabilities	(86)	4,573

c) Capital Contribution

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Capital Contribution	16,998	59,804
Net Proceeds	16,998	59,804

d) Acquisition of investment properties

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Acquired properties	(531)	(419,983)
Contributions from non-controlling interest	-	877
Net disbursement	(531)	(419,106)

e) Changes in liabilities due to financing cash flows

Liabilities	As at 31 December 2017	Changes from Financing Cash Flows	Non-cash changes			As at 31 December 2018
			Changes in Fair Values	Amortisation of Financing Costs	Foreign Currency Translation	
Mortgage Payable	306,437	-	-	145	11,425	318,007
Intercompany Loan	168,099	(7,092)	-	-	5,908	166,915
Total liabilities from financing activities	474,536	(7,092)	-	145	17,333	484,922

Liabilities	As at 1 January 2017	Changes from Financing Cash Flows	Non-cash changes			As at 31 December 2017
			Changes in Fair Values	Amortisation of Financing Costs	Foreign Currency Translation	
Mortgage Payable	57,376	240,835	-	90	8,136	306,437
Intercompany Loan	35,812	128,786	-	-	3,501	168,099
Total liabilities from financing activities	93,188	369,621	-	90	11,637	474,536

15. Related Party Transactions

As at 31 December 2018, two subsidiaries of the Holding BV had intercompany loans with an aggregate principal balance of \$160.0 million (\$160.0 million payable as at 31 December 2017) payable to CAPREIT LP. The intercompany loans had a stated interest rate of 6.00% payable quarterly and maturity dates of 12 January 2025 (for \$102.4 million), 1 January 2024 (for \$19.2 million), and 1 December 2022 (for \$38.4 million). In addition, included in intercompany payable as at 31 December 2017 is \$4.5 million as intercompany interest payable to CAPREIT LP. As at 31 December 2018, there was no interest payable as it was settled prior to year end, and \$2.6 million is receivable from CanLiving B.V. In addition, CanLiving B.V. has an agreement with CAPREIT NL I V.O.F. ("VOF I") and CAPREIT NL II V.O.F. ("VOF II") related to property management, and LLS B.V. has an agreement with VOF I and VOF II for asset management. Both CanLiving B.V. and LLS B.V. receive 2.5% of EGI (effective gross income) from each of VOF I and VOF II.

The Holding BV incurred intercompany expenses of \$80 thousand for the year ended 31 December 2018 (\$124 thousand for the year ended 31 December 2017) related to expenses paid by CAPREIT LP on behalf of the Holding BV for insurance expense and other miscellaneous expenses.

On 27 December 2018, Holding BV transferred the shares of CANLiving B.V., a subsidiary, to CAPREIT LP, at no consideration. As a result of this transfer, a gain of \$2.0 million was recognized on the special purpose consolidated statement of profit or loss and other comprehensive income.

16. Redemption Liability

Prior to 31 December 2018, LLS Capital I B.V. and LLS Capital II B.V. (“LLS Capital”) had a minority interest in the indirect subsidiaries of Holding BV, VOF I and VOF II. LLS Capital contributed \$812.1 thousand on 23 December 2016 to VOF I and \$876.8 thousand 12 July 2017 to VOF II, representing 2.0% and 0.5% ownership, respectively. As part of the partnership agreement between LLS Capital and VOF I and VOF II, LLS Capital is entitled to a 15% incentive fee above the 7.0% hurdle rate. LLS Capital’s share of the profits is recorded as interest expense in the consolidated statement of comprehensive income.

As at 31 December 2017, redemption liability of \$6.6 million (2016 - \$0.9 million) is payable to LLS Capital as a result of the put features which allows the minority shareholders at its discretion to require the Holding BV to purchase their interest at a future date. In December 2018, the Holding BV purchased the non-controlling interest of LLS Capital for \$17.0 million. As at 31 December 2018, LLS Capital is no longer minority shareholders in CAPREIT NL I V.O.F. and CAPREIT NL II V.O.F.

17. Contingencies

There are no contingent liabilities or contingent assets that should be disclosed in these financial statements.

18. Subsequent Events

There are no subsequent events.

19. Approval of Financial Statements

These audited Annual Financial Statements were approved by the directors on 22 February 2019.

THE RING PORTFOLIO

**SPECIAL PURPOSE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



Independent auditor's report

To: the directors of CAPREIT NL Holding B.V.

Report on the special purpose combined financial statements 2018 and 2017

Our opinion

In our opinion, the special purpose combined financial statements give a true and fair view of the financial position of the RING Portfolio as at 31 December 2018, 31 December 2017 and 1 January 2017, and of its financial performance and its cash flows for the years ended 31 December 2018 and 31 December 2017 in accordance with International Financial Reporting Standards.

What we have audited

We have audited the accompanying special purpose combined financial statements 2018 and 2017 of the RING Portfolio.

The special purpose combined financial statements comprise:

- the special purpose combined statement of financial position as at 31 December 2018, 31 December 2017 and 1 January 2017;
- the following statements for 2018 and 2017: the special purpose combined statement of profit or loss and other comprehensive income, the special purpose combined statement of changes in Portfolio equity and the special purpose combined statement of cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the special purpose combined financial statements is IFRS.

The basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the special purpose combined financial statements' of our report.

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

AKD7WSP6H2AN-1601812744-38

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Independence

We are independent of the RING Portfolio in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter

We draw attention to the fact that, as described in note 1 of the special purpose combined financial statements, the reporting entity, being the RING Portfolio, has not operated as a separate entity from CAPREIT NL Holding B.V. Consequently, the special purpose combined financial statements are not necessarily indicative of results that would have occurred if the RING Portfolio had been a separate stand-alone entity during the period presented. Our opinion is not modified in respect of this matter.

Furthermore, the special purpose combined financial statements and our audit report thereon are intended solely for the purpose of presenting the financial position, financial performance and cash flows of the RING Portfolio on a stand-alone basis in accordance with the purpose included in note 1 of the special purpose combined financial statements and for no other purpose.

Responsibilities for the special purpose combined financial statements and the audit

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the special purpose combined financial statements in accordance with IFRS; and for
- such internal control as the directors determine is necessary to enable the preparation of the special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the special purpose combined financial statements, the directors are responsible for assessing the RING Portfolio's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the directors should prepare the special purpose combined financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the RING Portfolio or to cease operations, or have no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the RING Portfolio's ability to continue as a going concern in the special purpose combined financial statements.

Our responsibilities for the audit of the special purpose combined financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the special purpose combined financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error.



They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the special purpose combined financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 22 February 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA



Appendix to our auditor's report on the special purpose combined financial statements 2018 and 2017 of the RING Portfolio

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the special purpose combined financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the special purpose combined financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with ISAs, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the special purpose combined financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RING Portfolio's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the RING Portfolio's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the special purpose combined financial statements as a whole. However, future events or conditions may cause the RING Portfolio to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the special purpose combined financial statements, including the disclosures, and evaluating whether the special purpose combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

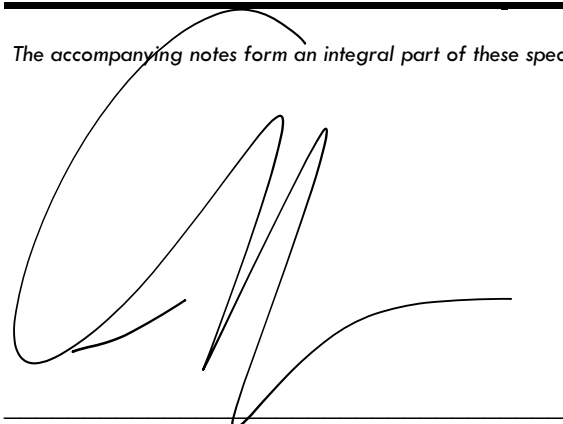
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SPECIAL PURPOSE COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018, 31 December 2017, and 1 January 2017

	Note	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000	1 January 2017 CAD \$'000
Assets				
Non-Current Assets				
Investment properties	4	319,810	265,096	163,716
Current Assets				
Trade and Other Receivables	5	60	135	558
Total Assets		319,870	265,231	164,274
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	6	767	666	204
Security deposits		1,162	959	547
		1,929	1,625	751
Total Liabilities		1,929	1,625	751
Portfolio Equity				
Equity funded by reporting entity's owners		294,603	250,982	163,523
Currency translation reserve		23,338	12,624	-
Total Portfolio Equity		317,941	263,606	163,523
Total Portfolio Equity and Liabilities		319,870	265,231	164,274

The accompanying notes form an integral part of these special purpose combined financial statements



By: C. Pruzanski
Title: Director CAPREIT NL Holding B.V.



By: K. Farouk
Title: Director CAPREIT NL Holding B.V.

SPECIAL PURPOSE COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 and 31 December 2017

For the Year Ended		31 December 2018	31 December 2017
	Note	CAD \$'000	CAD \$'000
Operating Revenues			
Revenue from investment properties		12,999	9,362
Service Charge Income		444	338
		13,443	9,700
Operating Expenses			
Service Charge Expenses		(544)	(338)
Property taxes		(173)	(146)
Property operating costs	8	(2,735)	(3,173)
		(3,452)	(3,657)
Net Rental Income ("NRI")		9,991	6,043
Net movement in fair value of investment properties	4	42,949	72,992
Net Income		52,940	79,035
Other Comprehensive Income, Including Items that will not be reclassified subsequently to Net Income			
Currency translation		10,714	12,624
Other Comprehensive Income		10,714	12,624
Total Comprehensive Income for the year		63,654	91,659

The accompanying notes form an integral part of these special purpose combined financial statements

SPECIAL PURPOSE COMBINED STATEMENT OF CHANGES IN PORTFOLIO EQUITY

For the year ended 31 December 2018 and 31 December 2017

	Equity Funded By Reporting Entity's Owners	Currency Translation Reserve	Total
	CAD \$'000	CAD \$'000	CAD \$'000
Portfolio Equity at 1 January 2018	250,982	12,624	263,606
Total comprehensive income for the year			
Net Income	52,940	-	52,940
Other comprehensive income	-	10,714	10,714
Total comprehensive income for the year	52,940	10,714	63,654
Other direct equity movement	(9,319)	-	(9,319)
Portfolio Equity at 31 December 2018	294,603	23,338	317,941

	Equity Funded By Reporting Entity's Owners	Currency Translation Reserve	Total
	CAD \$'000	CAD \$'000	CAD \$'000
Portfolio Equity at 1 January 2017	163,523	-	163,523
Total comprehensive income for the year			
Net Income	79,035	-	79,035
Other comprehensive income	-	12,624	12,624
Total comprehensive income for the year	79,035	12,624	91,659
Other direct equity movement	8,424	-	8,424
Portfolio Equity at 31 December 2017	250,982	12,624	263,606

The accompanying notes form an integral part of the special purpose combined financial statements

SPECIAL PURPOSE COMBINED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 and 31 December 2017

	Note	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000
Cash Flows from Operating Activities:			
Operating Activities			
Net Income		52,940	79,035
Adjustments for non-cash items:			
Fair value adjustment - investment properties	4	(42,949)	(72,992)
		9,991	6,043
Changes in operating assets and liabilities	9	318	1,286
Net Cash Generated from Operating Activities		10,309	7,329
Cash Flows from Investing Activities			
Investment property enhancement expenditure	4	(990)	(15,753)
Net Cash Used in Investing Activities		(990)	(15,753)
Changes in Cash and Cash Equivalents during the year		-	-
Cash inflows and outflows from owner's transaction on behalf of the properties		(9,319)	8,424
Cash and Cash Equivalents, Beginning of the year		-	-
Cash and Cash Equivalents, End of the year		-	-

The accompanying notes form an integral part of the special purpose combined financial statements

Notes to Special Purpose Combined Financial Statements

1. General Information

These financial statements have been prepared for the Ring Portfolio (“the **Portfolio**”), a group of multi-residential properties. Prior to 12 July 2017, the Portfolio was owned by a NL Residential Cooperatief U.A. (“NL Residential”) incorporated in the Netherlands, unrelated to CAPREIT. On 12 July 2017, the Portfolio was sold to CAPREIT NL II V.O.F. (“**VOF II**”) (the “Sale transaction”). All properties in the Portfolio were both before and after acquisition owned by one owner and there were no changes to the Portfolio as a result of the Sale transaction.

VOF II was incorporated in The Netherlands on 20 June 2017 and is an indirect subsidiary of Canadian Apartment Properties Real Estate Investment Trust (CAPREIT), a real estate investment trust domiciled in Canada. The registered address is Rhijnspoorplein 34, 8 verdieping, 1018 TX in Amsterdam. VOF II is registered at the Chamber of Commerce under number 68995482. The indirect parent company of VOF II is CAPREIT NL Holding B.V.

The Portfolio consists of interests in residential rental accommodations, as well as commercial sites, located in and near major urban centres in Amsterdam, The Netherlands. Each property meets the criteria to be considered a separate reporting entity under IFRS. These financial statements combine the results of the following properties in the Portfolio. The Portfolio includes a total of 849 residential units and 2 commercial units as listed in the chart below.

Property Name	Address	City	Construction Year	Unit Count
Anna Blamanplain	Anna Blamanplein 26-123	The Hague	1996	98
Lau Mazirellaan	Lau Mazirellaan 33-157	The Hague	1996	44
Nilda Pintostraat	Nildo Pintostraat 3-41	Amsterdam	1999	18
Bijlmerdreef	Bijlmerdreef 844-910	Amsterdam	1999	37
Bijlmerdreef	Bijlmerdreef 790-934	Amsterdam	1999	26
Efua Sutherlandstraat	Nieuw Gerenstein, Efua Sutherlandstraat 6-17	Amsterdam	1999	14
Efua Sutherlandstraat	Efua Sutherlandstraat 19-59	Amsterdam	1999	41
Elisabeth Samsonstraat	Elisabeth Samsonstraat 1-49	Amsterdam	1999	26
Auriollaan	Auriollaan 2-112	Utrecht	1960	70
Marshallaan	Marshallaan 293-395	Utrecht	1960	56
Marshallaan	Marshallaan 296-398	Utrecht	1960	56
Monnetlaan	Monnetlaan 1-111	Utrecht	1960	70
Bielzen	Bielzen 1-48	Heerenveen	1985	60
Poldermolenplein	Goverwelle II, Poldermolenplein 3-55, Poldermolendreef 53-123	Gouda	1993	84
Kluiverkamp	Ellekampzoom 59-81	Koog Aan De Zaan	1983	34
Oudstraat	Oudstraat 1-27	IJsselstein	2000	14
Oeverpad	Oeverpad 220-294	Amsterdam	1999	43
Oeverpad	Oeverpad 364-438	Amsterdam	1999	46
Hugo De Grootsingel	Antoni van Leeuwenhoekhof 1-6	Huizen	2006	12
Total Residential Units				849

These financial statements are considered to be special purpose under Dutch corporate law as they are not statutory financial statements. The purpose of this special purpose financial statements is to present the Ring Portfolio in Canadian Dollars (CAD), in the Management Information Circular filed in connection with the reverse acquisition of European Commercial REIT, a publicly traded real estate company on the TSX Venture Exchange. The Ring Portfolio statements are a regulatory requirement under Canadian securities rules for reverse acquisitions.

Notes to Special Purpose Combined Financial Statements

2. Significant Accounting Policies

a) Basis of preparation

The financial statements of the Portfolio have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, IFRS Interpretations Committee (“IFRIC”) interpretations. Although the Portfolio is not a legal entity, the boundary (the residential units as disclosed in Note 1) of the Portfolio reported in these financial statements has relevant and discrete financial information available to management of CAPREIT NL Holding B.V. (“Management” or “Management of the Portfolio”). This financial information represents the economic activities of the Portfolio and is used in the preparation of these financial statements. The Portfolio has discrete financial information available to Management in the preparation of the financial statements. These financial statements depict the assets, liabilities, revenues, expenses, portfolio equity and cash flows of the combined properties for the periods shown. The financial position and financial results of these properties have been combined in this set of statements as all the properties were subject to the Sale transaction between the NL Residential and VOF II, and were under common control both before and after the Sale transaction. All intercompany transactions and balances have been eliminated on combination. These financial statements exclude assets, liabilities, revenues and expenses obtained or incurred by the owners that are not directly attributable to the operations of the individual properties, including debt financing and corporate income taxes that are not specific to an individual property but to a legal entity, and certain other corporate costs, which did not form part of the Sale transaction. These not directly attributable items are recognised as other direct equity movements.

The financial statements include revenue and direct property operating costs that are related to the Portfolio. The financial statement excludes the allocation of any expenses relating to the corporate level of the owner as they are not associated with the revenue generating operations of the Portfolio.

The funding and managing of the owner’s operations are performed on a combined basis; accordingly, costs of funding the Portfolio, including debt and related interest expense were not allocated to the Portfolio.

These combined financial statements have been prepared in accordance with IFRS applicable to the preparation of combined annual financial statements including IFRS 1, First-time Adoption of IFRS. The Portfolio has consistently applied the same accounting policies in its opening IFRS balance sheet as at 1 January 2017 and throughout all periods presented, as if these policies had always been in effect.

The financial statements of the Portfolio are prepared on a going concern basis of accounting and under the historical cost convention, as modified by the revaluation of investment properties at fair value through profit and loss. The financial statements of the Portfolio have been presented in Canadian dollars, as opposed to the Portfolio’s functional currency of euro. All amounts in the combined financial statements are stated in \$’000s Canadian dollars, unless otherwise stated. Balance sheet balances are recorded at the closing exchange rate as at the period end. Income statement balances are recorded at the monthly average rate. Any gains or losses on foreign currency translation are recognized in other comprehensive income.

The financial statements of the Portfolio are as at 31 December 2018 and 2017 and for the years ended 31 December 2018 and 2017.

The Portfolio have not early adopted any forthcoming International Accounting Standards Board (“IASB”) standards. Note 2(k) sets out details of such upcoming standards.

Going concern

The Portfolio meets its day-to-day working capital requirements through working capital funding from the owner. The Portfolio’s plans indicate that it should have adequate resources to continue operating for the foreseeable future. Accordingly, Management of the Portfolio considers it appropriate that the Portfolio adopts the going concern basis of accounting in the preparation of the financial statements.

Notes to Special Purpose Combined Financial Statements

b) Investment properties

Management considers the Portfolio's income producing properties to be investment properties under IAS 40, Investment Property ("IAS 40"), and has chosen the fair value model to account for its investment properties in the financial statements. Under IFRS 13, Fair Value Measurement ("IFRS 13"), this IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of generating income from rental properties, capital appreciation or both, but not for sale in the ordinary course of business.

All investment properties are initially recorded at cost, which includes transaction and other acquisition costs, at their respective acquisition or construction dates, and are subsequently stated at fair value at each statement of financial position date, with any gain or loss arising from a change in fair value recognised within operating income in the statement of profit or loss and other comprehensive income for the period.

The fair value of investment properties has been determined by a qualified independent external valuer as at 31 December 2018, 31 December 2017 and 1 January 2017 using the direct capitalization method, in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (RICS). The independent valuer holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. At each reporting date, Management undertakes a review of its investment property valuations to assess the continuing validity of the underlying assumptions, such as cash flows and capitalisation rates used in the independent valuation report, as well as property valuation movements when compared to prior year valuation report and holds discussions with the independent valuer.

Key estimations of inherent uncertainty in investment property valuations

The fair values derived are based on anticipated market values for the properties, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of the Portfolio's investment properties is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income in the future, an assessment of a property's ability to remain an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. While these and other similar matters are market standard considerations in determining the fair value of a property in accordance with the RICS methodology, they are all subjective assessments of future outturns and macroeconomic factors which are outside of the Portfolio's control or influence and therefore may prove to be inaccurate long-term forecasts. As a result of all these factors, the ultimate valuation the Portfolio places on its investment properties is subject to some uncertainty, which may not turn out to be accurate, particularly in times of macroeconomic volatility. The RICS property valuation methodology is considered by Management to be the valuation technique most suited to the measurement of the fair value of property investments. It is also the primary measurement of fair value that all major and reputable property market participants use when valuing a property investment. See note 4 for a detailed discussion of the significant assumptions, estimates and valuation methods used.

c) Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for based on their classification, as described below. Classification of financial assets depends on the business model for which the financial instruments are held, and an assessment of whether their cash flows are based solely on payments of principal and interest.

Notes to Special Purpose Combined Financial Statements

Classification of financial instruments

The following summarises the classification and measurement the Portfolio has elected to apply to each of its significant categories of financial instruments:

Type	Classification under IFRS 9
Financial assets	
Trade and other receivables	Amortised cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortised cost
Security deposits	Amortised cost

Trade and other receivables

Such receivables arise when a property in the Portfolio provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities of more than 12 months after the statement of financial position date, which are classified as non-current assets. Trade and other receivables in the statement of financial position and are accounted for at amortised cost, which usually equals the face value adjusted for accumulated expected credit losses. These financial statements include the trade and other receivables that relate to rent receivable from tenants in each of the properties.

Other liabilities

Such financial liabilities are recorded at amortised cost.

Determination of fair value

For financial assets and liabilities including trade and other receivables, due from related party, accounts payable and accrued liabilities, and security deposits, the carrying amounts approximate fair value due to their immediate or short-term maturity.

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is remeasured or disclosed, as applicable, based on relevant market data. Management of the Portfolio classifies the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13, Fair Value Measurement ("IFRS 13"). The fair value hierarchy distinguishes between market value data obtained from independent sources and the Portfolio's own assumptions about market value. See note 7.

d) Revenue recognition

The properties in the Portfolio recognises rental revenue using the straight-line method, whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognised and the amounts contractually due under the lease agreements is accrued as trade and other receivable.

Service charge income

Under lease agreements with tenants, the Portfolio provides services such as the provision of gas, water, electricity, cleaning and security. The Portfolio is a principal in the provision of these services and recognizes revenue as these services are performed.

Tenant inducements

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees who enter into a lease. The incentives are written off on a straight-line basis over the term of the lease as a reduction of rental revenue.

Early termination of leases

When properties in the Portfolio receives rent loss payments from a tenant for the early termination of a lease, it is reflected in the accounting period in which the rent loss payment occurred.

Notes to Special Purpose Combined Financial Statements

Expected Losses for Receivables

A provision for impairment is established based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Management of the Portfolio estimates lifetime expected losses for its receivables at each balance sheet date based on available information. To measure the expected losses, amounts receivable are grouped based on the days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the combined statement of profit or loss and other comprehensive income within properties operating expenses. Bad debt write-offs occur when Management of the Portfolio determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against properties operating expenses in the combined statement of profit or loss and other comprehensive income.

e) Service Charges, and Property Operating Expenses

In the case of service contracts with third parties, service charges are recovered from tenants. Service charges in respect of vacant property are expensed. These mainly relate to gas, water, electricity, cleaning and security.

Property operating expenses comprise those costs that are directly attributable to the operation of properties, excluding costs recoverable from tenants, which are included in service charge expenses. These mainly relate to insurance, utilities, management costs, repair and maintenance costs, and professional fees. These are expensed as incurred.

Service charges for which properties in the Portfolio acts as a principal are presented in the statement of comprehensive income. Therefore, for those property investments for which properties in the Portfolio are in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis.

f) Operating segments

The Portfolio operates and are managed as one business segment, named property investment, with all investment properties located in Netherlands. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which has been identified as the Portfolio's asset and property managers.

g) Statement of cash flows

The properties in the Portfolio utilize a bank account held by the owner. No cash balances are maintained at the property level. The owner transacts in cash on behalf of the properties, and such cash flows are presented in the statement of cash flows. For these considerations the cash flow statement line item 'Cash inflows and outflows from owner's transaction on behalf of the properties' is separately presented in the statement of cash flows (which equals to the other direct equity movements as presented in the statement of changes in portfolio equity). Cash flows from operating activities are reported using the indirect method.

h) Property taxes

Property taxes are paid annually and recognised as an expense evenly throughout the year, which is when the obligating event for the property tax is considered to occur.

i) Security deposits

Security deposits are amounts received from tenants at the beginning of a tenancy. When a tenant is no longer in possession of the property, Management of the Portfolio will assess whether there were damages to the property above normal wear and tear for which deductions may be made to their deposit. Once the inspections and repairs are calculated, the remaining security deposit is returned to the tenant.

j) Leases

a) Properties in the Portfolio is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position

Notes to Special Purpose Combined Financial Statements

- b) Properties in the Portfolio as the lessor – fees paid in connection with arranging leases and lease incentives

The properties in the Portfolio incur expenses from agents for services in connection with negotiating lease contracts with the properties' lessees. The letting fees are capitalized within the carrying amount of the related investment property and amortized over the lease term.

Lease incentives are recognized as a reduction of rental income on a straight-line basis over the lease term.

k) *Income taxes*

These financial statements do not include a provision for income taxes as each property is not a taxable entity itself. For the period 1 January 2017 to 11 July 2017, the properties were owned by NL Residential, an entity subject to corporate income tax in the Netherlands at a statutory rate of 25.0%. From 12 July 2017, the properties were owned by VOF II, a general partnership which is not subject to tax in the Netherlands, as the general partners are instead subject to income taxes based on their own share of profits.

l) *New accounting standards applied throughout all periods presented*

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 9 Financial Instruments – Accounting policies

Impairment of Financial Assets

Under IFRS 9, there is a new expected credit loss model resulting in the requirement to revise impairment methodology for three classes of financial assets

- Debt investments carried at amortized cost
- Debt instruments carried at FVOCI

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Portfolio has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which has replaced many reporting standards commonly used in the real estate industry, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 15 'Agreements for the Construction of Real Estate'. The new standard provides a single, comprehensive revenue recognition model. While early adoption was permitted for IFRS reporters, this standard is effective for the interim periods within years beginning on or after 1 January 2018. The Portfolio's assessment included a review of relevant contracts for the following key areas which Management of the Portfolio believes are in scope of IFRS 15 including, but not limited to property and asset management fees.

m) *Future accounting changes*

Management of the Portfolio has assessed the new or amended IFRS issued by the International Accounting Standards Board ("IASB") and are expected to apply to the Portfolio for annual reporting periods beginning after 31 December 2018:

IFRS 16, Leases

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. It addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about the leasing activities.

Under IAS 17, lessees were required to make a distinction between a finance lease (on the statement of financial position) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future

Notes to Special Purpose Combined Financial Statements

lease payments and a right-of-use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. Management of the Portfolio intends to adopt the new standard on 1 January 2019. Currently, Management of the Portfolio has assessed and made the conclusion that the impact is limited on adoption of their current form.

3. Critical Accounting Estimates, Assumptions and Judgements

The preparation of the financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the financial statements and accompanying notes. Areas of such estimation include, but are not limited to, valuation of investment properties. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The valuation estimate of investment properties is deemed to be more significant. See note 2(b) and 4 for a detailed discussion of valuation methods and the significant assumptions and estimates used.

Management has applied significant judgement in the determination of assets, liabilities, revenue and expenses to be included in the Portfolio. For more details on the basis of preparation, refer to Note 2(a).

4. Investment Properties

Valuation basis

Investment properties are carried at fair value, which is the amount at which the individual properties could be sold in an orderly transaction between market participants at the measurement date, considering the highest and best use of the asset, with any gain or loss arising from a change in fair value recognised in the statement of profit or loss and other comprehensive income for the year.

The fair values of all of the investment properties are determined by a qualified independent external valuer. The valuer employs qualified valuation professionals and has recent experience in the location and category of the respective property. Valuations are prepared on a bi-annual basis at the interim reporting date and the annual reporting date.

The information provided to the valuer, and the assumptions and valuation methodologies and models used by the valuer, are reviewed by Management. The valuer meets Management and discusses the valuation results. Management determines the Portfolio's valuation policies and procedures for property valuations. The bank decides which independent valuer to appoint for the external valuation of the Portfolio's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Investment property producing income

For investment property, the income approach / yield methodology involves applying market-derived capitalisation rates to current and projected future income streams. These capitalisation rates and future income streams are derived from comparable property transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account include the tenure of the property, tenancy details, planning, building and environmental factors that might affect the property.

Notes to Special Purpose Combined Financial Statements

Information about fair value measurements using unobservable inputs (Level 3)

Management of the Portfolio tests the reasonableness of all significant unobservable inputs, capitalisation rates and stabilised net rental income (“**Stabilised NRI**”) used in the valuation, and reviews the results with the independent valuer for all independent valuations. The Stabilised NRI represents property revenue less property operating expenses, adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance. The capitalisation rates used in the calculation of the fair value of investment properties represents market transactions based on comparable properties close to valuation date.

All investment properties fall within Level 3 fair value as defined by IFRS 13. As outlined in IFRS 13, a Level 3 fair value recognises that the significant inputs and considerations made in determining the fair value of property investments cannot be derived from publicly available data, as the valuation methodology in respect of a property also has to rely on a number of unobservable inputs including technical reports, legal data, building costs, rental analysis, professional opinion on profile, lot size, layout and presentation of accommodation. In addition, the valuers utilise proprietary databases maintained in respect of properties similar to the assets being valued.

Sensitivity analysis

Estimated Stabilised NRI and market-observed capitalisation rates are key inputs in the valuation model used. For example, completed properties are valued mainly using a term and reversion model: i.e., the present values of future cash flows from expected rental receipts are calculated. For the existing rental contract or “term” this is the expected net rents from tenants over the period to the next lease break option or expiry. After this period, the “reversion”, estimated Stabilised NRI is used to calculate cash flows based on expectations from current market conditions. Thus a decrease in the estimated Stabilised NRI will decrease the fair value, and an increase in the estimated Stabilised NRI will increase the fair value.

The capitalisation rates magnify the effect of a change in Stabilised NRI, with a lower capitalisation rate resulting in a greater effect on the fair value of investment properties than a higher capitalisation rate.

Across the entire portfolio of investment properties, an increase of 1% in the weighted average capitalisation rate would have the impact of a \$70.1 million reduction in fair value while a decrease of 1% in the weighted average capitalisation rate would result in a fair value increase of \$125.5 million.

The direct operating expenses recognised in the statement of profit or loss and other comprehensive income for the Portfolio is \$3.5 million for the period ended 31 December 2018 (2017: \$3.7 million), arising from investment property that generated rental income during the period. The direct operating expenses are comprised of the following significant categories: property taxes, service charge expenses, utilities, repairs and maintenance, wages, insurance, service charges and property management fees.

The direct operating expenses recognised in the statement of profit or loss and other comprehensive income arising from investment property that did not generate rental income for the year ended 31 December 2018 were not material.

An investment property is comprised of various components, including undeveloped land and vacant residential and commercial units; no direct operating costs were specifically allocated to these components noted above.

Quantitative information

A summary of the Weighted Average Capitalisation Rates and ranges along with the fair value of the total portfolio of the owner as at 31 December 2018 is presented below:

Notes to Special Purpose Combined Financial Statements

As at 31 December 2018

Type of Interest	Fair Value	WA NRI ⁽¹⁾	Rate Type ⁽²⁾	Max.	Min.	Weighted Average
	CAD \$'000	CAD \$'000		%	%	%
Investment properties	319,810	720	Weighted Average Capitalisation Rate	4.23	3.02	3.59
Total investment properties	319,810					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

As at 31 December 2017

Type of Interest	Fair Value	WA NRI ⁽¹⁾	Rate Type ⁽²⁾	Max.	Min.	Weighted Average
	CAD \$'000	CAD \$'000		%	%	%
Investment properties	265,096	650	Weighted Average Capitalisation Rate	4.52	3.23	3.93
Total investment properties	265,096					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

As at 1 January 2017

Type of Interest	Fair Value	WA NRI ⁽¹⁾	Rate Type ⁽²⁾	Max.	Min.	Weighted Average
	CAD \$'000	CAD \$'000		%	%	%
Investment properties	163,716	624	Weighted Average Capitalisation Rate	7.95	4.34	5.74
Total investment properties	163,716					

(1) Reflects the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Weighted Average Capitalisation Rate above is disclosed based on the Stabilised NRI divided by the fair value of the investment property.

The following table summarises the changes in the investment properties portfolio during the periods:

Reconciliation of carrying amounts of investment properties

For the Year

	31 December 2018
	Income Properties CAD \$'000
Balance at the beginning of the year	265,096
Property capital investments and intensification	990
Foreign currency translation	10,775
Unrealised fair value movements	42,949
Balance at the end of the year	319,810

Notes to Special Purpose Combined Financial Statements

Reconciliation of carrying amounts of investment properties For the Year

	31 December 2017
	Income Properties CAD \$'000
Balance at the beginning of the year	163,716
Property capital investments and intensification	15,753
Foreign currency translation	12,635
Unrealised fair value movements	72,992
Balance at the end of the year	265,096

The carrying value for the Portfolio is \$319.8 million for the investment properties at 31 December 2018 (2017 - \$265.1 million) was based on an external valuation carried out as at that date. The valuations were prepared in accordance with the RICS Valuation – Global Standards, 2017 (Red Book).

5. Trade and Other Receivables

As at	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000	1 January 2017 CAD \$'000
Trade and Other Receivables			
Prepayments	25	12	429
Other receivables	35	123	129
Total	60	135	558

6. Accounts Payable and Accrued Liabilities

As at	31 December 2018 CAD \$'000	31 December 2017 CAD \$'000	1 January 2017 CAD \$'000
Accounts Payable and Accrued Liabilities⁽¹⁾			
Rent - early payments	132	114	86
Trade creditors	108	58	118
Accruals	527	494	-
Total	767	666	204

(1) The carrying value of all accounts payable and accrued liabilities approximates their fair value.

7. Financial Instruments, Investment Properties and Risk Management

a) Fair value of financial instruments and investment properties

Management of the Portfolio classifies and discloses the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Portfolio's own assumptions about market value. The hierarchy levels are defined below:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities;

Notes to Special Purpose Combined Financial Statements

Level 2 - Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on the Portfolio's own assumptions as there is little, if any, related market activity.

The Portfolio's assessment of the significance of a input to the fair value measurement in its entirety requires judgement, and considers factors specific to the asset or liability.

The following table presents the Portfolio's estimates of fair value on a recurring basis based on information available as at 31 December 2018, aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Portfolio could ultimately realise.

As at 31 December 2018	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs ⁽²⁾	Significant unobservable inputs ⁽¹⁾	
	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Recurring Measurements - Assets				
Investment properties ⁽¹⁾	-	-	319,810	319,810
Trade and Other Receivables ⁽²⁾	-	60	-	60
Total	-	60	319,810	319,870
Liabilities				
Accounts payable and accrued liabilities ⁽²⁾	-	767	-	767
Security Deposits ⁽²⁾	-	1,162	-	1,162
Total	-	1,929	-	1,929

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

Notes to Special Purpose Combined Financial Statements

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs ⁽²⁾	Significant unobservable inputs ⁽¹⁾	
	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Recurring Measurements - Assets				
Investment properties ⁽¹⁾	-	-	265,096	265,096
Trade and Other Receivables ⁽²⁾	-	135	-	135
Total	-	135	265,096	265,231
Liabilities				
Accounts payable and accrued liabilities ⁽²⁾	-	666	-	666
Security Deposits ⁽²⁾	-	959	-	959
Total	-	1,625	-	1,625

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

As at 1 January 2017	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs ⁽²⁾	Significant unobservable inputs ⁽¹⁾	
	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Recurring Measurements - Assets				
Investment properties ⁽¹⁾	-	-	163,716	163,716
Trade and Other Receivables ⁽²⁾	-	558	-	558
Total	-	558	163,716	164,274
Liabilities				
Accounts payable and accrued liabilities ⁽²⁾	-	204	-	204
Security Deposits ⁽²⁾	-	547	-	547
Total	-	751	-	751

(1) Fair values for investment properties are calculated using the direct income capitalization, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The carrying values of the assets and liabilities included in the above table are a reasonable approximation of the fair value.

b) Risk management

The main risks arising from the Portfolio's financial instruments are market risk, interest rate risk, liquidity risk and credit risk. The Portfolio's approach to managing these risks is summarised as follows:

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Notes to Special Purpose Combined Financial Statements

The Portfolio's financial assets currently comprise of trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Portfolio may encounter difficulties in accessing capital markets and refinancing its financial obligations as they come due.

The Portfolio's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Portfolio's reputation. Management of the Portfolio monitors the level of expected cash inflows on trade and other receivables, together with expected cash outflows on trade and other payables and capital commitments.

Detailed below are the contractual maturities of the Portfolio's financial liabilities:

	6 months or less ⁽¹⁾	6 to 12 months ⁽¹⁾	1 to 2 years ⁽¹⁾	2 to 5 years ⁽¹⁾	More than 5 years ⁽¹⁾
As at 31 December 2018	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Accounts payable and accrued liabilities	767	-	-	-	-
Security deposits	1,162	-	-	-	-
	1,929	-	-	-	-

(1) Based on carrying value at maturity dates.

	6 months or less ⁽¹⁾	6 to 12 months ⁽¹⁾	1 to 2 years ⁽¹⁾	2 to 5 years ⁽¹⁾	More than 5 years ⁽¹⁾
As at 31 December 2017	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Accounts payable and accrued liabilities	666	-	-	-	-
Security deposits	959	-	-	-	-
	1,625	-	-	-	-

(1) Based on carrying value at maturity dates.

	6 months or less ⁽¹⁾	6 to 12 months ⁽¹⁾	1 to 2 years ⁽¹⁾	2 to 5 years ⁽¹⁾	More than 5 years ⁽¹⁾
As at 1 January 2017	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Accounts payable and accrued liabilities	204	-	-	-	-
Security deposits	547	-	-	-	-
	751	-	-	-	-

(1) Based on carrying value at maturity dates.

The carrying value of accounts payable and accrued liabilities and security deposits approximates their fair value.

Although term loans are not recognized in the special purpose combined statement of financial position of the Portfolio, the below disclosure on borrowings is given:

Notes to Special Purpose Combined Financial Statements

As at 1 January 2017, the U.A. had two term loans with a remaining principal balance of \$88.4 million with ABN AMRO and a subordinated loan from a related party of the U.A. of \$18.4 million. These properties in the Portfolio were used as security for these loans. These loans were fully repaid by the U.A. in 2017.

On 12 July 2017, the properties in the Portfolio were used by the VOF II to secure a non-amortizing Term Loan facility with ING Bank, The Netherlands. The agreement provides for a loan of \$157.4 million, made available in 4 tranches. The Term Loan has a seven-year term starting from 12 July 2017 with interest set at the annual fixed rate of 2.04%. The Term Loan is subject to compliance with various provisions of the facility agreement (including certain financial covenants and commitments, as well as limitations on indebtedness). As at 31 December 2018, \$157.4 million is outstanding on the Term Loan (2017 - \$151.7 million).

The carrying value of these term loans as at 31 December 2018 is \$156.9 million (31 December 2017 – \$151.2 million, 1 January 2017 - \$106.3 million) and approximates their fair value. If market interest rate fluctuates, the fair value of these term loans will be affected. The loans fall within Level 2 in the fair value hierarchy for all periods presented.

Detailed below are the contractual maturities of these term loans and associate interest payments:

	6 months or less ⁽¹⁾	6 to 12 months ⁽¹⁾	1 to 2 years ⁽¹⁾	2 to 5 years ⁽¹⁾	More than 5 years ⁽¹⁾
As at 31 December 2018	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Term loan Interest	1,607	1,607	3,213	9,641	-
Term loan Payable	-	-	-	157,445	-
	1,607	1,607	3,213	167,086	-

(1) Based on carrying value at maturity dates.

Credit risk

Credit risk arises from: (i) the possibility that the Portfolio's tenants may experience financial difficulty and be unable to meet their rental obligations or (ii) the Portfolio's investment property assets being used as collateral to secure various financial obligations of the owners

The Portfolio mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, and geographically diversifying its portfolio. Management of the Portfolio monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognised in the statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss and other comprehensive income.

Capital management

The Portfolio's capital consists of the portfolio equity. The properties in the Portfolio are managed to provide a return to the owners, to maintain a strong capital base and to sustain the future development of the business.

Notes to Special Purpose Combined Financial Statements

8. Property Operating Costs

For the year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
Property operating costs		
Utilities	228	117
Repairs and maintenance	1,123	823
Wages and benefits	40	-
Management cost	803	1,113
On-site costs	295	396
Insurance	33	67
Advertising	168	538
Legal and Collection	45	119
Total	2,735	3,173

In line with the description as recorded in the basis of preparation (note 2a), the interest on borrowings is not recognized in the statement of profit or loss and other comprehensive income.

9. Supplemental Cash Flow Information

Changes in operating assets and liabilities

For the Year ended	31 December 2018	31 December 2017
	CAD \$'000	CAD \$'000
(Increase) in prepayments	(11)	413
(Increase) in trade receivables	74	6
Increase in accounts payable and other liabilities	85	458
Increase in security deposits	170	409
Changes in operating assets and liabilities	318	1,286

10. Related Party Transactions

Prior to 12 July 2017, the Portfolio was owned by NL Residential. On 12 July 2017, the Portfolio was sold to CAPREIT NL II V.O.F.

During 2018, \$803 thousand (2017 - \$334 thousand) of management fee was paid to CANLIVING B.V., an entity under common ownership as CAPREIT NL II V.O.F.

11. Subsequent Events

There are no subsequent events.

12. Approval of Financial Statements

These audited Annual Financial Statements were approved by the directors of CAPREIT NL Holding B.V. on 22 February 2019.

EUROPEAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS AT AND FOR THE TWELVE MONTH PERIOD ENDED
SEPTEMBER 30, 2018 AND FOR THE YEAR ENDED DECEMBER 31, 2017**

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(C\$ Thousands)	As at September 30, 2018 EC REIT	As at December 31, 2018 Holding BV	Pro Forma	Notes	Pro Forma
Non-Current Assets					
Investment Properties	\$ 135,901	\$ 676,987	\$ -		\$ 812,888
Goodwill	-	-	9,394	4A	9,394
Total Non-Current Assets	135,901	676,987	9,394		822,282
Current Assets					
Cash And Cash Equivalents	9,453	3,497	8,436 14,842	3,4A,4L 4J	36,228
Accounts Receivable	1,329	275	-		1,604
Prepaid Expenses	149	-	-		149
Deferred Financing Fees	11	-	-		11
Total Current Assets	10,942	3,772	23,278		37,992
TOTAL ASSETS	\$ 146,843	\$ 680,759	\$ 32,672		\$ 860,274
Non-Current Liabilities					
Mortgages Payable	\$ 71,431	\$ 318,007	\$ -		\$ 389,438
Other Non-Current Liabilities	-	166,915	(166,915)	4B	-
Interest Rate Swaps	154	-	-		154
Unit Option Liabilities	326	-	-		326
Class B LP Units	2,894	-	(2,894)	4E	326,565
			166,915	4B	
			76,802	4B	
			82,848	4B	
Deferred Income Taxes	788	25,090	(18,339)	4J	7,539
Total Non-Current Liabilities	75,593	510,012	138,417		724,022
Current Liabilities					
Current Portion of Mortgages Payable	1,824	-	-		1,824
Distribution Payable	1,360	-	8,436	3,4A,4L	9,796
Unit Option Liability	411	-	-		411
Accounts Payable And Accrued Liabilities	2,114	3,916	500	4N	6,530
Current Income Taxes Payable	4	-	18,339	4J	18,343
Deferred Revenue	1,903	-	-		1,903
Security Deposit	-	2,336	-		2,336
	7,616	6,252	27,275		41,143
TOTAL LIABILITIES	\$ 83,209	\$ 516,264	\$ 165,692		\$ 765,165
Unitholders' Equity					
Unit Capital	\$ 64,767	\$ 76,802	(\$ 76,802)	4B	\$ 67,486
			2,894	4C,4E	
			(64,767)	3,4A,4K	
			(2,894)	4E	
			67,486	4A	
(Deficit) Retained Earnings	(1,728)	81,160	1,728	3,4K	21,090
			8,436	4A	
			(82,848)	4A,4B	
			14,842	4L	
			(500)	4N	
Accumulated Other Comprehensive Income	595	6,533	(595)	3,4K	6,533
TOTAL UNITHOLDERS' EQUITY	\$ 63,634	\$ 164,495	(\$ 133,020)		\$ 95,109
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	\$ 146,843	\$ 680,759	\$ 32,672		\$ 860,274

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME

(C\$ Thousands)

	Twelve Month		Pro Forma Adjustments	Notes	Twelve Month Period Ended
	Period Ended	Year Ended			
	September 30, 2018 ⁽¹⁾ EC REIT	December 31, 2018 Holding BV			
Net Rental Income					
Property Revenue	\$ 12,046	\$ 31,781	\$ -		\$ 43,827
Property Expenses	(2,656)	(9,213)	261 603	4I 4H	(11,005)
Net Rental Income	9,390	22,568	864		32,822
General & Administrative Expenses	(2,004)	(2,510)	484 (2,733)	4I 4H	(6,763)
Foreign Exchange Gain	68	-	-		68
Fair Value Adjustment of Investment Properties	9,068	93,354	-		102,422
Fair Value Adjustment of Class B LP Units	(105)	-	105	4E	-
Unit-Based Compensation	(446)	-	-		(446)
Disposition of Subsidiary		2,090	-		2,090
Income Before Financing Expenses	15,971	115,502	(1,280)		130,193
Finance Expenses					
Interest Expense	(1,677)	(26,759)	10,193 (28,574) 54	4D 4C 4F	(46,763)
Fair Value Adjustment To Interest Rate Swaps	197	-	-		197
Income Before Income Tax	14,491	88,743	(19,607)		83,627
Current Income Tax Expense	2	-	-		2
Deferred Income Tax Expense	(672)	(20,248)	351	4O	(20,569)
Net Income For The Period	\$ 13,821	\$ 68,495	\$ (19,256)		\$ 63,060

(1) Twelve month period ended September 30, 2018 derived from public financial statement filings of EC REIT as at and for the nine months ended September 30, 2018, as at and for the year ended December 31, 2017, and as at and for the nine month ended September 30, 2017. Refer to note 6 for calculation.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF NET INCOME

(C\$ Thousands)

For the year ended December 31, 2017

	EC REIT	Holding BV	Pro Forma Adjustments	Notes	Ended
Net Rental Income					
Property Revenue	\$ 6,451	\$ 12,522	\$ 4,664	4M	\$ 23,637
Property Expenses	(1,791)	(3,298)	5	4I	(6,997)
			(2,215)	4M	
			302	4H	
Net Rental Income	4,660	9,224	2,756		16,640
General & Administrative Expenses	(2,732)	(1,877)	1,205	4I	(5,852)
			(1,304)	4H	
			(644)	4M	
			(500)	4N	
Foreign Exchange Gain	573	-	-		573
Fair Value Adjustment of Investment Properties	(4,227)	24,654	64,807	4N	85,234
Fair Value Adjustment of Class B LP Units	1,181	-	(1,181)	4E	-
Unit-Based Compensation	(192)	-	-		(192)
Income Before Financing Expenses	(737)	32,001	65,139		96,403
Finance Expenses					
Interest Expense	(926)	(11,876)	4,386	4D	(28,825)
			(1,567)	4M	
			(18,891)	4C	
			49	4F	
Fair Value Adjustment To Interest Rate Swaps	(253)	-	-		(253)
Income Before Income Tax	(1,916)	20,125	49,116		67,325
Current Income Tax Expense	(4)	-	-		(4)
Deferred Income Tax Expense	(250)	(4,977)	(15,463)	4O	(20,690)
Net Income For The Year	(\$ 2,170)	\$ 15,148	\$ 33,653		\$ 46,631

1. General Information

All amounts are expressed in thousands of Canadian dollars except where indicated.

European Commercial Real Estate Investment Trust ("EC REIT" or "the REIT") owns and operates a portfolio of non-prime core commercial properties in Europe and is the successor to European Commercial Real Estate Limited (the "Company") following the conversion of the Company to a real estate investment trust.

CAPREIT NL Holding B.V. (the "Holding BV") is a private limited liability company and subsidiary of Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT"), a real estate investment trust domiciled in Canada. The Holding BV was formed in the Netherlands on December 16, 2016 and owns the subsidiaries which directly or indirectly own the beneficial interest of all its properties along with the related mortgages and all the corporate debt obligations.

The acquisition of Holding BV by the REIT constitutes a reverse acquisition due to CAPREIT's controlling interest in the REIT after the acquisition as described in note 3. For the consolidated financial statements of Holding BV, prepared in accordance with International Financial Reporting Standards ("IFRS"), the principles of reverse acquisition accounting under IFRS 3 "Business Combinations" have been applied. In applying the principles of reverse acquisition accounting, the unaudited pro forma condensed consolidated financial statements have been presented as a continuation of Holding BV.

The unaudited pro forma condensed consolidated statement of financial position gives effect to the reverse acquisition (the "Acquisition") of the REIT by CAPREIT NL Holding B.V. ("Holding BV") as if it had occurred on September 30, 2018. The unaudited pro forma condensed consolidated statements of net income for the twelve month period ended September 30, 2018 and year ended December 31, 2017, give effect to the Acquisition as if it occurred January 1, 2017.

The accompanying unaudited pro forma condensed consolidated statements of financial position as at September 30, 2018, and the condensed consolidated statements of income for the twelve month period ended September 30, 2018 and year ended December 31, 2017, have been prepared by management of the REIT to reflect the Acquisition of the REIT by Holding BV.

The unaudited pro forma condensed consolidated financial statements have been prepared using the following information:

- The audited consolidated financial statements of the REIT as at and for the year ended December 31, 2017, prepared in accordance with IFRS; and the unaudited condensed consolidated interim financial statements of the REIT as at and for the nine months ended September 30, 2018, prepared in accordance with IAS 34; and the unaudited condensed consolidated interim financial statements of the REIT as at and for the nine months ended September 30, 2017, prepared in accordance with IAS 34;
- The audited consolidated financial statements of Holding BV, as at December 31, 2018 and for the year ended December 31, 2018 and 2017, prepared in accordance with IFRS; and
- The audited consolidated financial statements of the Ring Portfolio (the "Ring Portfolio"), a group of multi-residential properties consisting of 849 residential units and 2 commercial units that were acquired by CAPREIT NL II V.O.F. on July 12, 2017, for the year ended December 31, 2018 and 2017, prepared in accordance with IFRS.

The pro forma adjustments and fair value measurements are preliminary, and have been determined from information currently available to management of the REIT. Accordingly, these adjustments and fair value measurements are subject to change. The unaudited pro forma condensed consolidated financial statements are provided for information purposes only, and are not necessarily indicative of the results that would have accurately occurred if the transactions had been consummated at the specified dates, nor are they necessarily indicative of future operating results or the financial position of the REIT.

2. Significant Accounting Policies

The accounting policies used in the preparation of these unaudited pro forma condensed consolidated financial statements are consistent with those disclosed in the Holding BV's audited consolidated financial statements for the year ended December 31, 2018. These unaudited pro forma condensed consolidated financial statements do not include all the information and disclosures required by IFRS for annual or interim financial statements, and therefore should be read in conjunction with the December 31, 2017 audited consolidated financial statements of the REIT, the September 30, 2018 unaudited condensed consolidated interim financial statements of the REIT, and the December 31, 2018 audited consolidated financial statements of Holding BV.

Where the Holding BV does not have an established accounting policy, the accounting policies of the intended Acquisition as disclosed in their financial statements are adopted for the purpose of preparation of these unaudited pro forma condensed financial statements. Such accounting policies adopted are as follows:

a) Business Combination

At the time of acquisition of property, whether through a controlling share investment or directly, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is given to the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The Company recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The difference between the purchase price and the Company's net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. Negative goodwill is immediately recognized in the consolidated statements of income. The Company expenses transaction costs associated with business combinations in the period incurred. When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

3. Description of Acquisition

The REIT entered into a Purchase and Sale Agreement ("PSA") with CAPREIT whereby the REIT agrees to acquire a subsidiary of CAPREIT being Holding BV, that owns directly and indirectly 41 residential rental properties consisting of 2,091 suites in the Netherlands for aggregate consideration of \$633,589, subject to adjustment as contemplated by the PSA, as applicable. CAPREIT expects to fund Holding BV with cash for any working capital deficiency it may have prior to closing.

The aggregate purchase price of \$633,589 for Holding BV will be satisfied by a combination of (i) \$326,565, by the issuance of 81,641,210 Class B Limited Partnership ("Class B LP") Units of EC Limited Partnership, a subsidiary of the REIT to CAPREIT at a deemed issue price of \$4.00 per Class B LP Unit representing 82.9% of Units outstanding, including Class B LP Units after the acquisition; and (ii) the assumption of \$307,024 aggregate principal amount of existing mortgage debt relating to Holding BV and all other liabilities associated with the entities (including subsidiaries) that hold the properties. The Class B LP Units are entitled to distributions equivalent to distributions on REIT Units, can be exchanged solely for Trust Units on a one-for-one basis, and are exchangeable at any time at the option of the holder. In addition, CAPREIT will provide the REIT with a cash payment for the REIT to pay a \$0.50 per Unit special distribution to its current Unitholders and Class B LP Unitholders totalling \$8,436. Subsequent to the Acquisition, CAPREIT will have a controlling interest in EC REIT through its special voting rights attached to the Class B

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

LP Units of EC REIT. As a result, this transaction constitutes a reverse acquisition. Subject to receipt of the outstanding Unitholder and regulatory approval and other customary closing conditions, it is anticipated that the closing of the Acquisition will occur in late March 2019.

The above transaction will result in Holding BV acquiring the REIT as a reverse acquisition. The REIT is considered to be a business under IFRS 3 “Business Combinations” as Holding BV will acquire investment properties, including existing property leases with tenants and key strategic processes relevant to the operation of the properties, as described in note 4a). In applying the principles of reverse acquisition accounting, the unaudited consolidated pro forma financial statements have been presented as a continuation of Holding BV. The consolidated reserves of EC REIT reflect the statutory share capital of Holding BV as if it had always existed, adjusted the effects of the acquisition. Accordingly, the cumulative unit capital, deficit, and accumulated other comprehensive income of the REIT of \$64,767, \$1,728, and (\$595), respectively, have been eliminated from the unaudited pro forma consolidated statement of financial condition.

4. Pro Forma Adjustments

The adjustments to the unaudited pro forma condensed consolidated financial statements have been prepared to reflect the impact of the reverse acquisition of the REIT as described below.

a) Purchase Price Allocation

In applying the reverse acquisition under IFRS 3, the fair values outlined below are derived from the unaudited financial statements of the REIT. The calculation of the purchase price will be based on the fair value of the assets purchased and liabilities assumed at the effective date of the reverse acquisition and other information available at that date. Accordingly, the actual amounts for the assets and liabilities will vary from the pro forma amounts and the changes could be material. The fair value accounting policies of the intended Acquisition are consistent with those established by the REIT, and for items where the REIT does not have an established accounting policy, the policy of the intended Acquisition is adopted for the purpose of the unaudited pro forma financial statements as described in note 2. Cash, other assets, accounts payable and accrued liabilities, distributions payable, and deferred revenues are all of a short-term nature and are assumed to approximate fair value. Mortgages payable with floating interest rates and unit option liabilities are considered to approximate fair value.

The purchase price is the estimated fair value of the outstanding REIT units owned by Unitholders other than CAPREIT (after the exchange of 717,475 Class B LP Units currently outstanding to Units prior to the acquisition close), and the cash payment by CAPREIT. For purposes of these unaudited pro forma financial statements, the fair value of a REIT unit has been assumed to be \$4.00.

The assets that will be acquired are the lands and buildings, the chattels (appliances, common area furniture, etc.) used in connection with the buildings, leases of premises in the buildings, and contracts relating to the properties. In addition, mortgages payable on the related investment properties acquired will be assumed including other assets and liabilities.

The net purchase price for 100% of the REIT has been allocated to the estimated fair values of the REIT’s identifiable assets and liabilities to be acquired as at September 30, 2018, in accordance with the acquisition method, as follows:

	September 30, 2018	Pro Forma Adjustments	September 30, 2018
Assets Acquired:			
Investment Properties	\$ 135,901	\$ -	\$ 135,901
Cash And Cash Equivalents	9,453	-	9,453
Other Assets	1,489	-	1,489
Fair Value of Assets Acquired	\$ 146,843	\$ -	\$ 146,843
Liabilities assumed:			
Mortgages Payable	\$ (73,255)	\$ -	\$ (73,255)
Interest Rate Swaps	(154)	-	(154)

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Unit Option Liabilities ⁽³⁾	(737)	-	(737)
Class B LP Units ⁽¹⁾	(2,894)	2,894	-
Distribution Payable	(1,360)	-	(1,360)
Current Income Taxes Payable	(4)	-	(4)
Deferred Revenue	(1,903)	-	(1,903)
Deferred Income Taxes	(788)	-	(788)
Accounts Payable and Accrued Liabilities	(2,114)	-	(2,114)
Fair Value of Liabilities Assumed	\$ (83,209)	\$ 2,894	\$ (80,315)

Fair Value of Net Assets **\$ 66,528**

Purchase Price

Value of Trust Units in Consideration ⁽²⁾	\$ 67,486
Cash Payment to EC REIT to Pay a Special Distribution (note 3)	<u>8,436</u>
Total Purchase Price	<u>\$ 75,922</u>

Goodwill

\$ 9,394

(1) Refer to Note 4e) for further details.

(2) Value of the REIT's 16,871,593 Trust Units (after conversion - see note 4e)) reflected the \$4.00 estimated fair value.

(3) Unit option liabilities' book value approximates the fair value of \$4.00 per Unit and will not be vested as part of the Acquisition.

b) Issuance of Class B LP Units

Pursuant to the transaction, CAPREIT LP will exchange its equity and loan interests in Holding BV for 81,641,210 Class B LP Units.

Holding BV will be funded through the issuance of \$326,565 of the REIT's Class B LP Units which represents the aggregate purchase price of \$633,589 less the liabilities and mortgages assumed by the REIT of \$307,024. The assets that will be acquired are the lands and buildings, the chattels (appliances, common area furniture, etc.) used in connection with the buildings, leases of premises in the buildings, and contracts relating to the properties. In addition, mortgages payable on the related investment properties acquired will be assumed including other assets and liabilities.

	<u>September 30, 2018</u>	
	<u>Number of Units</u>	<u>Amount</u>
Class B LP Units issued for the Acquisition	81,641,210	\$ 326,565

The carrying amounts of CAPREIT LP's equity and loan interests in Holding BV contained in the audited annual financial statements as at December 31, 2018 were as follows:

	<u>Amount</u>
Capital Contributions	\$ 76,802
Payable to CAPREIT LP	<u>166,915</u>
	243,717
Fair value of Class B LP Units Issued	<u>326,565</u>
Pro Forma Adjustment to Retained Earnings	<u><u>82,848</u></u>

As a result of the above transaction, the pro forma statements of net income have been adjusted for the following:

c) CAPREIT LP's Class B LP Units

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Distributions on the Class B LP Units are recognized in the consolidated statements of income and comprehensive income as interest expense under IFRS, and the interest payable at the reporting date is reported under other current liabilities on the consolidated balance sheets. For the pro forma financial statements, an adjustment for interest on Class B LP Units of \$28,574 and \$18,891, respectively, has been added to the statement of net income for the twelve month period ended September 30, 2018 and year ended December 31, 2017 assuming CAPREIT's Class B LP Units existed since January 1, 2017. It has been assumed that the historical annual distribution rate for the year ended December 31, 2017 was \$0.23 per Unit while the twelve month period ended September 30, 2018 was \$0.35 per Unit.

d) Intercompany Interest

Interest expense on the intercompany loan to CAPREIT LP of \$10,193 and \$4,386, respectively, has been removed from the statement of net income for the pro forma twelve month period ended September 30, 2018 and year ended December 31, 2017.

e) Existing Class B LP Units

The 717,475 Class B LP Units outstanding as at September 30, 2018, will be converted to Trust Units prior to the Acquisition. As a result of the conversion prior to the Acquisition, the fair value adjustment of Class B LP Units recognized for the twelve month period ended September 30, 2018 of \$105 and year ended December 31, 2017 of \$1,181, will be eliminated and the carrying value of \$2,894 will be included in equity as at September 30, 2018.

f) Distribution to Unitholders

Distributions declared to Class B LP Unitholders are classified as interest expense for reporting purposes because the Units are treated as financial liabilities.

The unaudited proforma condensed consolidated statements of net income give effect to the conversion of the Class B Units to Trust Units therefore eliminating the distribution expenses of \$54 and \$49 for the twelve month period ended September 30, 2018 and for the year ended December 31, 2017.

g) Mortgages Payable – Amortization of fair value adjustment

The reverse acquisition did not result in the fair value adjustment of premiums on mortgages payable acquired, as the mortgages approximate fair value. No changes were made to the unaudited pro forma condensed consolidated statements of net income for the twelve month period ended September 30, 2018 and year ended December 31, 2017.

h) Property and Asset Management Agreement Fees

Upon closing of the transaction, EC REIT will continue to retain Maple Knoll Capital Ltd. ("MKC") as the asset manager for purposes of managing certain commercial real estate assets of the REIT, on substantially similar terms as currently existing under the amended and restated asset management agreement between the REIT and MKC dated May 3, 2017 as set out below.

1. An annual asset management fee in the amount of 0.50% of the historical gross purchase price of the properties plus HST/VAT;
2. A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of €1.0 million excluding work done on behalf of tenants or any maintenance expenditures, plus HST/VAT;
3. A refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses incurred by MKC in supplying services relating to refinancing transactions plus HST/VAT;
4. A disposition fee equal to 1.0% of the sale price on sales of existing commercial properties plus HST/VAT; and
5. There will be no acquisition fee.

In addition upon closing of the Acquisition, CAPREIT is expected to provide asset and property management services through asset and property management agreements between the REIT and CAPREIT where CAPREIT will provide asset

and property management services for Holding BV and any future acquisitions. The term of the asset and property management agreements are for 10 years commencing upon Acquisition, with 5 year extension options. Under the terms of this agreement, the REIT will pay an annual property management fee of 3.5% of operating revenues, and asset management fees for a broad range of services:

1. An annual asset management fee in the amount of 0.35% of EC REIT's historical purchase price for the properties plus HST/VAT;
2. An acquisition fee equal to: (a) 1.0% of the purchase price acquired by the REIT or its subsidiaries payable on completion of each acquisition, on the first €100.0 million in each fiscal year; (b) 0.75% of the purchase price acquired by the REIT or its subsidiaries payable on completion of each acquisition, on the next €100.0 million in each fiscal year; (c) 0.50% of the purchase price acquired by the REIT or its subsidiaries payable on completion of each acquisition, in excess of €200.0 million in each fiscal year; plus HST/VAT, provided that no such acquisition fee was or will be payable in respect of the existing properties and the Acquisitions or the acquisition of properties managed by CAPREIT;
3. A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of €1.0 million excluding work done on behalf of tenants or any maintenance expenditures, plus HST/VAT; and
4. A financing fee equal to 0.25% of the debt and equity of all financing or refinancing transactions completed plus HST/VAT. The financing fee is intended to cover the actual expenses of supplying services incurred by CAPREIT in supplying services relating to financing and refinancing transactions and is not intended to have a profit component. To the extent that the financing fees paid by the REIT exceed the actual amount of such expenses, CAPREIT will reimburse the REIT for the difference. To the extent that the financing fees charged by CAPREIT are less than the actual amount of such expenses, the REIT will pay the difference as an additional financing fee amount.

For the unaudited pro forma financial statements, the property and asset management fees incurred by the REIT, Holding BV, and CANLiving B.V. (as described in note 4(i) below) have been adjusted to reflect the retention of the property and asset management agreement of MKC (which results in no change to the pro forma statement of net and comprehensive income) and the asset and property management agreement between CAPREIT and Holding BV, contemplated as part of this transaction based on the agreed upon sale price (which is EC REIT's historical purchase price of the Holding BV assets), as follows for the twelve month period ended September 30, 2018 and year ended December 31, 2017:

Revised Asset and Property Management Fees

Pro Forma Adjustments	Twelve Month Period Ended September 30, 2018	Year Ended December 31, 2017
Select Information from Statement of Net and Comprehensive Income		
<u>Acquisition Properties</u>		
Property Expenses	\$ 603	\$ 302
General & Administrative Expenses	\$ (2,733)	\$ (1,304)

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

i) CANLiving B.V.

CANLiving B.V. (“CANLiving”), previously a subsidiary of Holding BV, is the property and asset management company for the properties in Holding BV. On December 27, 2018, in contemplation of this transaction, CANLiving was reorganized and became a subsidiary of CAPREIT which will continue to provide property and asset management services for Holding BV and any future acquisitions as described in note 4h). For the pro forma financial statements, all revenue and expenses incurred by CANLiving have been removed from the pro forma statement of net income for the twelve months period ended September 30, 2018, and the year ended December 31, 2017.

	Twelve Months	
	Period Ended September 30, 2018	Year Ended December 31, 2017
Profit and Loss		
Property Expenses	\$ (261)	\$ (5)
General & Administrative Expenses	(484)	(1,205)
Deficit	\$ (745)	\$ (1,210)

j) Deferred Income Tax Liability

Prior to completion of the reverse acquisition, CAPREIT intends to reorganize the structure of two of its subsidiaries that would trigger capital gain taxes payable. As a result, Holding BV will use existing cash on hand of \$3,497 and receive funds of \$14,842 from CAPREIT to settle \$18,339 of the deferred income taxes payable. As such, the deferred income taxes liability has been reduced by \$18,339 while current income tax payable has increased by \$18,339 for the pro forma statement of financial position as at December 31, 2018. The funds received from CAPREIT are considered to be a contribution from the controlling Unitholder and a corresponding adjustment in retained earnings has been recorded.

k) Historical Unitholders' Equity

The historical Unitholders' equity of the REIT, which includes retained earnings and accumulated other comprehensive income, has been eliminated.

l) Cash And Cash Equivalents

The cash and cash equivalents of Holding BV of \$3,497 will increase by \$14,842 from CAPREIT and will be used to pay for the deferred income taxes as noted in 4J) above of \$18,339. In addition, CAPREIT contributed \$8,436 to fund the special distribution to Unitholders, as noted in 4a) above.

m) Ring Portfolio Pre-acquisition Period

The Ring Portfolio is a group of multi-residential properties which was acquired by CAPREIT NL II V.O.F., an indirect subsidiary of Holding BV on July 12, 2017. Prior to July 12, 2017, the Portfolio was owned by NL Residential Cooperatief U.A. ("NL Residential"). Included in the statement of net income for the year ended December 31, 2017 for Holding BV, represents net income of the Ring Portfolio for the period July 12, 2017 to December 31, 2017. As such, an adjustment is made to the statement of net income for the period January 1, 2017 to July 11, 2017, for the pre-acquisition period.

	Included in Ring Portfolio Financial Statement for the Year Ended December 31, 2017	Included in Holding BV Financial Statements For the Period July 12, 2017 to December 31, 2017	Pro Forma Adjustment For the Period January 1, 2017 July 11, 2017
Select Information from Statement of Net and Comprehensive Income			
Property Revenue	\$ 9,700	\$ 5,036	\$ 4,664
Property Expenses	(3,657)	(1,442)	(2,215)
Net Movement in Fair Value of Investment Properties	72,992	8,185	64,807

The Ring Portfolio audited combined financial statements combined the property level financial results of a number of residential and commercial properties. No mortgages payable and mortgage interest expense is reflected in the audited financial statements.

Holding BV audited consolidated financial statements include the mortgage payable and interest expense associated to the Ring Portfolio as at December 31, 2017 and for the period July 12, 2017 to December 31, 2017 in the statement of net and comprehensive income, but do not for the period January 1, 2017 to July 11, 2017. In addition, based on note 4h), the asset management fee has been adjusted to reflect the pro forma effects of the revised asset management arrangements to the pre-acquisition period. An adjustment is made to the statement of net income for the period January 1, 2017 to July 11, 2017, for the pre-acquisition period based on the in-place mortgages as at December 31, 2018 and the revised asset management agreement.

	Pro Forma Adjustment For the Period January 1, 2017 July 11, 2017
Interest Expense	\$ 1,567
General and Administration	644

n) Acquisition-related Transaction Costs

Anticipated acquisition-related transaction costs consist of legal fees, financing and accounting fees, consulting fees, and other costs will be incurred by CAPREIT with an aggregate amount of \$500 attributable to Holding BV. The transaction costs are not inclusive of EC REIT's acquisition-related transaction costs associated to the reverse acquisition. A corresponding adjustment has been made to accrue these transaction costs in the unaudited pro forma statement of financial position. For the pro forma financial statements, all transaction costs are expensed in the unaudited pro forma condensed consolidated statements of net income for the year ended December 31, 2017.

o) Income Tax Expense

Based on the adjustments identified above, the deferred income tax expense would be reduced by \$351 and increased by \$15,463 on the statement of net and comprehensive income for the twelve month period ended September 30, 2018, and year ended December 31, 2017, respectively.

5. Unitholders' Equity

a) Trust Units

Subsequent to the completion of the Acquisition, as if it had occurred on September 30, 2018, the anticipated number of Trust Units issued and outstanding at September 30, 2018, is as follows:

	September 30, 2018	
	Number of Units	Amount
Balance, September 30, 2018, as originally presented	16,154,118	\$ 64,767
Units converted from Class B LP Units (note 4e))	717,475	2,894
Adjustment (note 4a))	-	(175)
Pro Forma Balance, September 30, 2018	<u>16,871,593</u>	<u>\$ 67,486</u>

b) Class B LP Units

Subsequent to the completion of the Acquisition as if they had occurred on September 30, 2018, the anticipated number of Class B LP Units issued and outstanding at September 30, 2018, is as follows:

	September 30, 2018	
	Number of Units	Amount
Balance, September 30, 2018, as originally presented	717,475	\$ 2,894
Units converted to Trust Units (note 4e))	(717,475)	(2,894)
Class B LP Units Issued (note 4b))	81,641,210	326,565
Pro Forma Balance, September 30, 2018	<u>81,641,210</u>	<u>\$ 326,565</u>

6. Consolidated Statements of Net income for the Twelve Month Period Ended September 30, 2018 of the REIT

The calculation of the consolidated statements of net income for the twelve month period ended September 30, 2018 for the REIT was derived from public financial statement filings of the REIT as at and for the nine months ended September 30, 2018, as at and for the year ended December 31, 2017, and as at and for the nine months ended September 30, 2017. The twelve month period ended September 30, 2018 calculated below is rounded to thousands.

	A	B	C	B + C - A (C\$ Thousands)
	For the Nine Months Ended September 30, 2017	Year Ended December 31, 2017	For the Nine Months Ended September 30, 2018	12 Months Period Ended September 30, 2018
Net Rental Income				
Property Revenue	\$ 3,577,113	\$ 6,451,143	\$ 9,171,806	\$ 12,046
Property Expenses	(1,191,497)	(1,790,784)	(2,056,868)	(2,656)
Net Rental Income	2,385,616	4,660,359	7,114,938	9,390
General & administration	(2,179,018)	(2,731,918)	(1,450,936)	(2,004)
Foreign exchange gain	507,239	572,813	2,564	68
Fair value adjustment of investment properties	(7,460,817)	(4,226,910)	5,833,919	9,068
Fair value adjustment of Class B LP Units	964,198	1,181,058	(321,899)	(105)
Unit-Based Compensation	(155,900)	(191,746)	(410,205)	(446)
Income/(Loss) Before financing expenses	(5,938,682)	(736,344)	10,768,381	15,971
Finance Expenses				
Interest Expense	(488,960)	(925,559)	(1,240,553)	(1,677)
Fair value adjustment of interest rate swaps	(342,616)	(252,761)	107,279	197
Gain (loss) before income tax	(6,770,258)	(1,914,664)	9,635,107	14,491
Current income tax expense	(5,343)	(3,611)	-	2
Deferred income tax expense	(115,986)	(249,662)	(538,627)	(672)
Net Income (loss)	(6,891,587)	(2,167,937)	9,096,480	13,821
Other Comprehensive Income				
Items That May Be Reclassified Subsequently To Net Income				
Foreign currency translation	(135,078)	942,384	(347,401)	730
Net income/(loss) and comprehensive income/(loss) for the period	(\$ 7,026,665)	(\$ 1,225,553)	\$ 8,749,079	\$ 14,551

CAPREIT NL HOLDING B.V.

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR HOLDING BV

Overview

This Management's Discussion and Analysis ("MD&A") discusses the financial condition and results of operations and changes thereto of Holding BV and should be read in conjunction with the audited special purpose consolidated financial statements as at December 31, 2018, December 31, 2017 and January 1, 2017 and for the years ended December 31, 2018 and December 31, 2017 and the accompanying notes included as Appendix "J" to this Circular.

Financial information of Holding BV has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB, including IFRS Interpretations Committee ("IFRIC") interpretations as of January 1, 2017.

All amounts in the tables included in this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations for Holding BV", other than percentages, are stated in thousands of Canadian dollars unless otherwise noted.

Non-IFRS Measures

All financial information has been prepared in accordance with IFRS. However, this MD&A also contains certain non-IFRS financial measures including NOI. NOI is commonly used by the real estate industry to measure operating performances. NOI represents revenue from investment properties and service charge income less operating expenses and is presented in the special purpose consolidated statement of profit or loss and other comprehensive income as net rental income. Management has chosen to refer to net rental income as NOI in all instances. Accordingly, NOI excludes certain expenses included in the determination of net income such as interest expense and net movement in fair value of investment properties. NOI is not a measure defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other entities.

List of Properties

Holding BV indirectly owns through its subsidiaries, CAPREIT NL I B.V., CAPREIT NL II B.V., CAPREIT NL I V.O.F. and CAPREIT NL II V.O.F. interests in residential rental accommodations of 2,091 suites in 41 properties located in and near major urban centres across the Netherlands.

The following table highlights certain information about the properties as of December 31, 2018.

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Year Acquired	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
AMSTERDAM									
Oeverpad 220-294, Amsterdam	43	43	-	38	-	1999	2017	97.7	1127
Oeverpad 364-438, Amsterdam	46	46	-	37	-	1999	2017	97.8	1139
Nilda Pintostraat 3-41, Isabella Richaardsstraat 6-8, Amsterdam	18	18	-	-	-	1999	2017	100	1063
Bijlmerdreef 790-934, Isabella	26	26	-	-	212	1999	2017	100	822

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Year Acquired	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
Richaardsstraat 2-4, Amsterdam ⁽²⁾									
Bijlmerdreef 844-910, Nilda Pintostraat 1, Raden Adjend Kartinistraat 15-33, Amsterdam	37	37	-	-	-	1999	2017	97.3	1010
Efua Sutherlandstraat 6-17, Harriët Freezerstraat 18-20, Amsterdam	14	14	-	-	-	1999	2017	100	1005
Efua Sutherlandstraat 19-59, Amsterdam	41	41	-	-	-	1999	2017	97.6	898
Elisabeth Samsonstraat 1-49, Harriët Freezerstraat 16, Amsterdam	26	26	-	-	-	1999	2017	96.2	1023
UTRECHT									
Faustdreef 1-179, Utrecht ⁽³⁾	90	90	-	-	449	1967	2016	100	716
Faustdreef 221-489, Utrecht	135	135	-	-	Antenna	1967	2016	97.8	700
Rubicondreef 80-222, Utrecht	72	72	-	-	-	1967	2016	100	701
Tannhäuserdreef 2-416, Utrecht	168	168	-	42	Antenna	1965	2016	98.2	728
Auriollaan 2-112, Utrecht	70	70	-	-	-	1960	2017	100	890
Marshallaan 293-395, Utrecht	56	56	-	-	-	1960	2017	98.2	842
Marshallaan 296-398, Utrecht	56	56	-	-	-	1960	2017	98.2	837
Monnetlaan 1-111, Utrecht	70	70	-	-	-	1960	2017	98.6	971
THE HAGUE									

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Year Acquired	Occupancy Level⁽¹⁾ (%)	Average Monthly Rent/Unit (€)⁽¹⁾
Lau Mazirellaan 33-157, The Hague	44	44	-	-	-	1996	2017	100	812
Anna Blamanplein 26-123, The Hague	98	98	-	98	-	1996	2017	98	694

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Year Acquired	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
OTHER CITIES									
Deken van den Ackerhof 61-111, Cuijk	26	26	-	12	-	1990	2016	100	955
Oudstraat 1-27, Ijsselstein	14	14	-	-	-	2000	2017	100	996
Pelmolenstraat 68-1-68-44, Enschede	20	20	-	-	-	1994	2016	100	893
Hortensiastraat 2-126 (Stokhorst), Enschede	57	57	-	29	-	1985	2017	100	738
Esmarkelaan 44-90, Enschede	23	23	-	23	-	1977	2017	91.3	825
Poldermolenplein 3-55, Poldermolendreef 53-123, Middenmolenplein 6-60, Gouda	84	84	-	-	-	1993	2017	98.8	734
Bielzen 1-48, Stationsstreat 7-421, Heerenveen	60	60	-	15	Antenna	1985	2017	100	676
Valder 7-76, Landgraaf	46	32	14	48	-	2007	2017	97.8	725
De Putstoel 8-35, Meppel ⁽⁴⁾	28	28	-	-	1,087	1977	2017	92.9	731
Den Heuvel 26-60, Oirschot	21	21	-	2	-	1986	2017	100	635
27-77 Oldenzaal, Oldenzaal	26	26	-	-	-	1985	2017	88.5	760
Antoni van Leeuwenhoekhof 1-6, Hugo de Groot singel 3-13, Huizen	12	12	-	-	-	2006	2017	100	1153
Bram van den Berghstraat 1-61, Oss	47	47	-	26	-	1985	2017	97.9	628
Thomas Jeffersonlaan 289-527, Rijswijk	192	192	-	155	-	1969	2017	99.5	813
Willaerlaan, 3-65, Scherpenzeel	32	32	-	-	-	1984	2016	100	741

	Total Suites	Apartments	Townhomes	Parking Spaces	Commercial (square meters)	Year Built	Year Acquired	Occupancy Level ⁽¹⁾ (%)	Average Monthly Rent/Unit (€) ⁽¹⁾
Smithlaan 1-89, Sittard	45	45	-	45	-	2007	2017	100	973
Hoogzoggel 64-128, Uden	31	31	-	-	-	1992	2017	100	667
Gulikstraat 210-308, Venlo	50	50	-	61	-	1995	2017	100	800
Karel van Egmondstraat 1-21, Venlo ⁽⁵⁾	-	-	-	21	-		2017		
Veldzuring 95-133, Venlo	20	20	-	22	-	1999	2017	100	855
Kloosterhof 2-56, Venray	56	56	-	18	-	1997	2017	98.2	630
Jerusalem 9-40, Venray	32	32	-	32	-	2002	2017	100	924
Dreiumme 2-48, Warnsveld	25	25	-	-	-	1985/1991	2016	100	684
Kraaijenkampzoom 50-72, Ellekampzoom 59-81, Kluiverkamp 2-58, Koog aan de Zaan	34	34	-	-	-	1983	2017	100	766
TOTAL	2091	2077	14	724	1,748			98.5	802

Notes:

- (1) Based on the monthly in-place rent of occupied suites.
- (2) Includes commercial property located at Bijlmerdreef , Amsterdam.
- (3) Includes commercial property located at Faustdreef 181-187 , Utrecht.
- (4) Includes commercial property located at De Putstoel & Kruisstraat , Meppel.
- (5) This property is comprised of a 21 garage complex near the Gulikstraat complex.

Selected Consolidated Financial Information

The following table presents a summary of selected financial information for the fiscal years indicated below:

As at and for the year ended	December 31, 2018	December 31, 2017	December 31, 2016 ⁽¹⁾
	CAD \$'000	CAD \$'000	CAD \$'000
Statement of Profit or Loss and Other Comprehensive Income			
Operating Revenues	31,781	12,522	155
NOI	22,568	9,224	126
NOI Margin ⁽²⁾	71.0%	73.7%	81.3%
Profit/(loss)	68,495	15,148	(2,482)

Statement of Financial Position

Investment Properties	676,987	555,795	91,957
Total Assets	680,759	566,349	92,749
Total Non-Current Liabilities	510,012	485,445	94,038

- (1) For the period from December 16, 2016 (date of incorporation) to December 31, 2016, the information has been derived from management. Holding BV adopted IFRS as issued by the IASB effective from January 1, 2017. PricewaterhouseCoopers Accountants N.V. has not audited, reviewed, compiled, or performed any procedures with respect to the financial information as at and for the period from December 16, 2016 to December 31, 2016. Accordingly, PricewaterhouseCoopers Accountants N.V. does not express an opinion or any other form of assurance with respect thereto.
- (2) NOI margin is calculated including service charge expenses and service charge income for the properties in 2018 and 2017. The NOI margin excluding service charge income and service charge expense is 76.0% and 76.2% for 2018 and 2017 respectively. For the period December 16, 2016 to December 31, 2016 there was no service charge expense or service charge income.

Operating Revenues

Operating revenues include revenue from the Acquisition Properties as well as service charge income. Acquisition Properties revenues increased by \$19.3 million for the year ended December 31, 2018 over the comparative period. This increase is primarily attributable to a full year of revenue from acquisitions completed during 2017.

NOI

NOI increased by \$13.4 million, or 146%, to \$22.6 million for the year ended December 31, 2018 compared to \$9.2 million for the year ended December 31, 2017. This increase is primarily the result of a full year of NOI from the 1,523 apartment suites acquired during 2017.

Profit/(loss)

Profit for the year ended December 31, 2018 was \$68.5 million, representing an increase of \$53.4 million, or 352%, compared to \$15.1 million for the year ended December 31, 2017. This increase is primarily due to net movement in fair value of investment properties and profit from a full year of operations for properties acquired during 2017.

Investment Properties

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of generating income from rental properties, capital appreciation or both, but not for sale in the ordinary course of business.

All investment properties are initially recorded at cost, which includes transaction and other acquisition costs, at their respective acquisition dates, and are subsequently stated at fair value at each statement of financial position date, with any gain or loss arising from a change in fair value recognized within operating profit in the statement of profit or loss and other comprehensive income for the period. Gains and losses incurred on the disposal of investment properties are also recognized in the statement of profit or loss and other comprehensive income. Investment properties are derecognized when they have been disposed. Where Holding BV disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of profit or loss and other comprehensive income within net gain from fair value adjustment on investment property.

The following table summarizes the changes in the Acquisition Properties during the years:

For the Year ended	December 31, 2018 CAD \$'000	December 31, 2017 CAD \$'000
Balance at the beginning of the year	555,795	91,957
Acquisitions	531	419,983
Property capital investments and	4,592	5,471
Foreign currency translation	22,715	13,730
Unrealized fair value movements	93,354	24,654
Balance at the end of the year	676,987	555,795

The Acquisition Properties were valued by independent valuation professionals as at December 31, 2018. This resulted in net movement in fair value of Acquisition Properties of \$93.4 million in 2018 and \$24.7 million in 2017 being recognized in the statement of profit or loss. The fair values of all of the Acquisition Properties are determined by a qualified independent external valuer. The valuer employs qualified valuation professionals and has recent experience in the location and category of the respective property. Valuations are prepared on a bi-annual basis at the interim reporting date and the annual reporting date. A summary of the fair values of Holding BV's investment properties, along with key market assumptions, is presented below:

As at	December 31 2018	December 31 2017
Total residential units	2,091	2,091
Fair value of Acquisition Properties (\$'000s)	676,987	555,795
Weighted average capitalization rate (%)	3.74	4.08
Range of capitalization rates (%)	3.19-5.74	3.40-6.16

Mortgages

CAPREIT NL V.O.F. I ("**VOF I**"), an indirect subsidiary of Holding BV entered into a non-amortizing mortgage on December 23, 2016 with a Dutch lender. The agreement provides for a mortgage of €40.7 million (\$61.1 million). This mortgage has a seven-year term starting from December 23, 2016. The interest on the mortgage is set at the annual fixed rate of 2.05%.

CAPREIT NL V.O.F. II ("**VOF II**"), an indirect subsidiary of Holding BV entered four non-amortizing mortgages with a Dutch lender. The agreement provides for a mortgage of €100.8 million, €8.0 million, €5.0 million and €50.0 million (\$151.5 million, \$11.9 million, \$7.6 million, and \$75.0 million) for the acquisitions completed in 2017. The €100.8 million, €8.0 million, and €5.0 million mortgages have seven-year terms starting from July 12, 2017, August 8, 2017 and August 25, 2017 with interest set at the annual fixed rates of 2.04%, 1.87% and 1.95% respectively. The €50.0 million mortgage payable has a five-year term starting December 1, 2017 set at the annual fixed interest rate of 1.37%. The mortgages are subject to compliance with various provisions of the facility agreement (including certain financial covenants and commitments, as well as limitations on indebtedness). The debt is secured over the assets of the properties and there was a one-time arrangement fee relating to the mortgage.

The aggregate principal instalment repayments and balances maturing on the mortgages is detailed under "Liquidity and Financial Condition" below.

Financial Instruments

A summary of Holding BV's financial instruments, their risks, classification, and fair value can be found in notes 2(d) and 10 of the audited special purpose consolidated financial included as Appendix "J" to this Circular.

Liquidity and Financial Condition

Holding BV's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring

unacceptable losses or risking damage to Holding BV's reputation. Holding BV monitors the level of expected cash inflows on trade and other receivables, together with expected cash outflows on trade and other payables and capital commitments.

Holding BV defines working capital as current assets less current liabilities. The working capital deficiency as presented on Holding BV's special purpose consolidated statement of financial position as at December 31, 2018, is managed through (i) expected positive net cash flow after debt service and capital expenditures, and (ii) the ongoing support of CAPREIT, Holding BV's ultimate parent. Holding BV's liquidity position continues to be stable for the foreseeable future based on its evaluation of capital resources.

Sources and Uses of Cash

The following table summarizes cash flows from (used in) operating, investing and financing activities, as reflected in the consolidated statement of cash flows:

For the year ended	December 31, 2018	December 31, 2017
Cash flows from (used in):	CAD \$'000	CAD \$'000
Operating activities	5,921	3,480
Investing activities	(5,096)	(424,601)
Financing activities	(7,092)	430,478
Increase (decrease) in cash	(6,267)	9,357

Contractual Obligations

Detailed below are the contractual maturities of Holding BV's financial liabilities:

	6 months or less⁽¹⁾	6 to 12 months⁽¹⁾	1 to 2 years⁽¹⁾	2 to 5 years⁽¹⁾	More than 5 years⁽¹⁾
As at 31 December 2018	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000
Mortgage Interest ⁽²⁾	2,983	2,983	5,966	17,313	4,608
Mortgage Payable	-	-	-	141,413	177,732
Other liabilities	-	3,916	-	-	-
Security deposits	-	2,336	-	-	-
	2,983	9,235	5,966	158,726	182,340

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

	6 months or less⁽¹⁾	6 to 12 months⁽¹⁾	1 to 2 years⁽¹⁾	2 to 5 years⁽¹⁾	More than 5 years⁽¹⁾
As at 31 December 2017	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000	CAD \$'000

Mortgage Interest ⁽²⁾	2,876	2,876	5,752	17,430	9,456
Mortgage Payable	-	-	-	75,131	232,547
Other liabilities	-	4,752	-	-	-
Security deposits	-	1,907	-	-	-
	2,876	9,535	5,752	92,561	242,003

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

Related Party Transactions

As at December 31, 2018, two subsidiaries of Holding BV had intercompany loans with an aggregate principal balance of \$160.0 million (\$160.0 million payable as at December 31, 2017) payable to CAPREIT LP, the direct parent of Holding BV. The intercompany loans had a stated interest rate of 6.00% payable quarterly and maturity dates of January 12, 2025 (for \$102.4 million), January 1, 2024 (for \$19.2 million), and December 1, 2022 (for \$38.4 million). In addition, included in intercompany payable as at December 31, 2017 is \$4.5 million as intercompany interest payable to CAPREIT LP. As at December 31, 2018, there was no interest payable as it was settled prior to year end, and \$2.6 million is receivable from CanLiving B.V. In addition, CanLiving B.V. has an agreement with VOF I and VOF II related to property management, and LLS B.V. has an agreement with VOF I and VOF II for asset management. Both CanLiving B.V. and LLS B.V. receive 2.5% of EGI (effective gross income) from each of VOF I and VOF II.

Holding BV incurred intercompany expenses of \$80,000 for the year ended December 31, 2018 (\$124,000 for the year ended December 31, 2017) related to expenses paid by CAPREIT LP on behalf of Holding BV for insurance expense and other miscellaneous expenses.

On December 27, 2018, Holding BV transferred the shares of CANLiving B.V., a subsidiary, to CAPREIT LP, at no consideration. As a result of this transfer, a gain of \$2.0 million was recognized on the special purpose consolidated statement of profit or loss and other comprehensive income.

Changes in Accounting Policies

A summary of changes in accounting policies and their impact can be found in notes 2(o) and 2(p) of the audited special purpose consolidated financial included as Appendix "J" to this Circular.

APPENDIX "K" - FINANCIAL STATEMENTS OF THE REIT

(attached.)



**European Commercial
Real Estate Investment Trust
(Formerly European Commercial
Real Estate Limited)**

Consolidated Financial Statements
**For the year ended
December 31, 2017**



March 26, 2018

Independent Auditor's Report

To the Unitholders of European Commercial Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of European Commercial Real Estate Investment Trust and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, unitholders' equity and cash flows for the year ended December 31, 2017 and the period from July 25, 2016 (date of incorporation) to December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of European Commercial Real Estate Investment Trust and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the year ended December 31, 2017 and the period from July 25, 2016 (date of incorporation) to December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants


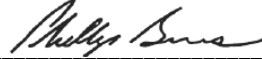
European Commercial Real Estate Investment Trust (European Commercial Real Estate Limited)

Consolidated Statement of Financial Position

As at December 31, 2017

	December 31, 2017	December 31, 2016
	\$	\$
Non-current assets		
Investment properties (note 5)	130,404,507	-
Current assets		
Cash and cash equivalents	8,449,856	3,164,675
Accounts receivable	415,424	-
Prepaid expenses	104,431	-
Acquisition deposit (note 4)	-	1,582,158
Deferred financing fees	7,438	70,845
Deferred acquisition costs (note 4)	-	226,630
Deferred share issuance costs (note 10)	-	146,448
	<u>8,977,149</u>	<u>5,190,756</u>
Total assets	<u>139,381,656</u>	<u>5,190,756</u>
Non-current liabilities		
Mortgages payable (note 6)	72,843,371	-
Interest rate swaps	259,705	-
Unit option liability (note 11)	145,597	-
Class B LP Units (note 8)	2,829,618	-
Deferred income taxes (note 13)	249,662	-
	<u>76,327,953</u>	<u>-</u>
Current liabilities		
Current portion of mortgages payable (note 6)	1,800,230	-
Distributions payable (note 9)	1,345,375	-
Unit option liability (note 11)	180,621	-
Accounts payable and accrued liabilities (note 15)	1,195,727	449,856
Current income taxes payable (note 13)	3,611	-
Unearned revenue	453,715	-
	<u>4,979,279</u>	<u>449,856</u>
Total liabilities	<u>81,307,232</u>	<u>449,856</u>
Unitholders' equity		
Unit capital (note 9)	63,904,504	4,777,896
Contributed surplus	-	49,625
Deficit	(6,772,464)	(86,621)
Accumulated other comprehensive income	942,384	-
Total unitholders' equity	<u>58,074,424</u>	<u>4,740,900</u>
Total liabilities and unitholders' equity	<u>139,381,656</u>	<u>5,190,756</u>

Approved on Behalf of the Board

 Trustee
  Trustee

The accompanying notes are an integral part of these consolidated financial statements.

European Commercial Real Estate Investment Trust (European Commercial Real Estate Limited)

Consolidated Statement of Loss and Comprehensive Loss
For the Year Ended December 31, 2017

	For the Year Ended	
	December 31, 2017	December 31, 2016 ^a
	\$	\$
Net rental income		
Property revenue	6,451,143	-
Property expenses	(1,790,784)	-
	<u>4,660,359</u>	<u>-</u>
Net rental income	4,660,359	-
General & administrative expenses (note 14)	(2,731,918)	(36,996)
Foreign exchange gain	572,813	-
Fair value adjustment of investment properties	(4,226,910)	-
Fair value adjustment of Class B LP Units	1,181,058	-
Unit-based compensation (note 11)	(191,746)	(49,625)
	<u>(736,344)</u>	<u>(86,621)</u>
Loss before finance expenses	(736,344)	(86,621)
Finance expenses		
Interest expense	(925,559)	-
Fair value adjustment of interest rate swap	(252,761)	-
	<u>(1,178,320)</u>	<u>-</u>
Loss before income tax	(1,914,664)	(86,621)
Current income tax expense (note 13)	(3,611)	-
Deferred income tax expense (note 13)	(249,662)	-
	<u>(253,273)</u>	<u>-</u>
Net loss for the year	(2,167,937)	(86,621)
Other comprehensive income		
Items that may be reclassified subsequently to net loss		
Foreign currency translation	942,384	-
	<u>942,384</u>	<u>-</u>
Net loss and comprehensive loss for the year	<u>(1,225,553)</u>	<u>(86,621)</u>

(a) From July 25, 2016 (date of formation) to December 31, 2016.

The accompanying notes are an integral part of these consolidated financial statements.

European Commercial Real Estate Investment Trust (European Commercial Real Estate Limited)

Consolidated Statement of Changes in Unitholders' Equity
For the year ended December 31, 2017

	Unit Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	\$	\$	\$	\$	\$
Balance - December 31, 2016	4,777,896	49,625	(86,621)	-	4,740,900
Capital issued (note 9)	68,801,000	-	-	-	68,801,000
Capital issuance cost	(6,670,291)	-	-	-	(6,670,291)
Unit-based compensation	-	105,670	-	-	105,670
Common shares exchanged for Class B LP Units (note 9)	(3,374,283)	-	(909,717)	-	(4,284,000)
Conversion of share-based option plan to unit-based option plan (note 11)	-	(155,295)	(84,847)	-	(240,142)
Class B LP Units exchanged for Units (note 9)	273,325	-	-	-	273,325
Units issued under distribution reinvestment plan (note 10)	96,857	-	-	-	96,857
Net loss for the year	-	-	(2,167,937)	-	(2,167,937)
Distributions paid and payable	-	-	(3,523,342)	-	(3,523,342)
Foreign currency translation adjustment	-	-	-	942,384	942,384
Balance - December 31, 2017	63,904,504	-	(6,772,464)	942,384	58,074,424

	Share capital ^a	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	\$	\$	\$	\$	\$
Balance - July 25, 2016	-	-	-	-	-
Capital issued (note 9)	5,000,000	-	-	-	5,000,000
Capital issuance cost	(222,104)	-	-	-	(222,104)
Share-based compensation	-	49,625	-	-	49,625
Net loss for the period	-	-	(86,621)	-	(86,621)
Balance - December 31, 2016	4,777,896	49,625	(86,621)	-	4,740,900

(a) The REIT is the successor to European Commercial Real Estate Limited, which issued and recorded equity as share capital prior to conversion to a REIT. Refer to note 1.

The accompanying notes are an integral part of these consolidated financial statements.

European Commercial Real Estate Investment Trust (European Commercial Real Estate Limited)

Consolidated Statement of Cash Flows For the year ended December 31, 2017

	For the Year Ended	
	December 31, 2017	December 31, 2016 ^a
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(2,167,937)	(86,621)
Adjustment items not involving cash:		
Deferred income taxes	249,662	-
Fair value adjustment of investment properties	4,226,910	-
Fair value adjustment of interest rate swap	252,761	-
Fair value adjustment of Class B LP units	(1,181,058)	-
Deferred financing fee amortization	84,150	-
Unit-based compensation	191,746	49,625
Foreign exchange	(572,813)	-
Changes in non-cash working capital:		
Accounts receivable	(291,284)	-
Prepaid expenses	(105,923)	-
Unearned revenue	460,197	-
Accounts payable and accrued liabilities	686,594	5,933
Total cash generated by operating activities	1,833,005	(31,063)
Financing activities		
Proceeds received from mortgages	75,179,700	-
Mortgage principal repayments	(922,335)	-
Expenditures on financing costs	(1,202,409)	-
Distributions to unitholders	(2,081,107)	-
Issuance of capital (net of issuance costs) (note 9)	62,359,834	4,777,896
Total cash generated by financing activities	133,333,683	4,777,896
Investing activities		
Acquisition of investment properties	(130,274,181)	(1,582,158)
Total cash used in investing activities	(130,274,181)	(1,582,158)
Increase in cash and cash equivalents during the period	4,892,507	3,164,675
Effect of foreign exchange rate changes on cash and cash equivalents	392,674	-
Cash and cash equivalents - beginning of period	3,164,675	-
Cash and cash equivalents - end of period	8,449,856	3,164,675

(a) From July 25, 2016 (date of incorporation) to December 31, 2016.

The accompanying notes are an integral part of these consolidated financial statements.

European Commercial Real Estate Investment Trust (European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

1 Organization

European Commercial Real Estate Investment Trust (the "REIT") is the successor to European Commercial Real Estate Limited (the "Company") following the conversion of the Company to a real estate investment trust. The Company was incorporated under the *Business Corporations Act* (Ontario) on July 25, 2016. On May 1, 2017, shareholders of the Company voted to approve a plan of arrangement (the "Arrangement") providing for the conversion of the Company into the REIT. The Arrangement became effective May 3, 2017. The conversion was accounted for as a continuity of interest and, accordingly, these consolidated financial statements are reflective as if the REIT had always carried on the business formerly carried on by the Company. Further details of the Arrangement are contained in the management information circular dated April 3, 2017, which can be found at www.sedar.com.

On January 31, 2017, the Company completed the purchase of a property in Dusseldorf, Germany (note 4). The purchase was approved by the TSX Venture Exchange as the Company's qualifying transaction as defined in Policy 2.4 of the TSX Venture Exchange (the "qualifying transaction").

The Company ceased to be a capital pool company ("CPC") upon the completion of its qualifying transaction on January 31, 2017.

On February 15, 2017, the REIT, an unincorporated, open-ended real estate investment trust governed by the laws of the province of Ontario, was established pursuant to the declaration of trust then dated, and the company acquired 1 trust unit of the REIT for cash of \$10.

In accordance with the Arrangement, (i) all common shares of the Company (the "Common Shares") were consolidated based on a ratio of one Common Share for every 31.25 Common Shares held, (ii) all outstanding Common Shares and class B common shares of the Company were transferred to ECRE Limited Partnership ("ECRE LP"), a subsidiary of the REIT, for units of the REIT (the "Units") and/or, in the case of certain eligible holders of Common Shares, for class B limited partnership units of ECRE LP (the "Class B LP Units"), in each case, at an exchange ratio of one to one. Holders of Class B LP Units also received special voting units of the REIT that each initially will entitle the holder to one vote at meetings of holders of Units of the REIT. The registered office address of the REIT is 11 Church Street, Suite 401, Toronto, Ontario.

2 Significant accounting policies

Basis of presentation

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the REIT. The consolidated financial statements were authorized for issue on March 26, 2018 by the board of trustees of the REIT.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the REIT obtains control and continue to be consolidated until the date that such control ceases. Control exists when the REIT has power over the entity, has exposure to variable returns from its involvement with the entity and has the ability to use its power over the investee to affect its returns. All inter-entity balances, income and expenses, and unrealized gains and losses resulting from inter-entity transactions are eliminated in full.

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

Segment reporting

The REIT owns and operates investment properties in Europe. In measuring performance, the REIT does not distinguish its operations on a geographic or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

Revenue recognition

The REIT accounts for leases with tenants as operating leases, as it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenue includes base rents earned from tenants under lease agreements, recoveries of operating expenses including realty taxes, lease termination fees, parking revenue and other incidental income.

The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference, if any, between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Other revenue is recognized at the time the service is provided.

Cash and cash equivalents

Cash and cash equivalents includes cash and guaranteed investment certificates held in banks, redeemable on demand, as well as cash held in trust by the REIT's legal counsel.

Deferred acquisition costs

Deferred acquisition costs include transaction costs directly attributable to acquisitions of investment properties, where it is probable that the acquisitions will be completed.

Financial instruments

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial instrument	Classification	Measurement
<i>Financial assets</i>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
<i>Financial liabilities</i>		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Mortgages payable	Other liabilities	Amortized cost
Unit option liability	Other liabilities	Fair value
Class B LP Units	Other liabilities	Fair value
Interest rate swaps	Other liabilities	Fair value

The REIT classifies its financial assets on initial recognition as loans and receivables. All financial assets are initially measured

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

at fair value, less any related transaction costs. Subsequently, financial assets are measured at amortized cost.

Accounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection of all principal and interest due under the original terms of the contract is unlikely. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the consolidated statement of net loss within property expenses.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the REIT transfers substantially all risks and rewards of ownership.

The REIT classifies its financial liabilities on initial recognition as other liabilities. All financial liabilities are initially recognized at fair value (net of transaction costs). Accounts payable and accrued liabilities, distributions payable, and mortgages payable are subsequently measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to financial liabilities are recognized in the consolidated statement of net loss over the expected life of the debt.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Unit option liability, Class B LP Units, and interest rate swaps are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured in the statement of financial position at their fair value, with any changes in fair value recognized in the consolidated statement of net loss in the period in which they arise.

The REIT determines the fair value measurement based on the following hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

As at December 31, 2017, the fair values of Unit option liability and Class B LP Units are considered level 1, the fair value of interest rate swaps are considered Level 2, and the fair values recorded or disclosed relating to investment properties, and mortgages payable are considered Level 3. There have been no transfers in or out of Level 3 during the year.

Investment Properties

The REIT has selected the fair value method to account for real estate classified as investment properties. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially recognized at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Fair value is determined with reference to external valuations using the discounted cash flow (“DCF”) method, with any changes in fair value recognized in the consolidated statement of net loss and comprehensive loss in the period in which they arise.

The application of the DCF method results in these measurements being classified as Level 3 in the fair value hierarchy. Refer to notes 3, 4, and 5 for a detailed discussion of the significant assumptions, estimates, and valuation method used.

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

Unit capital

The REIT is an open-ended real estate investment trust, and units of the REIT are redeemable at the option of the REIT's unitholders. IAS 32 requires redeemable instruments to be accounted for as financial liabilities, except where certain conditions are met, known as the Puttable Instrument Exemption. The Units meet the Puttable Instrument Exemption criteria and are therefore classified and presented as equity in the consolidated statement of financial position. In addition to the Units, certain shareholders elected to have their Common Shares converted to Class B LP Units upon the Company's conversion to a REIT. These Class B LP Units do not qualify for the Puttable Instrument Exemption and are classified as liabilities on the consolidated statement of financial position. They are remeasured at each reporting date at fair value.

Unit-based compensation

The fair value method is used to account for all options issued under the REIT's Unit-based plan. Fair value at the reporting date is established through the application of the Black-Scholes option valuation model. The fair value of options issued to employees, trustees, officers and consultants of the REIT is credited to Unit option liability and expensed over the vesting period of the options. On exercise of the Unit options, consideration received is recorded to Unit capital.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the REIT's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the REIT's operating subsidiaries is the Euro. The functional currency of the REIT is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the REIT using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of loss and comprehensive loss.

Group entities

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive loss ("OCI").

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

Income taxes

The REIT follows the asset and liability method of accounting for income taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are recognized at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax assets and liabilities are recognized at the tax rates enacted or substantively enacted at the consolidated statement of financial position date for the period that an asset is expected to be realized or a liability is expected to be settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized against.

Changes in accounting policies

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017. None of these is expected to have a significant impact on the REIT's financial statements, except for the following set out below:

New Standards Implemented in Current Year

i) IAS 12, "Income Taxes – Deferred Tax" ("IAS 12"), is an amendment that clarifies the requirements for recognizing deferred tax assets on unrealized losses, deferred tax where an asset is measured at a fair value below the asset's tax base, and certain other aspects of accounting for deferred tax assets. This amendment came into effect for years beginning on or after January 1, 2017, and did not have a material impact on the REIT's consolidated financial statements.

ii) IAS 7 "Statement of Cash Flows – Disclosure Initiative" ("IAS 7"), is an amendment that requires disclosures that enable the evaluation of changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. This amendment came into effect on January 1, 2017. The REIT has applied this standard, which discloses the changes in mortgages payable (note 8).

Future Accounting Changes

i) IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014 and replaces IAS 11, Construction Contracts, and IAS 18, Revenue and Related Interpretations. IFRS 15 establishes a comprehensive five-step revenue recognition model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is responsible for overseeing the REIT's transition to IFRS 15 and has performed an in-depth assessment of IFRS 15 and the impact the adoption of the standard will have on the REIT's consolidated financial statements. Management has reviewed contracts with its tenants and has determined that IFRS 15 will not have a material impact on the amount and timing of revenue recognized. However, additional disclosures relating to revenue will be required in the consolidated financial statements to comply with the disclosure requirements of IFRS 15.

ii) In July 2014, IFRS 9, Financial Instruments ("IFRS 9"), was issued to replace IAS 39, Financial Instruments – Recognition and Measurement. IFRS 9 uses a single, simplified approach to determine if a financial asset is measured at amortized cost or fair value and establishes three measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit and loss. The classification in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. IFRS 9 introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright lines hedge effectiveness tests and allowing for better alignment with management's risk management activities. The standard is effective for accounting periods beginning on or after January 1,

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

2018. Currently, the REIT does not expect there to be a material impact to the carrying value of its trade receivables given past default rates and receivable balances, and the REIT does not currently expect changes to the measurement of its financial assets or liabilities.

iii) In January 2016, IFRS 16, Leases (“IFRS 16”), was issued. The standard sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities who apply IFRS 15. The REIT is currently assessing the impact that IFRS 16 could have on its consolidated financial statements.

3 Critical accounting estimates, assumptions, and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgements that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during the reporting period. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated annual financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The estimates, assumptions and judgements deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Valuation of investment properties

Investment properties are measured at fair value as at the consolidated statement of financial position dates. Any changes in the fair value of investment properties are recognized in the statement of loss and comprehensive loss in the period in which they arise. Management determines fair value by utilizing a fair value appraisal performed by an independent valuator, and investment properties are valued on a highest-and-best-use basis. For all of the REIT’s investment properties, the current use is considered the highest and best use.

The appraisals are performed by applying the DCF method. The critical assumptions used include (all considered Level 3 inputs), among other things, stabilized cash flows, discount rates, capitalization rates, and indexation rates. If there is a change in these assumptions, the fair value of investment properties could change materially. Refer to note 5 for a detailed discussion on the valuation method used.

Investment property acquisitions

The REIT applies judgement in determining whether properties acquired are considered to be asset acquisitions or business combinations. IFRS 3, Business Combinations (“IFRS 3”), is only applicable if it is considered that a business has been acquired. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. The REIT applies judgement in determining whether an integrated set of activities is acquired in addition to the properties acquired. Activities can include whether employees were assumed in the acquisition or an operating platform has been acquired. When an acquisition does not represent a business as defined under IFRS 3, the REIT classifies the properties as an asset acquisition. The assets and liabilities acquired are measured at their fair values upon acquisition, with any acquisition-related transaction

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

costs capitalized to the value of the property.

Unit-based compensation

The fair value of Unit-based compensation liabilities are based on assumptions that involve significant estimates. The fair value as at the reporting date may differ from how they are ultimately recognized if there is volatility in Unit prices, interest rates, settlement dates or other key assumptions between the valuation date and settlement date. The basis for valuation of the REIT's Unit-based compensation, including market assumptions, estimates and valuation methodology is described in note 11.

Functional currency

The REIT applies judgment in determining its functional currency, which is the Canadian dollar. Management has determined that this is appropriate based the fact that the REIT's equity financing is transacted in Canadian dollars.

4 Acquisitions

On January 31, 2017, the REIT completed the purchase of a commercial office property in Dusseldorf, Germany (the "Dusseldorf property") for a purchase price of \$16,758,321 (€11,925,084), including acquisition costs of \$1,300,021. The acquisition was financed by a \$10,539,750 (€7,500,000) seven-year secured mortgage from a German bank, with the balance financed by cash, including an acquisition deposit previously provided by the REIT.

On May 11, 2017, the REIT completed the purchase of a commercial office property in Landshut, Germany (the "Landshut property"), part of the greater Munich metropolitan region, for a purchase price of \$46,285,164 (€31,080,556), including acquisition costs of \$2,488,151. The acquisition was funded by a \$26,805,600 (€18,000,000) seven-year secured mortgage from a German bank with the balance financed by cash.

On August 17, 2017, the REIT completed the purchase of a commercial office property in Brussels, Belgium (the "Brussels property") for a purchase price of \$68,904,651 (€46,441,094), including acquisition costs of \$8,513,610. The acquisition was financed by an approximately \$37,834,350 (€25,500,000) seven-and-a-half-year secured mortgage from a German bank with the balance financed by cash.

5 Investment properties

The following table presents a reconciliation of the REIT's investment properties:

	December 31, 2017	December 31, 2016
	\$	\$
Balance, beginning of year	-	-
Acquisitions (note 4)	131,948,136	-
Fair value adjustment	(4,226,910)	-
Foreign currency translation gain	2,683,281	-
Balance, end of year	130,404,507	-

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

Investment properties are carried at fair value, which is the amount for which the investment properties could be exchanged between knowledgeable, willing parties in an arm's length transaction, with any gains or losses arising from the change in fair value recognized in the consolidated statement of loss and comprehensive loss in the period in which they arise.

The fair value of 100% of the REIT's investment properties were determined by qualified external appraisers as at December 31, 2017 through the application of the DCF method. The appraisers all hold recognized, relevant professional qualifications and have recent experience in the geography and type of property being appraised.

In applying the DCF method, discount rates are applied to stabilized cash flows as well as assumptions about future renewal activity, indexation rates and associated market rents. The most significant assumptions are the stabilized cash flows, discount rate applied over the term of the cash flows and the capitalization rate used to determine the terminal value of the investment properties. In general, an increase in forecasted cash flows will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property.

A summary of significant unobservable (Level 3) inputs used to determine the fair value of investment properties as at December 31, 2017 are as follows:

Input	December 31, 2017	
	Range	Weighted Average
Discount rate	4.40%-5.65%	4.98%
Terminal capitalization rate	4.40%-5.65%	5.35%

As at December 31, 2017, a 25 basis-point decrease in both the discount and terminal capitalization rates would increase the estimated fair value of the REIT's investment properties by \$6,824,512. As at December 31, 2017, a 25 basis-point increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the REIT's investment properties by \$6,159,163.

6 Mortgages payable

On January 31, 2017, the REIT drew on a \$10,539,750 (€7,500,000) mortgage in connection with the purchase of the Dusseldorf property. The mortgage payable is denominated in Euro and is secured by a charge against the Dusseldorf property. The mortgage bears interest at the 3-month Euribor rate plus a fixed margin of 0.95% and matures December 31, 2023. In connection with the mortgage, the REIT entered into an interest rate swap maturing on December 31, 2023, for which hedge accounting is not applied, fixing the 3-month Euribor rate at 0.60%, resulting in a fixed effective interest rate of 1.55%.

On May 11, 2017, the REIT drew on a \$26,805,600 (€18,000,000) mortgage in connection with the purchase the Landshut property. The mortgage payable is denominated in Euro and is secured by a charge against the Landshut property. The mortgage bears interest at the rate of 1.88% and matures March 31, 2024.

On August 17, 2017, the REIT drew on a \$37,834,350 (€25,500,000) mortgage in connection with the purchase the Brussels property. The mortgage payable is denominated in Euro and is secured by a charge against the Brussels property. The mortgage bears interest at the 3-month Euribor rate plus a fixed margin of 1.38% and matures January 14, 2025. In connection with the mortgage, the REIT entered into an interest rate swap maturing on January 13, 2025, for which hedge accounting is not applied, fixing the 3-month Euribor rate at 0.49%, resulting in a fixed effective interest rate of 1.87%

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

The carrying amount of the mortgages payable approximate their fair value. The following table presents a summary of the REIT's mortgage indebtedness:

	December 31, 2017	December 31, 2016 ^a
	\$	\$
Mortgages payable	75,844,577	-
Less deferred financing costs	(1,200,976)	-
	<u>74,643,601</u>	<u>-</u>
Less current portion	(1,800,230)	-
	<u>72,843,371</u>	<u>-</u>
Weighted average interest rate	1.82%	-
Weighted average term to maturity	6.6 years	-

(a) From July 25, 2016 (date of incorporation) to December 31, 2016.

Future principal repayments for the year ending December 31 for the years indicated are as follows, and are based on the December 31, 2017 EUR/CAD FX rate of 1.5052:

	Principal Amount	% of Total Principal
2018	1,820,178	2.4%
2019	1,831,129	2.4%
2020	1,842,287	2.4%
2021	1,853,656	2.4%
2022	1,865,240	2.5%
Thereafter	66,632,087	87.9%
	<u>75,844,577</u>	<u>100.0%</u>

The following table presents a reconciliation of the REIT's mortgage liabilities arising from financing activities:

	December 31, 2017	December 31, 2017 ^a
	\$	\$
Balance, beginning of year	-	-
New borrowings on acquisitions	75,179,700	-
Principal repayments	(922,335)	-
Expenditures on financing costs	(1,258,254)	-
Amortization of financing costs	76,588	-
Foreign exchange adjustments	1,567,902	-
Balance, end of year	<u>74,643,601</u>	<u>-</u>

(a) From July 25, 2016 (date of incorporation) to December 31, 2016.

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

7 Other debt

The REIT obtained a \$2,170,847 (€1,509,000) loan from Thomas Schwartz and Phillip Burns, each a trustee of the REIT at the time the loan was obtained, to fund the deposit to an escrow agent in relation to the acquisition of the Landshut property. The promissory notes bore interest at an effective rate of 12.3% and was set to mature on March 22, 2020. On May 11, 2017, the loan and accrued interest was fully repaid by the REIT. During the year ended December 31, 2017, the REIT recorded interest expense of \$42,191 related to the promissory note.

On June 30, 2017, the REIT entered into an unsecured credit agreement with a Canadian chartered bank (the "Revolving Credit Facility"). The Revolving Credit Facility has a maximum principal amount of \$3.0 million, bearing interest at a rate equal to the bank's prime rate plus 1.0% per annum or Bankers' Acceptances plus 2.5% per annum, with an initial term of 12 months, and will be used by the REIT for working capital purposes and future acquisitions. As at December 31, 2017, no amount had been drawn on the facility.

8 Class B LP Units

Pursuant to the Arrangement that was completed on May 3, 2017, 26,775,000 Common Shares were consolidated based on a ratio of one Common Share for every 31.25 Common Shares held and subsequently exchanged by certain eligible shareholders for Class B LP Units on the basis of one Class B LP Unit for every one Common Share, resulting in 856,800 Class B LP Units being issued at a value of \$3,374,283, which represented the carrying value of such Class B LP Units at the date of the Arrangement.

The Class B LP Units are exchangeable, on a one for one basis, for Units of the REIT at the option of the holder, and have economic and voting rights equivalent, in all material respects, to REIT units. During the year ended December 31, 2017, 70,795 Class B LP Units were exchanged for Units. Distributions in the amount of \$49,243 were declared payable to eligible holders of Class B LP Units for the year ended December 31, 2017. This amount has been recognized as interest expense in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2017. Of this amount, distributions on Class B LP Units of \$15,015 were payable as at December 31, 2017. The following table summarizes the changes in Class B LP Units for the year ended December 31, 2017:

	Class B LP Units	Amount \$
December 31, 2016	-	-
Issuance of Class B LP Units	856,800	3,374,283
Fair value adjustment on initial recognition	-	909,717
Class B LP Units exchanged for Units	(70,795)	(273,325)
Fair value adjustment during the year	-	(1,181,058)
December 31, 2017^a	786,005	2,829,618

(a) As Class B LP Units are exchangeable on a one-for-one basis, the outstanding balance should be included when considering the total number of Units outstanding. Refer to note 9.

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

9 Unitholders' equity

The REIT is authorized to issue an unlimited number of Units. Each Unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro-rata share of all distributions and in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The Units are redeemable at any time at the demand of the holders to receive a price per Unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of Units surrendered for redemption shall not exceed \$50,000 in any one calendar month.

The following table presents the changes in common shares and Units for the year ended December 31, 2017:

	Shares	Units	\$
Share Capital, December 31, 2016	55,000,000	-	4,777,896
Common Shares issued, less issuance costs of \$298,626	31,000,000	-	2,801,374
Common Shares consolidated on the basis of 1 Common Share per 31.25 Common Shares	(83,248,000)	-	-
Class B common shares issued, less issuance costs of \$3,260,447	6,140,000	-	27,439,553
Common Shares and Class B Common Shares exchanged for REIT Units (1 Unit for every 1 Common Share or Class B Common Share)	(8,035,200)	8,035,200	-
Common shares exchanged for Class B LP Units (1 Class B LP Unit for every 1 Common Share)	(856,800)	-	(3,374,283)
Units issued in exchanged from Class B LP Units	-	70,795	273,325
Units issued, less issuance costs of \$3,111,191	-	7,778,000	31,889,781
Units issued under distribution reinvestment plan	-	24,372	96,858
Unit Capital, December 31, 2017^a	-	15,908,367	63,904,504

(a) Including the effect of Class B LP Units, which are convertible to Units on a one-for-one basis, total Units and Class B LP Units outstanding are 16,694,237. See note 9.

The following table presents the changes in common shares and Units for the year ended December 31, 2016:

	Shares	Units	\$
Share Capital, July 25, 2016 (date of formation)	-	-	-
Common shares issued, less issuance costs of \$222,104	55,000,000	-	4,777,896
Share Capital, December 31, 2016	55,000,000	-	4,777,896

Distributions in the amount of \$3,523,342 were declared payable to eligible Unitholders for the year ended December 31, 2017. Of this amount, distributions in the amount of \$1,345,375 were payable as at December 31, 2017.

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

10 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan (the "DRIP") on September 14, 2017, pursuant to which eligible Unitholders or holders of Class B LP Units are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the closing price for the units on the TSXV for the five trading days immediately preceding the relevant distribution date. Eligible Unitholders or holders of Class B LP Units who so elect will receive a bonus distribution of units up to 5% of each distribution that was reinvested by them under the DRIP. During the year ended, 24,372 units were issued under the DRIP for a total value of \$96,858.

11 Unit-based compensation plan

The Company adopted a share-based compensation plan (the "plan"), effective October 4, 2016. Pursuant to the Arrangement, the plan was converted to a unit-based compensation plan upon the Company's conversion to a REIT, effective May 3, 2017. Under the terms of the plan, the board of trustees may from time to time, in its discretion, grant options to purchase units of the REIT to directors, officers, employees and technical consultants of the REIT and its affiliates. Unit options vest in one-third instalments annually on the anniversary of the grant date and expire ten years from the date the options were granted. The maximum number of options that may be reserved under the plan is 10% of the outstanding units of the REIT.

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable entities over a period approximating the average expected unit option holding period. The average risk-free interest rate used is based on government of Canada bonds with terms consistent with the average expected unit option holding period. The average expected unit option life is estimated to be one half of the life of the options.

On January 31, 2017, the Company granted 3,100,000 stock options to directors and officers of the Company to purchase 3,100,000 common shares at \$0.11 per share. The stock options vest in one-third instalments annually on January 31, 2018, 2019 and 2020 respectively, and will expire ten years from the date the options were granted. The total fair value of the options on the grant date was \$216,690, determined using the Black-Scholes option pricing model using an expected stock option life of 5 years, a volatility rate of 80%, and a risk-free interest rate of 0.72%.

As at May 3, 2017, 8,600,000 Common Share options had been granted and were outstanding. Pursuant to the Arrangement, all share options previously granted were consolidated based on a ratio of one Unit option of the REIT for every 31.25 Common Share options of the Company, with the 8,600,000 Common Share options exchanged for 275,200 Unit options which have terms identical to the Common Share options. As part of this exchange of Common Share options for Unit options, the REIT recorded a fair value adjustment to deficit on conversion of \$84,847. These Unit options were determined to have a fair value as at December 31, 2017 of \$340,389.

On May 18, 2017, the REIT granted 189,440 Unit options to officers of the REIT and certain members of the REIT's asset manager to purchase 189,400 Units at \$5.00 per Unit. The Unit options vest in one-third instalments annually on May 18, 2018, 2019 and 2020 respectively, and will expire ten years from the date the options were granted. These Unit options were determined to have a fair value as at December 31, 2017 of \$204,008.

On August 15, 2017, the REIT sadly announced the passing of its Chairman and Trustee. In accordance with the unit option plan, options previously awarded to the former Chairman and Trustee under the plan vested immediately and expire one year after vesting. Accordingly, the REIT recognized a related expense of \$4,180 for the year ended December 31, 2017.

On December 4, 2017, the REIT granted 314,667 Unit options to officers and employees of the REIT and certain members of the REIT's asset manager to purchase 314,667 Units at \$3.75 per Unit. The Unit options vest in one-third instalments annually

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

on December 4, 2018, 2019, and 2020 respectively, and will expire ten years from the date the options were granted. These Unit options were determined to have a fair value as at December 31, 2017 of \$381,156.

For the year ended December 31, 2017, the number of Unit options outstanding changed as follows:

	Share Options	Conversion Factor	Unit Options	Post- Conversion Exercise Price \$	Remaining Contract Life at December 31, 2017 ^a
Balance, December 31, 2016	5,500,000	31.25	176,000	3.13	7.6
Stock options, granted January 31, 2017	3,100,000	31.25	99,200	3.44	7.4
Unit options, granted May 18, 2017	N/A	N/A	189,440	5.00	9.4
Unit options, granted December 4, 2017	N/A	N/A	314,667	3.75	9.9
Balance, December 31, 2017			779,307	3.87	8.9

(a) Options granted January 31, 2017 and May 18, 2017 include options granted to the former Chairman and Trustee, which had a remaining contract life of 0.62 years as at December 31, 2017. Excluding the impact of these options, the weighted average remaining contract life was 9.46 years as at December 31, 2017.

The total fair value of Unit options outstanding as at December 31, 2017 is \$925,553, determined using the Black-Scholes option pricing model using a weighted average expected unit option life of 4.24 years, a weighted average exercise price of \$3.87, a volatility rate of 80%, a risk-free interest rate of 1.86% and an estimated distribution yield of 9.7% based on the trading price as at December 31, 2017. As at December 31, 2017, the total number of options outstanding represented 4.67% of the total Units and Class B LP Units outstanding, and 95,092 options were available for exercise (December 31, 2016 - \$nil).

The compensation to officers and trustees in Unit options during the year ended December 31, 2017 was \$159,383 (July 25, 2016 to December 31, 2016 - nil).

12 Rental revenue

Future minimum lease payments, excluding recoverable property operating costs and taxes, under current operating leases with tenants are as follows:

Amount to be received:	\$
Not later than 1 year	9,795,106
Later than 1 year and not later than 5 years	35,307,994
Later than 5 years	22,191,439
	67,294,539

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

13 Income Taxes

The following table presents a reconciliation of the REIT's income tax balances:

	December 31, 2017	December 31, 2016 ^a
	\$	\$
Income/(loss) before income tax	(1,914,664)	(86,621)
Income tax recovery/(expense) based on German statutory rate of 15.825%	302,996	-
Income tax recovery/(expense) based on Canadian statutory rate of 26.5%	-	22,955
Increase/(decrease) resulting from:		
Income distributed and taxable to unitholders	201,146	-
Foreign subsidiary losses not tax-effected	(29,142)	-
Fair value adjustment on investment property not tax-effected	(1,151,643)	-
Foreign subsidiary income not subject to local tax	187,879	-
Share acquisition costs not tax effected	235,491	-
Canadian corporate losses not tax effected	-	(22,955)
Total income tax provision	(253,273)	-
Less: Current income tax expense	(3,611)	-
Deferred income tax expense	(249,662)	-

(a) From July 25, 2016 (date of incorporation) to December 31, 2016.

14 Related party transactions

Related party transactions not mentioned elsewhere in the consolidated financial statements are summarized below.

On January 31, 2017, the Company, and certain of its subsidiaries, entered into an asset management agreement (the "Asset Management Agreement") with Maple Knoll Capital Ltd ("Maple Knoll") pursuant to which Maple Knoll acted as the asset manager of the Company and provided the strategic, advisory, asset management, project management, construction management and administrative services necessary to manage the operations of the Company. In connection with the transactions associated with the Arrangement and the REIT becoming the successor entity to the Company, the Asset Management Agreement was amended and restated on May 3, 2017 to include the REIT. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- An annual asset management fee in the amount of 0.50% of the historical gross acquisition price of the REIT's properties plus HST/VAT;
- An acquisition fee in the amount of 1.0% of the total costs associated with any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee was or will be payable in respect of the Initial Property or the acquisition of properties managed by Maple Knoll;
- A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of €1,000,000, excluding work done on behalf of tenants or any maintenance expenditures, plus HST/VAT; and
- A refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

incurred by Maple Knoll in supplying services relating to refinancing transactions plus HST/VAT.

Phillip Burns (Chief Executive Officer and a trustee of the REIT) and Ian Dyke (Chief Financial Officer of the REIT) are principals of Maple Knoll.

During the year ended December 31, 2017, the REIT recorded asset management fees to Maple Knoll of \$616,382 and acquisition related costs of \$1,193,397.

15 Financial instruments

Credit risk

Credit risk is the risk one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. Financial instruments that potentially subject the REIT to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The REIT limits cash transactions to high credit quality financial institutions and lawyers.

Concentration risk

As at December 31, 2017, the REIT had 3 investment properties, where two tenants collectively represent 90% of the annualized rental revenue. This risk is mitigated due to the expected stability and security of the tenants (a government entity and a member of the Fortune Global 500, representing 55% and 35% of annualized rental revenue, respectively).

Liquidity risk

Liquidity risk is the risk the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities.

The contractual maturities and repayment obligations of the REIT's mortgages payable, and the related interest rate swap derivatives are as follows, based on the December 31, 2017 EUR/CAD FX rate of 1.5052:

	2018	2019-2020	2021-2022	2023 Onward	Total
	\$	\$	\$	\$	\$
Mortgage principal	1,820,178	3,673,415	3,718,896	66,632,088	75,844,577
Mortgage interest	1,130,534	2,186,938	2,073,698	1,567,695	6,958,865
Swap premium	251,083	485,526	458,583	382,961	1,578,153
Distribution payable	1,345,375	-	-	-	1,345,375
Accounts payable and accrued liabilities	1,195,727	-	-	-	1,195,727
Total	5,742,897	6,345,879	6,251,177	68,582,744	86,922,697

European Commercial Real Estate Investment Trust (formerly European Commercial Real Estate Limited)

Notes to Consolidated Financial Statements

For the year ended December 31, 2017

16 Capital management

As at December 31, 2017, the REIT's capital consists of mortgages payable, Class B LP Units, and unitholders' equity. The primary objective of the REIT's capital management is to ensure that sufficient funds are available to fund distributions and to fund operations, including the identification and acquisition of a business or assets. Various ratios are used by management to monitor capital requirements. The primary ratios used for assessing capital management are the loan to-fair-value ratio, average term to maturity of debt, and weighted average interest rate. These indicators assist the REIT in assessing that the debt level maintained is sufficient to provide adequate cash flows for distributions and for evaluating the need to raise funds for further expansion.



European Commercial Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements
**For the three and nine months ended
September 30, 2018**

European Commercial Real Estate Investment Trust
Condensed Consolidated Interim Statement of Financial Position
(unaudited)
As at September 30, 2018

	September 30, 2018 \$	December 31, 2017 \$
Non-current assets		
Investment properties (note 5)	135,900,960	130,404,507
Current assets		
Cash and cash equivalents	9,452,947	8,449,856
Accounts receivable	1,328,801	415,424
Prepaid expenses	148,523	104,431
Deferred financing fees	11,219	7,438
	<u>10,941,490</u>	<u>8,977,149</u>
Total assets	<u>146,842,450</u>	<u>139,381,656</u>
Non-current liabilities		
Mortgages payable (note 6)	71,431,292	72,843,371
Interest rate swaps	154,370	259,705
Unit option liability (note 11)	325,755	145,597
Class B LP Units (note 8)	2,894,098	2,829,618
Deferred income taxes (note 13)	788,289	249,662
	<u>75,593,804</u>	<u>76,327,953</u>
Current liabilities		
Current portion of mortgages payable (note 6)	1,824,485	1,800,230
Distribution payable (note 9)	1,360,093	1,345,375
Unit option liability (note 11)	410,668	180,621
Accounts payable and accrued liabilities	2,112,576	1,195,727
Current income taxes payable (note 13)	3,611	3,611
Deferred revenue	1,903,387	453,715
	<u>7,614,820</u>	<u>4,979,279</u>
Total liabilities	<u>83,208,624</u>	<u>81,307,232</u>
Unitholders' equity		
Unit capital (note 9)	64,766,599	63,904,504
Deficit	(1,727,756)	(6,772,464)
Accumulated other comprehensive income	594,983	942,384
Total unitholders' equity	<u>63,633,826</u>	<u>58,074,424</u>
Total liabilities and unitholders' equity	<u>146,842,450</u>	<u>139,381,656</u>

Approved on behalf of the Board

 "David Ehrlich" Trustee "Phillip Burns" Trustee

The accompanying notes are an integral part of these condensed consolidated financial statements.

European Commercial Real Estate Investment Trust

Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss)
(unaudited)

For the three and nine months ended September 30, 2018

	Three Months Ended		Nine Months Ended	
	September 30, 2018 \$	September 30, 2017 \$	September 30, 2018 \$	September 30, 2017 \$
Net rental income				
Property revenue (note 12)	3,183,288	2,515,482	9,171,806	3,577,113
Property expenses	(775,128)	(890,205)	(2,056,868)	(1,191,497)
Net rental income	2,408,160	1,625,277	7,114,938	2,385,616
General & administrative expenses (note 14)	(399,675)	(804,887)	(1,450,936)	(2,179,018)
Foreign exchange gain	(32,896)	571,094	2,564	507,239
Fair value adjustment of investment properties	2,796,736	(7,411,299)	5,833,919	(7,460,817)
Fair Value adjustment of Class B LP Units	(86,097)	621,478	(321,899)	964,198
Unit-based compensation (note 11)	(118,244)	(56,802)	(410,205)	(155,900)
Income (loss) before finance expenses	4,567,984	(5,455,139)	10,768,381	(5,938,682)
Finance expenses				
Interest expense	(408,218)	(301,860)	(1,240,553)	(488,960)
Fair value adjustment of interest rate swaps	297,003	(171,222)	107,279	(342,616)
Gain (loss) before income tax	4,456,769	(5,928,221)	9,635,107	(6,770,258)
Current income tax expense (note 13)	-	(2,133)	-	(5,343)
Deferred income tax expense (note 13)	(493,883)	14,565	(538,627)	(115,986)
Net income (loss)	3,962,886	(5,915,789)	9,096,480	(6,891,587)
Other comprehensive income				
Items that may be reclassified subsequently to net income				
Foreign currency translation	(1,494,273)	(292,431)	(347,401)	(135,078)
Net income/(loss) and comprehensive income/(loss) for the period	2,468,613	(6,208,220)	8,749,079	(7,026,665)

The accompanying notes are an integral part of these condensed consolidated financial statements.

European Commercial Real Estate Investment Trust

Condensed Consolidated Interim Statement of Changes in Unitholders' Equity

(unaudited)

For the nine months ended September 30, 2018

	Unit Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	\$	\$	\$	\$	\$
Balance - December 31, 2017	63,904,504	-	(6,772,464)	942,384	58,074,424
Units issued under distribution reinvestment plan (note 10)	504,410	-	-	-	504,410
Units issued under Unit Option plan (note 11)	146,550	-	-	-	146,550
Unit issuance costs	(46,283)	-	-	-	(46,283)
Class B LP Units exchanged for Units (note 9)	257,418	-	-	-	257,418
Net income for the period	-	-	9,096,480	-	9,096,480
Distribution paid and payable	-	-	(4,051,772)	-	(4,051,772)
Foreign currency translation adjustment	-	-	-	(347,401)	(347,401)
Balance - September 30, 2018	64,766,599	-	(1,727,756)	594,983	63,633,826

	Unit Capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
	\$	\$	\$	\$	\$
Balance - December 31, 2016	4,777,896	49,625	(86,621)	-	4,740,900
Capital issued (note 9)	68,801,000	-	-	-	68,801,000
Capital issuance cost	(6,583,565)	-	-	-	(6,583,565)
Share-based compensation	-	105,670	-	-	105,670
Common shares exchanged for Class B LP Units (note 8)	(3,374,283)	-	(909,717)	-	(4,284,000)
Conversion of share-based option plan to unit-based option plan (note 11)	-	(155,295)	(84,847)	-	(240,142)
Class B LP Units exchanged for Units (note 9)	21,518	-	-	-	21,518
Net loss for the period	-	-	(6,891,587)	-	(6,891,587)
Distribution paid and payable	-	-	(2,177,966)	-	(2,177,966)
Foreign currency translation adjustment	-	-	-	(135,078)	(135,078)
Balance - September 30, 2017	63,642,566	-	(10,150,738)	(135,078)	53,356,750

The accompanying notes are an integral part of these condensed consolidated financial statements.

European Commercial Real Estate Investment Trust

Condensed Consolidated Interim Statement of Cash Flows

(unaudited)

For the nine months ended September 30, 2018

	For the Nine Months Ended	
	September 30, 2018	September 30, 2017
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	9,096,480	(6,891,587)
Adjustments for items not involving cash:		
Deferred income taxes	538,627	115,986
Fair value adjustment of investment properties	(5,833,919)	7,460,817
Fair value adjustment of interest rate swaps	(107,279)	342,616
Fair value adjustment of Class B LP Units	321,899	(964,198)
Deferred financing fee amortization	129,944	29,133
Unit-based compensation	410,205	155,900
Foreign exchange	(2,564)	(173,393)
Changes in non-cash working capital:		
Accounts receivable	(910,546)	(1,055,571)
Prepaid expenses	(43,828)	(218,030)
Deferred revenue	1,445,614	1,979,503
Accounts payable and accrued liabilities	912,780	1,683,002
Total cash generated by operating activities	5,957,413	2,464,178
Financing activities		
Proceeds received from mortgages	-	74,066,108
Mortgage principal repayments	(1,361,214)	(451,530)
Expenditures on financing costs	-	(15,000)
Cash distributions to unitholders	(3,532,640)	-
Issuance of capital (net of issuance costs) (note 9)	100,267	62,398,536
Total cash generated by (used in) financing activities	(4,793,587)	135,998,114
Investing activities		
Acquisition of investment properties	-	(129,905,345)
Capital expenditures (note 5)	(91,574)	-
Total cash used in investing activities	(91,574)	(129,905,345)
Increase in cash during the period	1,072,252	8,556,947
Effect of foreign exchange rate changes on cash	(69,161)	(78,115)
Cash and cash equivalents - beginning of period	8,449,856	3,164,675
Cash and cash equivalents - end of period	9,452,947	11,643,507

The accompanying notes are an integral part of these condensed consolidated financial statements.

European Commercial Real Estate Investment Trust

Notes to Condensed Consolidated Interim Financial Statements (unaudited) For the three and nine months ended September 30, 2018

1 Organization

European Commercial Real Estate Investment Trust (the "REIT") owns and operates a portfolio of non-prime core commercial properties in Europe and is the successor to European Commercial Real Estate Limited (the "Company") following the conversion of the Company to a real estate investment trust. The Company was incorporated under the *Business Corporations Act* (Ontario) on July 25, 2016. On May 1, 2017, shareholders of the Company voted to approve a plan of arrangement (the "Arrangement") providing for the conversion of the Company into the REIT. The Arrangement became effective May 3, 2017. The conversion was accounted for as a continuity of interest and, accordingly, these consolidated financial statements are reflective as if the REIT had always carried on the business formerly carried on by the Company. Further details of the Arrangement are contained in the management information circular dated March 20, 2017, which can be found at www.sedar.com. The condensed consolidated interim financial statements were authorized for issue on November 27, 2018 by the board of trustees of the REIT.

The registered office address of the REIT is 11 Church Street, Suite 401, Toronto, Ontario.

2 Significant accounting policies and basis of presentation

Basis of presentation

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting, on a going concern basis. They do not include all of the information and disclosures required by IFRS applicable for annual consolidated financial statements, and therefore, they should be read in conjunction with the REIT's most recent annual audited consolidated financial statements for the year ended December 31, 2017.

Functional and presentation currency

Items included in the financial statements of each of the REIT's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the REIT's operating subsidiaries is the Euro. The functional currency of the REIT is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the REIT using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of income and comprehensive income.

Group entities

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income (loss) are translated at average

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- exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income (loss) ("OCI").

Accounting policies

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the REIT's audited consolidated annual financial statements for the year ended December 31, 2017, other than as described below.

The REIT has adopted the following new and revised standards, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 was issued in May 2014 and replaces IAS 11, Construction Contracts, and IAS 18, Revenue and Related Interpretations. IFRS 15 establishes a comprehensive five-step revenue recognition model for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The REIT adopted IFRS 15 on January 1, 2018 and applied the requirements of the standard using the modified retrospective method. Revenue from contracts with the REIT's tenants primarily includes recoveries of operating expenses in accordance with their leases. Base rental revenue, property tax, and insurance recoveries earned from these leases is outside the scope of IFRS 15 and is therefore not impacted by the new standard. The implementation of IFRS 15 did not have an impact on the amount and timing of revenue recognized. Additional disclosure requirements detailing the main components of revenue according to their nature are included in note 12.

IFRS 9, "Financial Instruments" ("IFRS 9")

In July 2014, IFRS 9 was issued to replace IAS 39, Financial Instruments – Recognition and Measurement. IFRS 9 uses a single, simplified approach to determine if a financial asset is measured at amortized cost or fair value and establishes three measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit and loss. The classification in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets.

The following table summarizes the classification impact of the adoption of IFRS 9:

Financial instrument	Classification under IAS 39	Classification under IFRS 9
<i>Financial assets</i>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivables	Loans and receivables	Amortized cost
<i>Financial liabilities</i>		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Mortgages payable	Other liabilities	Amortized cost
Class B LP Units	Other liabilities	Fair value through profit and loss
Interest rate swaps	Other liabilities	Fair value through profit and loss

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The adoption of the new classification requirements in IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities. Financial assets and liabilities are not reclassified subsequent to their initial recognition, unless the REIT identifies changes in its business model in managing financial assets and liabilities and would reassess the associated classification at such a time.

IFRS 9 also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright lines hedge effectiveness tests and allowing for better alignment with management's risk management activities. The standard is effective for accounting periods beginning on or after January 1, 2018. The REIT implemented IFRS 9 on January 1, 2018. The adoption of IFRS 9 did not impact the carrying value of its trade receivables given consideration of past default rates and the nature of receivable balances.

Future accounting changes

IFRS 16, Leases ("IFRS 16")

In January 2016, IFRS 16 was issued. The standard sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities who apply IFRS 15. The REIT is currently assessing the impact that IFRS 16 could have on its consolidated financial statements.

3 Critical accounting estimates, assumptions, and judgements

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make critical estimates, assumptions, and judgements that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the condensed consolidated interim financial statements and the reported amount of expenses during the reporting period. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions. In preparing these condensed consolidated interim financial statements, the critical accounting estimates, assumptions, and judgements made by management were the same as those set out in detail in note 3 of the REIT's audited consolidated financial statements for the year ended December 31, 2017.

The critical estimates, assumptions and judgements deemed to be more significant, due to subjectivity and the potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- i) Valuation of investment properties
- ii) Investment property acquisitions
- iii) Unit-based compensation
- iv) Functional currency

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4 Acquisitions

There were no property acquisitions for the three and nine months ended September 30, 2018.

On January 31, 2017, the REIT completed the purchase of a commercial office property in Dusseldorf, Germany (the "Dusseldorf property") for a purchase price of \$16,758,321 (€11,925,084), including acquisition costs of \$1,300,021. The acquisition was financed by a \$10,539,750 (€7,500,000) seven-year secured mortgage from a German bank, with the balance financed by cash, including an acquisition deposit previously provided by the REIT.

On May 11, 2017, the REIT completed the purchase of a commercial office property in Landshut, Germany (the "Landshut property"), part of the greater Munich metropolitan region, for a purchase price of \$46,285,164 (€31,080,556), including acquisition costs of \$2,488,151. The acquisition was funded by a \$26,805,600 (€18,000,000) seven-year secured mortgage from a German bank with the balance financed by cash.

On August 17, 2017, the REIT completed the purchase of a commercial office property in Brussels, Belgium (the "Brussels property") for a purchase price of \$68,904,651 (€46,441,094), including acquisition costs of \$8,513,610. The acquisition was financed by an approximately \$37,834,350 (€25,500,000) seven-and-a-half-year secured mortgage from a German bank with the balance financed by cash.

5 Investment properties

The following table presents a reconciliation of the REIT's investment properties:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
	\$	\$
Balance, beginning of period	130,404,507	-
Acquisitions (note 4)	-	131,948,136
Capital expenditures	91,574	-
Fair value adjustment	5,833,919	(4,226,910)
Foreign currency translation gain (loss)	(429,040)	2,683,281
Balance, end of period	135,900,960	130,404,507

Investment properties are carried at fair value, which is the amount for which the investment properties could be exchanged between knowledgeable, willing parties in an arm's length transaction, with any gains or losses arising from the change in fair value recognized in the consolidated statement of net income (loss) in the period in which they arise.

The valuation of investment properties for the period ended September 30, 2018 was completed by management utilizing a discounted cash flow model. In applying the DCF method, discount rates are applied to stabilized cash flows as well as assumptions about future renewal activity, indexation rates and associated market rents. The most significant assumptions are the stabilized cash flows, the discount rate applied over the term of the cash flows, and the capitalization rate used to determine the terminal value of the investment properties. In general, an increase in forecasted cash flows will result in an increase in the fair value of an investment property. An increase in the discount rate will result in a decrease in the fair value of an investment property.

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A summary of the significant unobservable (Level 3) inputs used to determine the fair value of investment properties as at September 30, 2018 are as follows:

Input	September 30, 2018		December 31, 2017	
	Range	Weighted Average	Range	Weighted Average
Discount rate	4.42%-5.65%	4.99%	4.40%-5.65%	4.98%
Terminal capitalization rate	4.10%-5.40%	5.03%	4.40%-5.65%	5.35%

6 Mortgages payable

There were no new or refinanced mortgages during the three and nine months ended September 30, 2018. The following table presents a summary of the REIT's mortgage indebtedness:

	September 30, 2018	December 31, 2017
	\$	\$
Mortgages payable	74,322,119	75,844,577
Less deferred financing costs	(1,066,342)	(1,200,976)
	<u>73,255,777</u>	<u>74,643,601</u>
Less current portion	(1,824,485)	(1,800,230)
	<u>71,431,292</u>	<u>72,843,371</u>
Weighted average interest rate	1.82%	1.82%
Weighted average term to maturity	5.7 years	6.6 years

Future principal repayments are indicated as follows, and are based on the September 30, 2018 EUR/CAD FX rate of 1.5020:

	Principal Amount	Total Principal
	\$	%
Remainder of 2018	455,094	0.6%
2019	1,827,236	2.5%
2020	1,838,370	2.5%
2021	1,849,715	2.5%
2022	1,861,275	2.5%
Thereafter	66,490,429	89.4%
	<u>74,322,119</u>	<u>100.0%</u>

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The following table presents a reconciliation of the REIT's mortgage liabilities arising from financing activities:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
	\$	\$
Balance, beginning of period	74,643,601	-
New borrowings on acquisitions	-	75,179,700
Principal repayments	(1,361,214)	(922,335)
Expenditures on financing costs	-	(1,258,254)
Amortization of financing costs	129,944	76,588
Foreign exchange adjustments	(156,554)	1,567,902
Balance, end of period	73,255,777	74,643,601

7 Other debt

On June 30, 2017, the REIT entered into an unsecured credit agreement with a Canadian chartered bank (the "Revolving Credit Facility"). The Revolving Credit Facility has a maximum principal amount of \$3.0 million, bearing interest at a rate equal to the bank's prime rate plus 1.0% per annum or Bankers' Acceptances plus 2.5% per annum on the drawn amount, with a term of 12 months, and will be used by the REIT for working capital purposes and future acquisitions.

On June 30, 2018, the REIT and the same Canadian chartered bank renewed the Revolving Credit Facility for a 12-month period with the same terms. As at September 30, 2018, no amount had been drawn against the Revolving Credit Facility.

8 Class B LP Units

Pursuant to the Arrangement that was completed on May 3, 2017, 26,775,000 Common Shares were consolidated based on a ratio of one Common Share for every 31.25 Common Shares held and subsequently exchanged by certain eligible shareholders for Class B LP Units on the basis of one Class B LP Unit for every one Common Share, resulting in 856,800 Class B LP Units being issued at a value of \$3,374,283, which represented the carrying value of such Class B LP Units at the date of the Arrangement.

The Class B LP Units are exchangeable, on a one for one basis, for Units of the REIT at the option of the holder, and have economic and voting rights equivalent, in all material respects, to REIT units. During the three and nine months ended September 30, 2018, 68,530 Class B LP Units were exchanged for Units. Distributions in the amount of \$9,019 and \$39,050 were declared payable to eligible holders of Class B LP Units for the three and nine months ended September 30, 2018. This amount has been recognized as interest expense. The following table summarizes the changes in Class B LP Units:

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	Nine Months Ended September 30, 2018		Year Ended December 31, 2017	
	Class B LP Units	\$	Class B LP Units	\$
Balance, beginning of period	786,005	2,829,618	-	-
Issuance of Class B LP Units	-	-	856,800	3,374,283
Fair value adjustment on initial recognition	-	-	-	909,717
Class B LP Units exchanged for Units	(68,530)	(257,418)	(70,795)	(273,325)
Fair value adjustment during the period	-	321,899	-	(1,181,058)
Balance, end of period^a	717,475	2,894,098	786,005	2,829,618

(a) Class B LP Units are exchangeable on a 1:1 basis and should be included when considering the total number of Units outstanding. See note 9.

9 Unitholders' equity

The REIT is authorized to issue an unlimited number of Units. Each Unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro-rata share of all distributions and in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The Units are redeemable at any time at the demand of the holders to receive a price per Unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of Units surrendered for redemption shall not exceed \$50,000 in any one calendar month.

The following table presents the changes in Units for the nine months ended September 30, 2018:

	Units	\$
Unit Capital, December 31, 2017	15,908,232	63,904,504
Units issued under distribution reinvestment plan	132,396	504,410
Unit issuance costs	-	(46,283)
Units issued in exchange for Class B LP Units	68,530	257,418
Units issued under Unit Option plan (note 11)	44,960	146,550
Unit Capital, September 30, 2018^a	16,154,118	64,766,599

(a) Including the effect of Class B LP Units, which are convertible to Units on a one-for-one basis, total Units and Class B LP Units outstanding as at September 30, 2018 were 16,871,593. See note 8.

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The following table presents the changes in common shares and Units for the year ended December 31, 2017:

	Shares	Units	\$
Share Capital, December 31, 2016	55,000,000	-	4,777,896
Common Shares issued, less issuance costs of \$298,626	31,000,000	-	2,801,374
Common Shares consolidated on the basis of 1 Common Share per 31.25 Common Shares	(83,248,000)	-	-
Class B common shares issued, less issuance costs of \$3,260,447	6,140,000	-	27,439,553
Common Shares and Class B Common Shares exchanged for REIT Units (1 Unit for every 1 Common Share or Class B Common Share)	(8,035,200)	8,035,200	-
Common shares exchanged for Class B LP Units (1 Class B LP Unit for every 1 Common Share)	(856,800)	-	(3,374,283)
Units issued in exchange for Class B LP Units	-	70,795	273,325
Units issued, less issuance costs of \$3,111,191	-	7,778,000	31,889,781
Units issued under distribution reinvestment plan	-	24,237	96,858
Unit Capital, December 31, 2017^a	-	15,908,232	63,904,504

(a) Including the effect of Class B LP Units, which are convertible to Units on a one-for-one basis, total Units and Class B LP Units outstanding as at December 31, 2017 16,694,237. See note 8.

Distributions in the amount of \$1,360,093 were declared payable to eligible Unitholders as at September 30, 2018 and were paid on October 15, 2018.

10 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan (the “DRIP”) on September 14, 2017, pursuant to which eligible Unitholders or holders of Class B LP Units are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the closing price for the units on the TSXV for the five trading days immediately preceding the relevant distribution date. Eligible Unitholders or holders of Class B LP Units who so elect will receive a bonus distribution of units up to 5% of each distribution that was reinvested by them under the DRIP. During the three and nine months ended September 30, 2018, 48,135 and 132,396 units were issued, respectively, under the DRIP for a total value of \$193,977 and \$504,410, respectively.

11 Unit-based compensation plan

The Company adopted a share-based compensation plan (the “plan”), effective October 4, 2016. Pursuant to the Arrangement, the plan was converted to a unit-based compensation plan upon the Company’s conversion to a REIT, effective May 3, 2017. Under the terms of the plan, the board of trustees may from time to time, in its discretion, grant options to purchase units of the REIT to trustees, officers, employees and technical consultants of the REIT and its affiliates. Unit options vest in one-third instalments annually on the anniversary of the grant date and expire ten years from the date the options were granted. The maximum number of options that may be reserved under the plan is 10% of the outstanding units of the REIT.

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of the REIT’s units. The average risk-free interest rate

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used is based on government of Canada bonds with terms consistent with the average expected unit option holding period. The average expected unit option life is estimated to be one half of the life of the options.

During the three and nine months ended September 30, 2018, no Unit options were granted, and 44,960 Unit options were exercised at a weighted average exercise price of \$3.26.

A summary of the REIT's Unit option plan activity is as follows:

	Nine Months Ended September 30, 2018		Year Ended December 31, 2017 ^a	
	# of Unit Options	Weighted average exercise price \$	# of Unit Options	Weighted average exercise price \$
Outstanding Unit options, beginning of period	779,307	3.87	176,000	3.13
Unit options granted	-	-	603,307	4.09
Unit options exercised	(44,960)	3.26	-	-
Outstanding Unit options, end of period	734,347	3.91	779,307	3.87
Exercisable Unit options, end of period	139,893	4.03	95,093	3.13

(a) In accordance with the Arrangement, upon conversion to a REIT, effective May 3, 2017, all outstanding share options were consolidated on the basis of 31.25:1 and converted to Unit options. The 2017 figures presented are on a post-consolidation basis.

The total fair value of Unit options outstanding as at September 30, 2018 is \$1,101,134, determined using the Black-Scholes option pricing model using a weighted average expected unit option life of 3.71 years, a weighted average exercise price of \$3.91, a volatility rate of 80%, a risk-free interest rate of 2.33% and an estimated distribution yield of 8.7% based on the trading price as at September 30, 2018. As at September 30, 2018, the total number of options outstanding represented 4.35% of the total Units and Class B LP Units outstanding. The compensation to officers and trustees in Unit options during the three and nine months ended September 30, 2018 was \$98,472 and \$289,760, respectively (three and nine months ended September 30, 2017 - \$41,845 and \$130,207, respectively).

12 Rental revenue

Rental revenue is comprised of the following:

	Three Months Ended		Nine months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Base rent	2,517,129	1,700,183	7,576,127	2,559,976
Property tax and insurance recoveries	337,208	577,427	764,557	577,427
Operating cost recoveries	328,951	237,872	831,122	439,710
Rental revenue	3,183,288	2,515,482	9,171,806	3,577,113

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Future minimum lease payments, excluding recoverable property operating costs and taxes, under current operating leases with tenants are as follows:

Amount to be received:	\$
Not later than 1 year	9,845,843
Later than 1 year and not later than 5 years	35,301,669
Later than 5 years	16,264,927
	<u>61,412,439</u>

13 Income Taxes

The following table presents a reconciliation of the REIT's income tax balances:

	Three Months Ended		Nine months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	\$	\$	\$	\$
Income/(loss) before income tax	4,456,769	(5,928,221)	9,635,107	(6,770,258)
Income tax recovery/(expense) based on German statutory rate of 15.825%	(705,284)	943,510	(1,524,756)	1,071,393
Income tax recovery/(expense) based on Canadian statutory rate of 26.5%	-	(5,369)	-	-
Increase/(decrease) resulting from:				
Income distributed and taxable to unitholders	25,733	220,130	33,987	103,142
Foreign subsidiary gains not tax-effected	4,443	(5,593)	(2,337)	(18,988)
Fair value adjustment on investment property not tax-effected	(14,920)	(1,169,231)	465,714	(1,305,861)
Foreign subsidiary income not subject to local tax	201,970	28,985	506,774	-
German deductible items not included in accounting income	(5,825)	-	(18,009)	28,985
Canadian corporate losses not tax effected	-	-	-	-
Total income tax provision	<u>(493,883)</u>	<u>12,432</u>	<u>(538,627)</u>	<u>(121,329)</u>
Less: Current income tax expense	<u>-</u>	<u>(2,133)</u>	<u>-</u>	<u>(5,343)</u>
Deferred income tax expense	<u>(493,883)</u>	<u>14,565</u>	<u>(538,627)</u>	<u>(115,986)</u>

14 Related party transactions

Related party transactions not mentioned elsewhere in the condensed consolidated interim financial statements are summarized below.

On January 31, 2017, the Company, and certain of its subsidiaries, entered into an asset management agreement (the "Asset Management Agreement") with Maple Knoll Capital Ltd ("Maple Knoll") pursuant to which Maple Knoll acted as the asset manager of the Company and provided the strategic, advisory, asset management, project management, construction management and administrative services necessary to manage the operations of the Company. In connection with the transactions associated with the Arrangement and the REIT becoming the successor entity to the Company, the Asset Management Agreement was amended and restated on May 3, 2017 to include the REIT. The Asset Management Agreement provides for a broad range of asset management services for the following fees:

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- a) An annual asset management fee in the amount of 0.50% of the historical gross acquisition price of the REIT's properties plus HST/VAT;
- b) An acquisition fee in the amount of 1.0% of the total costs associated with any property acquired by the REIT or its subsidiaries payable on completion of each acquisition plus HST/VAT, provided that no such acquisition fee was or will be payable in respect of the Initial Property or the acquisition of properties managed by Maple Knoll;
- c) A capital expenditure fee equal to 5.0% of all hard construction costs incurred on each capital project with costs in excess of €1,000,000, excluding work done on behalf of tenants or any maintenance expenditures, plus HST/VAT; and
- d) A refinancing fee equal to 0.25% of the debt and equity of all refinancing transactions to a maximum of actual expenses incurred by Maple Knoll in supplying services relating to refinancing transactions plus HST/VAT.

Phillip Burns (Chief Executive Officer and a trustee of the REIT) and Ian Dyke (Chief Financial Officer of the REIT) are principals of Maple Knoll.

During the three and nine months ended September 30, 2018, the REIT recorded asset management fees to Maple Knoll of \$202,177 and \$598,818, respectively. During the three and nine months ended September 30, 2017, the REIT recorded asset management fees to Maple Knoll of \$283,115 and \$361,374, respectively, and acquisition related costs of \$697,816 and \$1,184,844, respectively.

15 Capital management

As at September 30, 2018, the REIT's capital consists of mortgages payable, Class B LP Units, and unitholders' equity. The primary objective of the REIT's capital management is to ensure that sufficient funds are available to fund distributions and to fund operations, including the identification and acquisition of a business or assets. Various ratios are used by management to monitor capital requirements. The primary ratios used for assessing capital management are the loan to-fair-value ratio, debt to-gross book value ratio, average term to maturity of debt, and weighted average interest rate. These indicators assist the REIT in assessing that the debt level maintained is sufficient to provide adequate cash flows for distributions and for evaluating the need to raise funds for further expansion.

16 Financial instruments and risk management

Credit risk

Credit risk is the risk one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. Financial instruments that potentially subject the REIT to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The REIT limits cash transactions to high credit quality financial institutions.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgage at maturity on terms as favourable as the existing mortgage payable. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to gross book value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not become due for repayment in any one particular year.

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Concentration risk

As at September 30, 2018, the REIT had three investment properties, where two tenants collectively represent 90% of the annualized rental revenue. This risk is mitigated due to the expected stability and security of the tenants (a government entity and a member of the Fortune Global 500, representing 55% and 35% of annualized rental revenue, respectively).

Liquidity risk

Liquidity risk is the risk the REIT will not have the financial resources required to meet its financial obligations as they come due. The REIT manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities.

The contractual maturities and repayment obligations of the REIT's mortgages payable, and the related interest rate swap derivatives are as follows, based on the September 30, 2018 EUR/CAD FX rate of 1.5020:

	2018	2019-2020	2021-2022	2023 Onward	Total
	\$	\$	\$	\$	\$
Mortgage principal	455,094	3,665,606	3,710,990	66,490,430	74,322,120
Mortgage interest	279,726	2,182,289	2,069,290	1,564,362	6,095,667
Swap premium	62,172	484,493	457,608	382,147	1,386,420
Distribution payable	1,360,093				1,360,093
Accounts payable and accrued liabilities	1,966,595				1,966,595
Total	4,123,680	6,332,388	6,237,888	68,436,939	85,130,895

Currency exchange rate risk

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars. The REIT will also raise funds primarily in Canada from the sale of securities in Canadian dollars and invest such funds indirectly through its subsidiaries in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results and ability to pay distributions, which will be denominated and reported in Canadian dollars. The REIT does not currently intend to implement active hedging programs in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to foreign currencies. To the extent that the REIT fails to adequately manage these risks the REIT's financial results may be negatively impacted.

The following table outlines the exchange rates during the three and nine months ended September 30, 2018:

\$/€	Three Months Ended		Nine months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Average exchange rate	1.52	1.47	1.54	1.46
Exchange rate at period end	1.50	1.47	1.50	1.47

