



TRANSGLOBE APARTMENT REAL ESTATE INVESTMENT TRUST

NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

TO BE HELD ON JUNE 27, 2012

AND

MANAGEMENT INFORMATION CIRCULAR

Dated: May 28, 2012



May 28, 2012

Dear Unitholder:

On behalf of management and the Board of Trustees of TransGlobe Apartment Real Estate Investment Trust (the “**REIT**”) we are pleased to invite you to attend the Annual and Special Meeting of the Unitholders of the REIT (the “**Meeting**”) to be held at St. Andrew’s Club and Conference Centre, Caledonia Room, 150 King Street West, 27th Floor, Toronto, Ontario on June 27, 2012 at the hour of 10:00 a.m. (Toronto time).

The principal purpose of the Meeting is to consider and vote on a special resolution to approve:

- (a) the transactions set out in the acquisition agreement dated April 26, 2012 (the “**Acquisition Agreement**”) among PD Kanco LP and Starlight Investments Ltd. (together, “**Bidco**”) and the REIT pursuant to which holders of trust units of the REIT (“**Trust Units**”) will be entitled to receive aggregate cash consideration of \$14.25 per Trust Unit through a combination of a special cash distribution and redemption of Trust Units (the “**Consideration**”);
- (b) certain amendments to the REIT’s declaration of trust to permit, authorize and otherwise give effect to the transactions set out in the Acquisition Agreement; and
- (c) certain other matters related to the foregoing,

all as more particularly described or otherwise set forth in the accompanying management information circular dated May 28, 2012 (the “**Circular**”), as well as all matters related to the Transaction (as defined in the Circular) as described therein or as otherwise agreed to by the REIT in order to carry out the intent of the foregoing and the matters authorized by holders of Trust Units and holders of special voting units (collectively, “**Unitholders**”).

After careful consideration, your Board of Trustees has unanimously approved the Transaction (as defined in the Circular) and determined that the Transaction is in the best interest of the REIT, and in the best interest of Unitholders and fair to Unitholders, in each case other than Bidco and the other parties participating in the Transaction and their affiliates. **The Board of Trustees recommends that Unitholders vote FOR the resolution approving the Transaction.**

The recommendation of the Board of Trustees is based on various factors, including: (i) the recommendation of a special committee of independent Trustees of the REIT formed to consider the Transaction; (ii) the fairness opinions of each of TD Securities Inc. (“**TD Securities**”) and National Bank Financial Inc. (“**NBF**”) that, as of the date specified in such opinions, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth in such opinions, the Consideration to be received by holders of Trust Units other than Bidco and the other parties participating in the Transaction and their affiliates pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units; and (iii) the independent formal valuation of NBF that, as of the date specified therein, and based upon and subject to the assumptions and qualifications set forth therein, the Consideration is within the identified range of fair market values of the Trust Units. Copies of the fairness opinion prepared by TD Securities and the formal valuation and fairness opinion prepared by NBF are included as appendices to the accompanying Circular.

To become effective, the resolution approving the Transaction must be approved by (i) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the Meeting; and (ii) in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, the affirmative vote of a majority of the votes cast upon such resolution by Minority

Unitholders (as defined in the Circular) present in person or represented by proxy at the Meeting. If approved, closing of the Transaction is scheduled to occur on or about June 29, 2012, provided that all conditions in the Acquisition Agreement are met or waived.

As the REIT is required to hold an annual general meeting within 180 days after the end of its fiscal year, you will also be asked to consider the following annual matters at the Meeting: (i) the election of the nominees named in the Circular as members of the Board of Trustees; and (ii) the re-appointment of KPMG LLP as auditors of the REIT. In addition, as a further matter of special business, you will be asked to approve the REIT's adoption of a restricted trust unit plan. The Board of Trustees has determined not to implement the restricted trust unit plan if the Transaction is completed. **The Board of Trustees recommends that Unitholders also vote FOR each of the foregoing matters.**

In order to vote, please determine whether you are a registered Unitholder (holding your Trust Units in your own name) or a non-registered Unitholder (holding your Trust Units through your stockbroker, trust company or other intermediary). If you are a registered Unitholder and you are unable to be present at the Meeting on June 27, 2012, please vote by completing the enclosed form of proxy. If you are a non-registered Unitholder, carefully follow the instructions on the form of proxy or voting instruction form you receive from your intermediary in order to vote your Trust Units.

The accompanying Circular and Notice of Special Meeting describe the Transaction and other matters to be considered at the Meeting. You are urged to read this information carefully and, if you require assistance, to consult your financial, legal or other professional adviser.

Sincerely,

Signed "*Kelly C. Hanczyk*"

Kelly C. Hanczyk

Chief Executive Officer and Trustee

Signed "*David G. Leith*"

David G. Leith

Chairman, Special Committee



NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting (the “**Meeting**”) of the Unitholders of TransGlobe Apartment Real Estate Investment Trust (the “**REIT**”) will be held at St. Andrew’s Club and Conference Centre, Caledonia Room, 150 King Street West, 27th Floor, Toronto, Ontario on June 27, 2012 at the hour of 10:00 a.m. (Toronto time) for the following purposes:

- (a) to consider and, if deemed advisable, to pass a special resolution (the “**Transaction Resolution**”) approving:
 - (i) the transactions set out in the acquisition agreement dated April 26, 2012 (the “**Acquisition Agreement**”) among PD Kanco LP, Starlight Investments Ltd. and the REIT, including, without limitation, the completion of certain transaction steps resulting in the payment of cash consideration to the holders of trust units of the REIT (“**Trust Units**”) equivalent to \$14.25 per Trust Unit through a combination of a special cash distribution and redemption of Trust Units, as such steps may be modified or supplemented in accordance with the Acquisition Agreement and the Transaction Agreements (as defined in the accompanying management information circular dated May 28, 2012 (the “**Circular**”)) as the Board of Trustees of the REIT determines are in the best interests of the REIT and the holders of Trust Units and holders of special voting units (collectively, “**Unitholders**”) and are not prejudicial to Unitholders and are necessary to implement the Transaction (as defined in the Circular);
 - (ii) amendments to the Declaration of Trust as are necessary in order to give effect to the Transaction; and
 - (iii) amendments to, or termination of, the Exchange Agreement (as defined in the Circular) and/or Rights Plan (as defined in the Circular) and/or the rights issued under the Rights Plan, to the extent determined necessary or desirable in order to give effect to the Transaction;
- all as more particularly described or otherwise set forth in the accompanying Circular, as well as all matters related to the Transaction or as otherwise agreed to by the REIT in order to carry out the intent of the foregoing and the matters authorized by Unitholders;
- (b) to receive the audited consolidated annual financial statements of the REIT as at and for the year ended December 31, 2011 and the auditors’ report thereon;
- (c) to elect members of the Board of Trustees of the REIT;
- (d) to re-appoint the auditors of the REIT for the ensuing year and authorize the Trustees of the REIT to fix such auditors’ remuneration;
- (e) to consider and, if deemed advisable, to pass an ordinary resolution authorizing and approving the adoption of the restricted trust unit plan of the REIT; and
- (f) to transact such other business as may properly come before the Meeting or any adjournment thereof.

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

The Trustees of the REIT have fixed May 28, 2012 as the record date for determining those Unitholders entitled to receive notice of and vote at the Meeting. Whether or not you expect to attend the Meeting, please exercise your right to vote.

You should complete, sign, date and return the enclosed form of proxy in respect of the Trust Units owned by you to the REIT's transfer agent, CIBC Mellon Trust Company, in the envelope provided or otherwise by mail to CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, Attn: Proxy Department or by hand delivery to CIBC Mellon Trust Company, c/o Canadian Stock Transfer Company, 320 Bay Street, Basement Level (B1), Toronto, Ontario M5H 4A6, or by facsimile at (416) 368-2502, or to the head office of the REIT at 5935 Airport Road, Suite 600, Mississauga, Ontario L4V 1W5. In order to be effective, proxies must be received not later than 5:00 p.m. (Toronto time) on June 25, 2012 or, if the Meeting is adjourned, the second last business day preceding the day of any adjournment thereof.

Dated at Mississauga, Ontario, this 28th day of May, 2012.

BY ORDER OF THE BOARD OF TRUSTEES

(signed) Kelly C. Hanczyk

Chief Executive Officer

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CIRCULAR

Capitalized words and terms used in this Circular but not otherwise defined have the meanings set forth under the heading “Glossary of Terms”.

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of the REIT for use at the Meeting of Unitholders to be held on June 27, 2012 and any adjournment thereof for the purposes set forth in the accompanying Notice. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited by telephone, or other personal contact, by regular employees of the REIT, without special compensation. The costs of solicitation will be borne by the REIT. The information contained herein is given as at May 28, 2012, except where otherwise indicated.

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 Transaction referred to in this Circular, including financing arrangements under the Transaction, necessary approvals, the de-listing of the Trust Units and the Convertible Debentures from the TSX, the expected Time of Closing, the RTU Plan and management compensation arrangements to be implemented depending on the completion of the Transaction, suspension of the REIT’s distribution reinvestment plan, payment of the regular monthly distribution for June 2012, 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. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the REIT to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, the Transaction Participants’ ability to consummate the Transaction; the satisfaction or waiver of conditions in the Acquisition Agreement; the occurrence of any event, change or other circumstance that could give rise to the termination of the Acquisition Agreement; material adverse changes in the affairs of the REIT; the REIT’s ability to obtain required regulatory approvals and consents, and to satisfy the conditions of the TSX regarding de-listing prior to the Time of Closing; and other risks described in the REIT’s current annual information form posted under its profile on SEDAR at www.sedar.com. Although management of the REIT has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that could cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The REIT does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

INFORMATION CONTAINED IN THIS CIRCULAR

No person has been authorized to give information or to make any representations in connection with the matters contained in this Circular other than those contained in this Circular and, if given or made, any such information or representations should not be relied upon in making a decision as to how to vote on any matter to be considered at the Meeting, including, without limitation, on the Transaction Resolution, or be considered to have been authorized by the REIT, any of the Transaction Participants or their respective legal, tax, financial or other advisers.

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

Unitholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisers as to the relevant legal, tax, financial or other matters in connection herewith.

Unless otherwise specified, all references to “\$” or dollars in this Circular are references to the lawful currency of Canada.

All summaries of, and references to, the Transaction are qualified in their entirety by reference to the complete text of the Acquisition Agreement. The Acquisition Agreement is attached as Appendix B hereto. You are urged to carefully read the full text of the Acquisition Agreement.

The information concerning the Transaction Participants contained in this Circular has been provided by the Transaction Participants for inclusion herein. Although the REIT has no knowledge that would indicate that any statements concerning any of the Transaction Participants are untrue or incomplete, the REIT assumes no responsibility for the accuracy of such information or for any failure by the Transaction Participants to disclose events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to the REIT.

NOTICE TO UNITHOLDERS IN THE UNITED STATES

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

The solicitation of proxies and the transactions contemplated in this Circular involve securities of an issuer located in Canada and are being effected in accordance with Canadian securities laws. This Circular has been prepared in accordance with disclosure requirements under Canadian securities laws. Unitholders should be aware that disclosure requirements under Canadian securities laws may differ from disclosure requirements under U.S. securities laws.

The enforcement by investors of civil liabilities under U.S. federal securities laws may be affected adversely by the fact that the REIT is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario pursuant to the Declaration of Trust, some or all of its Trustees and executive officers are not residents of the United States and a substantial portion of its assets and the assets of such persons are located outside the United States. Unitholders may not be able to sue the REIT or its Trustees in a foreign court for violations of U.S. federal securities laws. It may be difficult to compel the REIT, through its Trustees, to subject themselves to a judgment by a U.S. court.

THE TRANSACTIONS DESCRIBED IN THIS CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED ON THE FAIRNESS OR MERITS OF SUCH TRANSACTIONS OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Unitholders who are U.S. persons should be aware that the transactions contemplated herein may have tax consequences both in Canada and in the United States. Certain information concerning the Canadian tax consequences of the Transaction for certain holders of Trust Units who are not residents of Canada is set forth under “Certain Canadian Federal Income Tax Considerations – Unitholders Not Resident in Canada”. However, the tax consequences to U.S. persons, including U.S. tax consequences, may not be described fully herein. Unitholders are urged to consult their own tax advisers to determine the particular tax consequences to them of the Transaction.

SUMMARY OF MANAGEMENT INFORMATION CIRCULAR

The following is a summary of certain significant information contained elsewhere in this Circular. This summary is provided for convenience only and should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in this Circular, including the Appendices. Capitalized words and terms used in this summary of the Circular but not otherwise defined have the meanings set forth under the heading "Glossary of Terms".

Date, Time and Place of the Meeting

The Meeting will be held on Wednesday, June 27, 2012 at 10:00 a.m. (Toronto time) at St. Andrew's Club and Conference Centre, Caledonia Room, 150 King Street West, 27th Floor, Toronto, Ontario, unless otherwise adjourned or postponed.

Meeting Record Date

The Board has fixed May 28, 2012 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 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 thereof. See "Voting at Meeting and Quorum".

On May 28, 2012, the REIT had 57,984,725 outstanding Trust Units, carrying the right to one vote per Trust Unit, and 14,450,462 outstanding Special Voting Units, carrying the right to one vote per Special Voting Unit.

Particulars of The Transaction

Subject to the Transaction Resolution being approved at the Meeting by the required Unitholder approvals, and all of the other conditions to Closing of the Transaction being satisfied or waived, Bidco has agreed to complete on the Closing Date those Transaction Steps to be completed by it and arrange for the completion of those Transaction Steps to be completed by the Transaction Participants, resulting in the payment of the Consideration to holders of Trust Units equivalent to \$14.25 per Trust Unit (less applicable withholding taxes).

Pursuant to the Acquisition Agreement and the Transaction Steps:

- Bidco will cause the purchase of, and the REIT will cause the sale of, the CAPREIT Pool Assets to CAPREIT;
- Bidco will cause the purchase of, and the REIT will cause the sale of, the Timbercreek Pool Assets to Timbercreek;
- Bidco will arrange the subscription by PSP Holdco for, and the REIT will issue to PSP Holdco, a specified number of Trust Units and the REIT will redeem all Trust Units held by PSP Holdco (and its affiliates, if any) in exchange for an 82.5% interest in the PSP Property Pool (with the remaining 17.5% interest being transferred to DrimmerCo);
- the REIT will pay a special cash distribution on its Trust Units of \$4.82 per Trust Unit and will redeem all publicly held Trust Units for a cash redemption price of \$9.43 per Trust Unit; and
- a DrimmerCo entity, as the holder of the only remaining Trust Unit, will assume control of the remaining assets and liabilities of the REIT and its affiliates which shall comprise the Starlight Property Pool.

See "The Transaction – The Transaction and Transaction Mechanics".

In addition, the REIT, effective in each case on or before the payment of the Special Distribution, subject to the receipt of all appropriate approvals: (i) will cause the acceleration of the vesting of all in-the-money Options; and (ii) pursuant to the Board of Trustee's approval granted on May 24, 2012 of certain amendments to the Unit Option Plan, has amended the Unit Option Plan and will take all such other steps as may be necessary or desirable to

(A) permit holders of in-the-money Options to receive a cash payment for each such Option that is equal to the amount (if any) by which \$14.25 exceeds the exercise price payable under such Options and (B) cause the cancellation, without payment of any consideration therefor, of all out-of-the money Options. See “The Transaction – The Transaction and Transaction Mechanics – Treatment of Options”.

The Transaction will not directly affect the Convertible Debentures, except that (i) the completion of the Transaction is expected to constitute a change of control under the Trust Indenture, as a result of which the REIT will be required to offer to repurchase the Convertible Debentures in the manner set out in the Trust Indenture and (ii) upon completion of the Transaction, a holder of Convertible Debentures exercising its conversion right in respect of Convertible Debentures will receive, in lieu of Trust Units, the amount of cash that such holder would have been entitled to receive pursuant to the Transaction if, on the effective date of the Transaction, such holder had been the registered holder of the number of Trust Units that it would have been entitled to acquire upon the exercise of such conversion right. In accordance with the Acquisition Agreement, on May 18, 2012, the REIT commenced a consent solicitation with respect to the Convertible Debentures to seek the consents of the holders of not less than 66⅔% of the principal amount of outstanding Convertible Debentures to amend the Trust Indenture in order to provide the REIT with the right to redeem the Convertible Debentures for cash at an amount equal to 101% of the aggregate principal amount thereof plus accrued interest to, but excluding, the date of Redemption at any time on or after the occurrence of a change of control. In the event that such consents are not received, and the Convertible Debentures are not redeemed concurrently with the Closing of the Transaction, the REIT will be required, in accordance with the Acquisition Agreement, to defease all outstanding Convertible Debentures upon or immediately prior to the Closing of the Transaction. See “The Transaction – The Transaction and Transaction Mechanics – Treatment of Convertible Debentures”. **Holders of Convertible Debentures should consult with their financial, legal or other professional advisers in determining what action to take with respect to their Convertible Debentures.**

Go-Shop Process

Following the announcement of the Acquisition Agreement, the REIT initiated a “go-shop” process in accordance with the terms of the Acquisition Agreement. The Go-Shop Period ends on June 9, 2012, and the REIT has a single option to extend the Go-Shop Period by 15 days to June 24, 2012 in certain circumstances. See “The Transaction – Go-Shop Process”

Recommendation of the Special Committee

The Special Committee has unanimously recommended to the Board that it approve the Transaction and determined that the Transaction is in the best interest of the REIT, and in the best interest of Unitholders and fair to Unitholders, in each case other than the Transaction Participants. The Special Committee recommends that Unitholders vote FOR the Transaction Resolution.

Recommendation of the Board of Trustees

The Board of Trustees has unanimously approved the Transaction and determined that the Transaction is in the best interest of the REIT, and in the best interest of Unitholders and fair to Unitholders, in each case other than the Transaction Participants. **The Board of Trustees recommends that Unitholders vote FOR the Transaction Resolution.**

Reasons for the Transaction

The Special Committee reached its recommendation after consulting with its financial and legal advisers and consideration of a number of factors, including the NBF Valuation and Fairness Opinion (see “The Transaction – NBF Independent Valuation and Fairness Opinion”) and the TD Securities Fairness Opinion (see “The Transaction – Fairness Opinion of TD Securities”). In reaching its recommendation, the Special Committee carefully considered all aspects of the Transaction, including the Acquisition Agreement and the Transaction Agreements, and considered a number of factors, including the factors listed below. Such factors, together with the recommendation of the Special Committee, were also taken into consideration by the Board of Trustees in reaching its decision to approve the Transaction and to recommend to Unitholders that they vote FOR the Transaction Resolution.

- *Significant Premium.* The total cash Consideration of \$14.25 to be received by holders of the Trust Units represents a premium of 19.3% to the 20-day volume weighted average price of \$11.94 per Trust Unit on the TSX for the period ended April 25, 2012 and a 15.4% premium to the REIT's closing price of \$12.35 per Trust Unit as at April 25, 2012, which was the last trading day prior to the announcement of the Acquisition Agreement. Prior to receipt of the Proposal Letter, the Trust Units had not traded on the TSX at or in excess of \$14.25.
- *Certainty of Value and Immediate Liquidity.* The Consideration to be received by holders of Trust Units is payable in cash and provides Unitholders with certainty of value and immediate liquidity, and removes the risks associated with the continued ownership of Trust Units.
- *Independent Valuation and Fairness Opinions.* NBF provided the Special Committee with an independent formal valuation and fairness opinion which stated that, as of the date specified and based upon and subject to the analysis, assumptions, limitations and qualifications set forth therein, the fair market value of the Trust Units is in the range of \$13.25 to \$15.25 per Trust Unit and the Consideration to be paid to the holders of the Trust Units in connection with the Acquisition Agreement is fair, from a financial point of view, to holders of the Trust Units other than the Transaction Participants and their respective affiliates. In addition, the Special Committee received a separate opinion from TD Securities that, as of the date specified in such opinion, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth therein, the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units.
- *Negotiation Process and Terms of Acquisition Agreement.* The fact that the Acquisition Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Transaction that was undertaken at arm's length with the oversight and participation of the Special Committee, the Board of Trustees and the REIT's outside legal counsel, financial adviser and tax adviser.
- *Go-Shop Provisions.* The fact that (i) the REIT may, with the assistance of TD Securities, solicit and facilitate the submission of alternate Acquisition Proposals from third parties for a period of 45 days ending June 9, 2012, subject to a 15-day extension on certain conditions including that the Special Committee has determined that at least one such third party has a reasonable prospect of making an Acquisition Proposal, and (ii) Bidco does not have a right to match an Acquisition Proposal received during the Go-Shop Period which is determined by the Special Committee to be a Superior Proposal.
- *Voting and Support Agreements.* The fact that DrimmerCo (and Mr. Daniel Drimmer) and PSP and PSP Holdco have each entered into Voting and Support Agreements with the REIT pursuant to which they have committed (subject to certain exceptions) to vote their Voting Units in favour of any such Superior Proposal received during the Go-Shop Period and DrimmerCo has committed that if the Transaction is terminated during the Go-Shop Period, or if terminated after the Go-Shop Period and the Bidco Termination Payment is paid or the applicable lender consents are not obtained in respect of CMBS mortgages, DrimmerCo will support any Superior Proposal received by the REIT for six months after such termination of the Acquisition Agreement, provided it is an Acceptable Superior Proposal. See "Transaction Agreements – Voting and Support Agreements".
- *Unitholders Can Support a Higher Offer.* The terms and conditions of the Acquisition Agreement, including the go-shop provision, the amount of the termination fee payable by the REIT under certain circumstances and the terms of the Voting and Support Agreements, do not preclude other bidders from submitting a Superior Proposal either before or after the Go-Shop Period or, provided the REIT complies with the terms of the Acquisition Agreement, preclude the Special Committee or the Board from considering and acting on a Superior Proposal prior the Meeting.

- *Superior Proposal Not Precluded.* The fact that the non-solicitation covenant on the part of the REIT following the expiry of the Go-Shop Period is subject to a customary “fiduciary out” provision, which entitles the REIT to consider and accept a Superior Proposal received following the expiry of the Go-Shop Period, subject to the right of Bidco to match such Superior Proposal, and that the Termination Payment and other terms of the Acquisition Agreement would not preclude a bidder from submitting a Superior Proposal.
- *Transaction Participants.* The financial requirements of each Transaction Participant under the Transaction, the financial wherewithal of each of the Transaction Participants, the representations received from the Transaction Participants respecting their sources of financing, and the potential implications of market risk to such financing. See “Information Concerning the Transaction Participants – Disclosure Concerning Financing Arrangements”.
- *Guarantees.* The guarantee of each of the Transaction Participants (other than Bidco), pursuant to the Guarantee and Agreements, of certain obligations of Bidco under the Acquisition Agreement as well as certain other obligations, including PSP Holdco’s, CAPREIT’s and Timbercreek’s obligation to pay the reverse termination payment where the obligation to pay is due to failure of such Transaction Participant to complete a purchase from the REIT under the respective Relevant Agreement to which it is a party, and a guarantee by each such Transaction Participant of its *pro rata* portion of Bidco’s expense reimbursement obligations.
- *Execution Certainty.* The level of execution certainty offered by the Acquisition Agreement, the assessment by the Special Committee as to the commitment and ability of Bidco to complete the transactions contemplated by the Acquisition Agreement and the likelihood of completing the Transaction, including the circumstances under which Bidco may be required to pay the REIT a Bidco Termination Payment or expense reimbursements, and considering the totality of the terms of the Acquisition Agreement and the related Transaction Agreements, including the outstanding approvals and consents required by both the REIT and Bidco to be obtained as a condition to completing the Transaction and other customary closing conditions.
- *Tax Advice.* The advice from the REIT’s external tax adviser that due to the structure of the Transaction, pursuant to which holders of Trust Units will receive the Consideration of \$14.25 per Trust Unit in part by way of cash distribution on their Trust Units, and that such cash distribution will result in incremental income for tax purposes of \$0.14 per Trust Unit which would not be present under a transaction structure involving a sale of Trust Units.
- *Options.* The requirement under the Acquisition Agreement that the REIT cause the acceleration of the vesting of all in-the-money Options and make such amendments to the Unit Option Plan and take all such other steps as may be necessary or desirable to provide holders of in-the-money Options the right to receive cash for such Options for an amount equal to the amount by which the purchase price exceeds the exercise price of each such Option.
- *Payments and Reimbursements.* The circumstances under which the REIT may be required to pay a Termination Payment or expense reimbursement and the circumstances under which Bidco may be required to pay the REIT a Bidco Termination Payment or expense reimbursement.
- *Unitholder Approval.* The requirement that the Transaction Resolution be approved at a duly convened meeting by: (i) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the meeting; and (ii) in accordance with MI 61-101, the affirmative vote of a majority of the votes cast upon such resolution by Minority Unitholders present in person or represented by proxy at the meeting, and the agreement of DrimmerCo and PSP and PSP Holdco to vote their respective Voting Units in favour of the Transaction pursuant to the applicable Voting and Support Agreement.

- *Future Prospects and Status Quo.* The prospects for the future of the REIT's business as a standalone entity and pursuing the REIT's existing strategy, including the short- and long-term risks and uncertainties associated with achieving the business objectives of the REIT.
- *Transaction Impact on Other Stakeholders.* The impact of the Transaction on the REIT's stakeholders in addition to the Unitholders and holders of Options, including the holders of Convertible Debentures, creditors and employees.

The Special Committee and the Board of Trustees also considered a number of potential risks relating to the Transaction and the Acquisition Agreement in addition to those related to the above factors, including:

- *Risks of Non-completion.* The risks to the REIT if the Transaction is not completed, including the risk that the REIT will be able to find a party willing to pay an equivalent or more attractive price than the Consideration to be paid under the Acquisition Agreement, or that holders of Trust Units would be able to receive cash or other consideration for their Trust Units equal to or greater than the Consideration payable under the Acquisition Agreement in any other future transaction that the REIT may effect; the costs to the REIT incurred in pursuing the Transaction; the consequences of the suspension of acquisition and other activity of the REIT in accordance with the terms of the Acquisition Agreement; and the risk associated with the temporary diversion of the REIT management's attention away from the conduct of the REIT's business in the ordinary course.
- *Taxable Transaction.* The fact that the Transaction will be a taxable transaction for most holders of Trust Units and, as a result, taxes will generally be required to be paid by such holders of Trust Units on any income and gains that result from receipt of the Consideration in the Transaction.
- *Tax Treatment of Previous 2012 Distributions.* The fact that the Transaction is expected to result in previous current year distributions by the REIT which were previously expected to be characterized in significant part as returns of capital to instead be characterized as distributions of net income for Canadian income tax purposes.
- *Withholding Tax Implications.* Unitholders who are not resident in Canada for tax purposes generally will be subject to withholding tax on the Special Distribution and Redemption and may, depending on their particular circumstances, face additional withholding tax relating to previous current year distributions. **In view of the withholding tax consequences described above, Unitholders not resident in Canada should discuss with their tax advisers the implications of selling Trust Units in the market as an alternative to participating in the Transaction.**
- *Non-fulfillment of Bidco's Obligations.* The risk that the conditions to Bidco's obligations to complete the Transaction or Bidco's obligation to pay the Bidco Termination Payment or expense reimbursement will not be fulfilled. See "Transaction Agreements – The Acquisition Agreement".
- *Bidco's Termination Right.* Bidco's right to terminate the Acquisition Agreement under certain circumstances. See "Transaction Agreements – The Acquisition Agreement – Termination of the Acquisition Agreement".
- *Going Private Transaction.* The fact that, following the implementation of the Transaction, the REIT will no longer exist as an independent public real estate investment trust and holders of Trust Units will forego any future increase in value that might result from future growth and the potential achievement of the REIT's long-term plans.
- *Inability to Enforce Certain Agreements.* The risk of non-completion resulting from the REIT's inability to directly enforce the Asset Purchase Agreements between Bidco and each of CAPREIT and Timbercreek, and certain other agreements among the Transaction Participants.
- *Lack of Specific Performance Remedy.* The fact that the sole remedy available to the REIT pursuant to the Acquisition Agreement for failure by Bidco to close is payment of the Bidco Termination Payment, with no remedy of specific performance to force closing of the Transaction.

- *Expense Reimbursement Fee.* The fact that failure to obtain required Unitholder approval of the Transaction will result in the requirement for the REIT to pay Bidco an expense reimbursement of up to \$6 million.

See “The Transaction – Reasons for the Transaction”.

Independent Valuation and Opinion of NBF

In connection with the Transaction, NBF delivered to the Special Committee and the Board of Trustees a formal valuation of the Trust Units and a written opinion, dated April 25, 2012, as to the fairness, from a financial point of view, of the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates. The NBF Valuation and Fairness Opinion concludes that, as of April 25, 2012, and based upon and subject to the assumptions, qualifications and limitations set out therein, the Consideration to be paid to holders of Trust Units pursuant to the Transaction falls within the range of values identified in such independent valuation, namely within a range of between \$13.25 and \$15.25 per Trust Unit, and that the Consideration is fair, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates.

The full text of the NBF Valuation and Fairness Opinion which states, among other things, the assumptions made, procedures followed, valuation approaches and other factors considered and limitations on the review undertaken, is attached as Appendix C to this Circular. Unitholders are encouraged to read the NBF Valuation and Fairness Opinion carefully in its entirety. The NBF Valuation and Fairness Opinion, provided to the Special Committee and the Board of Trustees in connection with their evaluation of the Consideration to be received pursuant to the Transaction, does not address any other aspect of the Transaction and does not constitute a recommendation as to how Unitholders should vote or act with respect to the Transaction. See “The Transaction – NBF Independent Valuation and Fairness Opinion”.

Fairness Opinion of TD Securities

In connection with the Transaction, TD Securities delivered to the Special Committee and the Board of Trustees a written opinion, dated April 25, 2012, as to the fairness, from a financial point of view, of the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates. The TD Securities Fairness Opinion states that, as of April 25, 2012, and based upon and subject to the analyses, assumptions, qualifications and limitations set out in the TD Securities Fairness Opinion, the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units.

The full text of the TD Securities Fairness Opinion which states, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix D to this Circular. Unitholders are encouraged to read the TD Securities Fairness Opinion carefully in its entirety. The TD Securities Fairness Opinion was provided to the Special Committee and the Board of Trustees in connection with their evaluation of the Consideration to be received pursuant to the Transaction, does not address any other aspect of the Transaction and does not constitute a recommendation as to how Unitholders should vote or act with respect to the Transaction. See “The Transaction – Fairness Opinion of TD Securities”.

Required Unitholder Approval

The Transaction Resolution must be passed by: (a) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the Meeting; and (b) in accordance with MI 61-101, the affirmative vote of a majority of the votes cast upon such resolution by Minority Unitholders present in person or represented by proxy at the Meeting. See “Transaction Resolution — Required Unitholder Approval” and “Principal Legal Matters Related to the Transaction – Canadian Securities Law Matters”.

Voting and Support Agreements

DrimmerCo and PSP (along with PSP Holdco), collectively holders of approximately 26.3% of the outstanding Trust Units (on a non-diluted basis, but including the issued and outstanding Class B LP Units), have

each entered into a Voting and Support Agreement with the REIT pursuant to which, subject to certain conditions, they have committed to vote their securities of, or securities that are exchangeable into securities of, the REIT in favour of the Transaction and certain Superior Proposals received during the Go-Shop Period, and in the case of DrimmerCo, in certain circumstances for a period after termination of the Acquisition Agreement.

See “Transaction Agreements – Voting and Support Agreements”.

Acquisition Agreement

The Acquisition Agreement contains the key provisions related to the payment of the Consideration to holders of Trust Units and acquisition of the REIT’s Properties by CAPREIT, Timbercreek, PSP Holdco and Bidco in connection with the Transaction. The Acquisition Agreement also provides for the REIT and Bidco entering into the Transaction Agreements that will govern certain aspects relating to the Transaction.

See “Transaction Agreements – The Acquisition Agreement”.

Guarantee and Agreements

On April 26, 2012, each of CAPREIT, Timbercreek and PSP Holdco (each a “Guarantor” with regards to the Guarantee and Agreement to which it is a party) entered into a Guarantee and Agreement with the REIT and PDK. Pursuant to each Guarantee and Agreement, each Guarantor guaranteed: (a) the performance of the obligation of Bidco to pay to the REIT the Bidco Termination Payment, but only if a Bidco Termination Payment Event has occurred, and the immediate payment to Bidco, on demand, of such Bidco Termination Payment; and (b) the contribution of such Guarantor’s *pro rata* share of Bidco’s termination expenses obligation under the Acquisition Agreement if such obligation becomes due and the immediate payment to Bidco, on demand, of such amount, subject to certain conditions.

See “Transaction Agreements – Guarantee and Agreements”.

Subscription Agreement

PSP Holdco and the REIT have agreed to execute and deliver the Subscription Agreement on the Closing Date pursuant to which the REIT agrees to sell, and PSP Holdco agrees to purchase, a specified number of Trust Units, based on the understanding that such Trust Units (as well as the Trust Units already beneficially owned by PSP Holdco (and its affiliates, if any)) will be redeemed *in specie* immediately following the issuance thereof in exchange for an 82.5% interest in the PSP Property Pool.

See “Transaction Agreements – Subscription Agreement”.

Asset Purchase Agreements

On April 26, 2012, CAPREIT and Timbercreek each entered into an agreement of purchase and sale with Bidco providing for the acquisition, concurrently with the Closing of the Transaction, of all of the limited partnership interests in CAPREIT Pool Assets LP (which holds the CAPREIT Pool Assets) and all of the Timbercreek Pool Assets, respectively.

See “Transaction Agreements – Asset Purchase Agreements”.

Competition Law Matters

On May 23, 2012, Bidco received a No Action Letter and a Waiver from the Commissioner of Competition under the *Competition Act*. See “Principal Legal Matters Related to the Transaction – Competition Law Matters”. Accordingly, no further approvals under the *Competition Act* are required.

Stock Exchange Delisting

The Trust Units and Convertible Debentures are expected to be delisted from the TSX as soon as practicable following completion of the Transaction.

Closing

The REIT and Bidco will implement the Transaction when all of the conditions to closing have been satisfied and/or waived. Because the Transaction is subject to a number of conditions, some of which are beyond the REIT's and Bidco's control, the exact timing of implementation of the Transaction cannot be predicted with certainty. It is currently expected that the Closing of the Transaction will take place on or about June 29, 2012, but may occur on a later date if all necessary approvals have not been obtained by such date. The Acquisition Agreement provides that the Closing of the Transaction shall occur no later than August 31, 2012. See "Transaction Agreements – The Acquisition Agreement – Conditions to the Transaction".

Interests of Insiders in the Transaction

In considering the recommendations of the Special Committee and the Board of Trustees with respect to the Transaction, Unitholders should be aware that certain of the Trustees and executive officers of the REIT may have interests that differ from, and/or are in addition to, those of Unitholders generally. The Special Committee and the Board of Trustees were aware of these potential interests and considered them, along with other matters, in reaching their decision to approve the Transaction and to recommend Unitholders vote for the Transaction Resolution. See "Transaction Resolution – Interest of Insiders in the Transaction".

The employment agreements of Kelly Hanczyk, Chief Executive Officer of the REIT, Leslie Veiner, Chief Financial Officer of the REIT, and Kristina Boyce, Senior Vice-President Residential Operations of the REIT, provide those individuals with certain Retention Payments upon Closing, subject to certain conditions. Following consultation with Mercer, the Retention Payments were approved by the Special Committee and the Board of Trustees in recognition of the contributions from these individuals anticipated to be required to complete the Transaction. See "Transaction Resolution – Interest of Insiders in the Transaction – Retention Agreements with Named Executive Officers".

Financing Arrangements

The aggregate amount of approximately \$786.5 million payable to Unitholders pursuant to the Transaction will be funded in accordance with the Transaction Steps pursuant to the payment obligations of the Bidco under the Acquisition Agreement and of the Transaction Participants under the applicable Relevant Agreement to which they are a party. Such payment obligations are not subject to any financing condition.

See "Information Concerning the Transaction Participants – Disclosure Concerning Financing Arrangements".

Certain Canadian Federal Income Tax Considerations

This Circular contains a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to holders of Trust Units arising in respect of the Transaction (see "Certain Canadian Federal Income Tax Considerations"). The following comments are qualified in their entirety by that summary.

The REIT intends to designate in respect of the Special Distribution as net taxable capital gains paid to holders of Trust Units the taxable portion of any net realized capital gains arising from the disposition of the CAPREIT Pool Assets and the Timbercreek Pool Assets by the Partnerships under the Transaction. In the event that the full amount of such net taxable capital gains cannot be so designated under the Tax Act, the relevant portion of the Special Distribution will be treated as a return of capital on the Trust Units. A portion of the Special Distribution equal to the income of the REIT for the current year to the extent that it had not been distributed to Unitholders through prior distributions in 2012 and including the recaptured capital cost allowance realized by the Partnerships' disposition of the CAPREIT Pool Assets and the Timbercreek Pool Assets and allocated to the REIT will be treated as net income of the REIT that is paid or payable to Unitholders who receive the Special Distribution. Any remaining portion of the Special Distribution which is not treated as capital gains or net income distributed by the REIT as described above will be treated as a return of capital on the Trust Units. A Unitholder who is resident in Canada will generally be required to include in income the net income of the REIT, including net realized taxable capital gains, that is included in the Special Distribution as described above. A Unitholder will be required to reduce

its adjusted cost base of its Trust Units by any portion of the Special Distribution received by such Unitholder that is treated as a return of capital.

On a redemption of a Trust Unit pursuant to the Redemption, a Unitholder generally will realize a capital gain (or capital loss) to the extent that the redemption price paid for the Trust Unit exceeds (or is less than) the Unitholder's adjusted cost base of the Trust Unit and any reasonable costs of disposition. A Unitholder who is resident in Canada will generally be required to include one half of any such capital gain in computing its income for the taxation year in which the Redemption occurs.

A Unitholder who is a non-resident of Canada will generally be subject to Canadian withholding tax at a rate of 25% on any amount that the REIT pays or credits, or is deemed to pay or credit, to such Unitholder which represents net income of the REIT for a taxation year, unless such rate is reduced under an applicable income tax convention. Any other amount that the REIT pays or credits, or is deemed to pay or credit, prior to the de-listing of Trust Units, to a Unitholder who is a non-resident of Canada (including the redemption price payable on the Redemption) will be subject to tax under Part XIII.2 of the Tax Act at a rate of 15%, which will be withheld by the REIT from such amount. A Non-Resident Unitholder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the redemption of Trust Units unless the Trust Units represent "taxable Canadian property" to such Unitholder. **In view of the withholding tax consequences described above, Unitholders not resident in Canada should discuss with their tax advisers the implications of selling Trust Units in the market as an alternative to participating in the Transaction.**

The REIT expects that as a result of the Transaction, distributions made by the REIT in 2012 prior to the Transaction will be treated as distributions of net income of the REIT, whereas in prior years a significant proportion of distributions would have been treated as returns of capital. Non-Resident Unitholders who received such distributions and who are not entitled to reduced withholdings under an applicable income tax convention may be subject to additional withholding from the Special Distribution to the extent that sufficient Canadian withholding tax was not withheld from such distributions at the time of payment.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal, business or tax advice to any particular Unitholder. Unitholders should consult their own tax advisers with respect to their particular circumstances. This Circular does not contain a summary of any non-Canadian income tax consequences arising in respect of the Transaction. Unitholders who may have non-Canadian tax consequences relating to the Transaction should consult their own tax advisers with respect to such consequences, including any associated filing requirements, in the appropriate jurisdictions.

Annual and Other Special Business to be Acted Upon at the Meeting

Unitholders are being asked to vote to elect Trustees of the REIT, each such Trustee to hold office for a term expiring at the close of the next annual meeting of Unitholders, unless such office becomes vacant for any reason. In addition, Unitholders are being asked to vote to re-appoint the REIT's auditors and authorize the Board of Trustees to fix their remuneration. Furthermore, Unitholders are being asked to vote to pass the RTU Plan Resolution to approve of the RTU Plan. The RTU Plan shall only be implemented in the event that the Transaction is not completed. See "Annual and Other Special Business to be Acted Upon at the Meeting".

REGISTERED UNITHOLDERS

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

Appointment of Proxy

A form of proxy is enclosed and, whether or not you expect to attend the Meeting, please exercise your right to vote. Unitholders who have voted by proxy may still attend the Meeting. Please complete and return the form of proxy in the envelope provided. The form of proxy must be executed by the registered Unitholder or the attorney of such Unitholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with the REIT's transfer agent, CIBC Mellon Trust Company, in the envelope provided or otherwise by mail to CIBC Mellon Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, Attn: Proxy Department or by hand delivery to CIBC Mellon Trust Company, c/o Canadian Stock Transfer Company, 320 Bay Street, Basement Level (B1), Toronto, Ontario M5H 4A6, or by facsimile at (416) 368-2502, or the head office of the REIT at 5935 Airport Road, Suite 600, Mississauga, Ontario L4V 1W5, not later than 5:00 p.m. (Toronto time) on June 25, 2012 or, if the Meeting is adjourned, the second last business day preceding the day of any adjournment thereof.

The persons named in the enclosed form of proxy are Trustees or officers of the REIT. **A Unitholder may appoint a proxyholder (who is not required to be a Unitholder), other than any person designated in the form of proxy, to attend and act on such Unitholder's behalf at the Meeting, either by inserting such other desired proxyholder's name in the blank space provided on the form of proxy or by substituting another proper form of proxy.**

Revocation of Proxy

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

NON-REGISTERED UNITHOLDERS

A holder of Trust Units is a non-registered (or beneficial) Unitholder (a "**Non-Registered Holder**") if the Unitholder's Trust Units are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Trust Units, such as, among others, a bank, trust company, securities dealer or broker and trustee or administrator of a registered retirement savings plan, registered retirement income fund, registered education savings plan or similar plan; or
- (b) in the name of a clearing agency (such as CDS & Co.) of which the Intermediary is a participant.

Appointment of Proxy

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the REIT has distributed copies of the Notice, this Circular and the form of proxy (collectively, the "**meeting materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries must forward the meeting materials to each Non-Registered Holder (unless the Non-Registered Holder has waived the right to receive such materials), and often use a service company (such as Broadridge Investor Communication Solutions, Canada), to permit the Non-Registered Holder to direct the

voting of the Trust Units held by the Intermediary on behalf of the Non-Registered Holder. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will either:

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

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Trust Units they beneficially own. Should a Non-Registered Holder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should insert their own (or such other person’s) name in the blank space provided in the form of proxy or, in the case of a voting instruction form, follow the corresponding instructions on the form, to appoint themselves as proxy holders, and deposit the form of proxy or submit the voting instruction form in the appropriate manner noted above. **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 Trust Units that are held through that Intermediary.**

Revocation of Proxy

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

VOTING OF UNITS

The Voting Units represented by proxies will be voted or withheld from voting in accordance with the instructions of the Unitholder on any ballot that may be called for and, if the Unitholder specifies a choice with respect to any matter to be acted upon at the Meeting, Voting Units represented by properly executed proxies will be voted accordingly.

If no choice is specified by a Unitholder with respect to the appointment of a proxyholder and to any matter to be acted upon at the Meeting, the Voting Units represented by such Unitholder’s proxy or voting instruction form will be voted (i) FOR the election of the nominees named herein as members of the Board of Trustees of the REIT, (ii) FOR the re-appointment of KPMG LLP as auditors of the REIT and to authorize the Trustees to fix such auditors’ remuneration, (iii) FOR the Transaction Resolution and (iv) FOR the RTU Plan Resolution. The Declaration of Trust does not provide for a right of dissent for Unitholders in connection with the approval of the Transaction Resolution.

The REIT’s registrar and transfer agent, CIBC Mellon Trust Company, will serve as independent scrutineer at the Meeting, and will tabulate all votes at the Meeting.

EXERCISE OF DISCRETION BY PROXY

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice and with respect to such other matters as may properly come before the Meeting or any adjournment thereof. At the date of this Circular, the Trustees and management of the REIT are not aware of any amendments or other matters to come before the Meeting other than the matters referred to in the Notice. With respect to amendments to matters identified in the Notice or other matters that may properly come

before the Meeting or any adjournment thereof, Voting Units represented by properly executed proxies will be voted by the persons so designated in their discretion.

VOTING AT MEETING AND QUORUM

Unless otherwise required by law or the Declaration of Trust, any matter coming before the Meeting or any adjournment thereof shall be decided by the majority of the votes duly cast in respect of the matter by Unitholders entitled to vote thereon. However, the Transaction Resolution must be approved by: (i) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the Meeting; and (ii) in accordance with MI 61-101, the affirmative vote of a majority of the votes cast upon such resolution by Minority Unitholders present in person or represented by proxy at the Meeting.

The Board has fixed May 28, 2012 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 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 thereof.

On May 28, 2012, the REIT had 57,984,725 outstanding Trust Units, carrying the right to one vote per Trust Unit, and 14,450,462 outstanding Special Voting Units, carrying the right to one vote per Special Voting Unit.

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

PRINCIPAL HOLDERS OF VOTING UNITS

To the knowledge of the Trustees and management of the REIT, as of the Record Date, no person or company beneficially owned, or controlled or directed, directly or indirectly, Voting Units carrying 10% or more of the votes attached to the outstanding Voting Units of the REIT, other than DrimmerCo, which owned, in aggregate, 353,414 Trust Units and 14,450,462 Special Voting Units, representing in aggregate approximately 20.4% of the outstanding Voting Units (or 0.6% of the outstanding Trust Units and 100% of the outstanding Special Voting Units, respectively) as of the Record Date. The REIT understands that TransGlobe Investment Management Ltd., a company controlled by Mr. Daniel Drimmer, exercises voting control over all Voting Units owned by DrimmerCo.

THE TRANSACTION

Background to the Transaction

The REIT was established in April 2010 to own multi-suite residential rental properties across Canada. As a result of a series of acquisitions, the REIT owns a geographically diverse portfolio of 176 residential rental properties principally located in urban centres in Alberta, Ontario, Québec, New Brunswick and Nova Scotia.

TransGlobe Investment Management Ltd., a DrimmerCo entity, took the initiative in founding and organizing the REIT and, accordingly, was considered a promoter of the REIT for purposes of the REIT's initial public offering, which was completed in May 2010. Concurrent with completion of the REIT's initial public offering:

- the REIT acquired a portfolio of 65 properties operated and owned or co-owned by DrimmerCo in the provinces of Alberta, Ontario, Québec, New Brunswick and Nova Scotia;
- DrimmerCo acquired approximately 18.7% of the then-outstanding Voting Units and all \$20 million aggregate principal amount of the then-outstanding convertible senior secured debentures due June 30, 2016 (which were subsequently redeemed in September 2010, pursuant to their terms, at par plus accrued interest);

- a DrimmerCo entity (in its capacity as a general partner of each of the REIT's Partnerships) was responsible for the day-to-day administration and operation of the properties held through the REIT's then-existing Partnerships and for providing strategic advisory services to such Partnerships;
- a DrimmerCo entity was appointed to provide certain services to the REIT and its subsidiary entities pursuant to the Services Agreement;
- Daniel Drimmer and Leonard Drimmer (the "**Principals**") entered into a non-competition agreement with the REIT pursuant to which the Principals agreed that the Principals and DrimmerCo (i) would not acquire or invest in multi-suite residential rental properties in Canada (subject to certain exceptions) or create another real estate investment trust or other publicly-held investment vehicle which primarily invests in multi-suite residential rental properties in Canada, (ii) would provide the REIT with a right of first opportunity to acquire their interest in owned multi-suite residential rental properties located in Canada, subject to certain exceptions, and (iii) would provide the REIT with a pre-emptive right to assume any opportunity made available to any of the Principals or DrimmerCo to invest in any multi-suite residential rental property in Canada;
- DrimmerCo entered into an exchange agreement with the REIT and its Partnerships pursuant to which DrimmerCo was entitled to certain pre-emptive rights to maintain its pro rata ownership interest in the REIT, "demand" and "piggyback" registration rights with respect to public offerings by the REIT, and "drag" and "tag" rights with respect to securities of the Partnerships held by DrimmerCo, for so long as DrimmerCo held at least 10% of the outstanding Trust Units (calculated on a fully-diluted basis); and
- DrimmerCo was provided with the exclusive right to appoint two of the eight Trustees which constituted the Board at the time.

Subsequent to closing of the REIT's initial public offering, the REIT entered into a number of acquisition transactions with DrimmerCo, as follows:

- in December 2010, the REIT indirectly acquired two properties operated and owned by DrimmerCo, located in Toronto, Ontario;
- in January 2011, the REIT completed the indirect acquisition of a portfolio of 20 properties operated and owned or co-owned by DrimmerCo, located in the Provinces of Ontario and Québec (the "**January 2011 Acquisition**") and
- in September 2011, the REIT completed the indirect acquisition of a portfolio of 57 properties operated and owned or co-owned by DrimmerCo, located in the Provinces of Alberta, Ontario, Québec and Nova Scotia (the "**September 2011 Acquisition**").

See "Information Concerning the REIT – Previous Distributions of Securities".

In connection with the September 2011 Acquisition, the REIT also terminated certain commercial relationships with DrimmerCo and assumed responsibility from DrimmerCo for the day-to-day administration and operation of its properties (the "**Management Internalization**") pursuant to an internalization and separation agreement between the REIT and DrimmerCo dated July 21, 2011 (as amended on September 1, 2011). As part of the Management Internalization, a DrimmerCo entity ceased to be a general partner of each of the then-existing Partnerships and the REIT, among other things, (a) acquired from DrimmerCo all of the assets (including all "TransGlobe" trademarks), and assumed certain obligations, that were related or required to manage the properties of the REIT, (b) agreed to pay an acquisition fee to DrimmerCo in respect of any property that the REIT subsequently acquired as a result of the opportunity to acquire such property having been presented to the REIT by DrimmerCo, and (c) covenanted to refrain from amending the Rights Plan in a manner that materially adversely affects Daniel Drimmer and DrimmerCo entities holding Special Voting Units or including terms in any successor plan to such plan that materially adversely affects them. The REIT and DrimmerCo also terminated certain commercial relationships between the parties (including the non-competition agreement and services agreement) and

amended the Declaration of Trust to remove terms which expressly concern DrimmerCo (including Trustee appointment rights as noted above). Upon completion of the Management Internalization, Messrs. Daniel Drimmer and Alon Ossip (being Trustees appointed by DrimmerCo) resigned from the REIT's Board of Trustees and TGA Holdings LP replaced the REIT General Partner as the sole general partner of the REIT's then existing Partnerships.

For further information regarding the REIT's current and past relationships with DrimmerCo since the commencement of the REIT's most recently completed financial year, see "Interest of Informed Persons in Material Transactions".

On January 8, 2012, at the request of Mr. Drimmer, Graham Rosenberg, the Chair of the Board, met with Mr. Drimmer, at which time Mr. Drimmer advised Mr. Rosenberg that: (i) DrimmerCo intended to make a cash offer to privatize the REIT at a premium to market; (ii) DrimmerCo wanted to complete the offer on a friendly basis; (iii) several interested parties were involved with DrimmerCo; and (iv) DrimmerCo had retained CIBC World Markets Inc. as its financial adviser.

Mr. Rosenberg met with Kelly Hanczyk, the REIT's Chief Executive Officer, and Blake, Cassels & Graydon LLP, the REIT's legal counsel, on January 9, 2012 to apprise them of the meeting with Mr. Drimmer. A meeting of the Board was called for January 13, 2012. On January 12, 2012, Mr. Rosenberg and Mr. Hanczyk met with TD Securities to evaluate engaging TD Securities on a preliminary and general basis.

At a meeting of the Board on January 13, 2012 with legal counsel present, Mr. Rosenberg reported to the Board as to the meeting with Mr. Drimmer held on January 8, 2012, and the subsequent discussions. Legal counsel then reviewed with the Board their responsibilities and obligations as a result of the occurrence of this event, including the nature of their individual fiduciary duties to the REIT and the Unitholders and the process that should be followed to discharge those duties in this context. Discussions then ensued concerning the implications of such an acquisition proposal from DrimmerCo, including DrimmerCo's status as a significant Unitholder of the REIT and Mr. Drimmer's current and past relationships with the REIT, and the process to be followed going forward. The Board determined to appoint an independent Special Committee of the Board (the "**Special Committee**") comprised of David Leith, J. Michael Knowlton and Graham Rosenberg with a mandate that included being responsible for take-over defence preparedness, reviewing and responding to any acquisition transaction involving the REIT and/or its securities and/or assets, and providing the Board with advice and recommendations with respect to such a transaction and such alternatives as the Special Committee in its discretion considers appropriate.

At a meeting of the Special Committee on January 17, 2012 with legal counsel present, Mr. Rosenberg reported that he had been advised by Mr. Drimmer that a non-binding acquisition proposal would be provided on or about January 23, 2012. The Special Committee discussed the implications of the potential receipt of such a proposal from DrimmerCo in light of recent acquisition transactions in the real estate sector, appointed David Leith as Chair of the Special Committee, considered an advisory proposal received from TD Securities, and discussed certain administrative and process matters.

At a meeting of the Board on January 18, 2012 with legal counsel present, the Board discussed property acquisitions under consideration by the REIT, and determined that the REIT would only pursue acquisitions that were currently in progress and not pursue any other acquisitions or undertake any financing transactions until there was greater clarity with respect to the potential acquisition proposal from DrimmerCo.

At a meeting of the Special Committee on January 19, 2012 with legal counsel present, the Special Committee discussed the potential engagement of TD Securities, and then with TD Securities present, received preliminary information from TD Securities concerning the REIT and considerations for responding to a potential acquisition proposal to be received from DrimmerCo.

On February 14, 2012, the members of the Special Committee met with Mr. Drimmer, at which time Mr. Drimmer presented a written non-binding acquisition proposal (the "**DrimmerCo Proposal**") to acquire the Trust Units for a price of \$13.50 per Trust Unit. The parties discussed the offer price, the requirement for a formal valuation required under MI 61-101 in respect of the proposed transaction, and the REIT's expectation that DrimmerCo and the Transaction Participants enter into a confidentiality and standstill agreement. Later that day, the Special Committee met with legal counsel present to discuss: (i) the DrimmerCo Proposal; (ii) the potential process

and timeline that might be followed in response to the DrimmerCo Proposal; (iii) the desirability of the REIT and its advisers completing a market canvass; (iv) the direction to be given to management of the REIT as a consequence of the proposal; (iv) the potential terms of TD Securities' engagement; and (vi) the update to be provided to the other members of the Board. On that day, TD Securities was engaged as financial adviser to the REIT in connection with a potential transaction.

At a meeting of the Special Committee held on February 15, 2012 with TD Securities and legal counsel present, the Special Committee discussed the time required to consider and respond to the DrimmerCo Proposal, including the time required by TD Securities to formulate its initial assessment of the DrimmerCo Proposal, and determined to offer to provide DrimmerCo with a response to the proposal on February 24, 2012.

At a meeting of the Special Committee on February 24, 2012 with TD Securities and legal counsel present, TD Securities provided the Special Committee with its initial assessment of the DrimmerCo Proposal. The Special Committee discussed the DrimmerCo Proposal, including the offer price, the implications of DrimmerCo as an insider of the REIT, and the process for obtaining a formal valuation. In addition, the Special Committee discussed the feasibility of the REIT undertaking an effective market canvass prior to accepting the DrimmerCo Proposal given that the parties to the DrimmerCo Proposal collectively owned approximately 26% of the Trust Units, as well as the limited time frame and the risks associated with attempting to undertake a market canvass on a confidential basis. Following discussion, the Special Committee determined to advise DrimmerCo that its initial offer price was insufficient, and would need to be materially higher before the Special Committee could negotiate other terms of a proposed acquisition that it could recommend for acceptance by the Board. In addition, the Special Committee determined that a market canvass would not be feasible in the circumstances.

At a meeting of the Board on February 24, 2012 with legal counsel present, the Special Committee updated the Board with respect to its initial evaluation of the DrimmerCo Proposal. The Board discussed the proposal, including the requirement for an independent valuation, the REIT's public disclosure obligations, maintenance of the day-to-day operations of the REIT during the negotiation process, other procedural matters as well as potential alternatives to the DrimmerCo Proposal.

In the period between February 24, 2012 and March 12, 2012, the Special Committee and its advisers negotiated the consideration offered under the DrimmerCo Proposal and certain of the other terms thereof with DrimmerCo and its advisers, including (i) the right to include a "go-shop" process during which the REIT would be permitted to solicit superior proposals for a specified period of time and (ii) the commitment of DrimmerCo and PSP and PSP Holdco to vote or tender their Voting Units in favour of any superior proposal received from a third party during the go-shop process.

On March 12, 2012, the Special Committee met with Mr. Drimmer, at which time Mr. Drimmer provided the Special Committee with a revised non-binding acquisition proposal on behalf of DrimmerCo (the "**Revised DrimmerCo Proposal**"). The Revised DrimmerCo Proposal included an increased cash offer price of \$14.25 per Trust Unit and contemplated that the definitive agreements concerning such proposal would include a go-shop right and the support of DrimmerCo and PSP and PSP Holdco to vote or tender their Voting Units in favour of any cash superior proposal received during the go-shop process, subject to their right to tender to any proposal that offered greater consideration than such superior proposal in accordance with their fiduciary duties.

Between March 12, 2012 and March 21, 2012, the Special Committee, with its financial and legal advisers, undertook discussions with DrimmerCo and its advisers in order to finalize the terms of the Revised DrimmerCo Proposal. In addition to discussion of the offer price, the Special Committee focused on a number of issues, including: (i) the length of the go-shop period; (ii) the commitment of DrimmerCo and PSP and PSP Holdco to vote or tender their Voting Units in favour of a superior proposal received from a third party during the go-shop process; (iii) the conditions to the proposal; (iv) the anticipated tax implications of the offer to Unitholders; (v) the terms of the due diligence and exclusivity periods; (vi) the terms of termination fee payable by the REIT under certain circumstances; (vii) the terms of the DrimmerCo right to match any superior proposal; (viii) the terms of the exclusivity covenant of the REIT in favour of DrimmerCo and its implications for the REIT; and (ix) the terms of a confidentiality and standstill agreement with DrimmerCo and the Transaction Participants. During this period, the Board met on two occasions for an update on the transaction discussions, during which the Board discussed the

terms under discussion, as well as alternatives to proceeding with the Revised DrimmerCo Proposal, including alternative transaction or acquisition opportunities.

Effective March 20, 2012, NBF was engaged by the REIT as independent valuator to prepare the formal valuation required under MI 61-101 in respect of the proposed transaction with DrimmerCo. The Special Committee met on April 20, 2012 to receive the preliminary indication of value of the REIT from NBF.

Following negotiations between the Special Committee on behalf of the REIT and DrimmerCo and their respective advisers, on March 21, 2012, the REIT accepted the non-binding acquisition proposal (the “**Proposal Letter**”) received from DrimmerCo reflecting the parties’ negotiations. Pursuant to the Proposal Letter:

- the parties agreed to undertake discussions respecting the optimal structure for the proposed transaction;
- the parties contemplated that the definitive agreements between the parties would:
 - entitle the REIT to undertake a go-shop process over a 45-day period that was extendible at the option of the REIT by an additional 15 days under certain circumstances;
 - entitle the REIT to terminate its transaction agreements with DrimmerCo and accept a superior proposal without providing DrimmerCo with an opportunity to match the third party proposal during the go-shop period after which such matching right would take effect;
 - include customary deal protection measures (such as break fees and non-solicitation covenants); and
 - contain customary conditions;
- each of DrimmerCo and PSP and PSP Holdco would enter into support agreements pursuant to which they would agree to vote or tender those Voting Units owned by them in favour of a superior proposal received during the go-shop period in the event that the consideration payable to Unitholders under such proposal consisted of cash or such non-cash consideration to be mutually agreed;
- DrimmerCo agreed to bear the costs of the engagement of an independent valuator by the REIT to prepare the formal valuation required under MI 61-101 in respect of the proposed transaction; and
- the REIT was required: (i) to negotiate definitive agreements with DrimmerCo respecting the proposal in the Proposal Letter on an exclusive basis for a period to and including the earlier of: (A) the later of: (1) 21 business days; and (2) two days subsequent to the receipt of the valuation; and (B) the date DrimmerCo notified the REIT it was terminating negotiations (the “**Exclusivity Period**”); and (ii) not to purchase or sell any material assets or issue any equity or debt securities, and to postpone planned capital expenditures during the Exclusivity Period, in each case subject to certain exceptions.

Concurrent with execution of the Proposal Letter, on March 21, 2012 the REIT entered into a confidentiality and standstill agreement with DrimmerCo, the Transaction Participants and certain of their respective affiliates and co-investors (the “**Confidentiality Agreement**”). Pursuant to the Confidentiality Agreement, each of the parties thereto other than the REIT agreed: (i) to maintain confidentiality and to use all confidential information received solely for the purpose of evaluating, negotiating and/or consummating an acquisition transaction; and (ii) to certain standstill obligations, including that it would not without the prior written consent of the REIT:

- undertake or propose to undertake any acquisition, amalgamation, plan of arrangement, merger or business combination or similar transaction involving the REIT for a period of one year after the

date of the agreement (subject to certain exceptions), which obligation would be released in the event that the REIT enters into an agreement respecting an acquisition transaction with a third party or a third party commences a take-over bid for the Trust Units; or

- solicit any proxies to vote any voting securities of the REIT for a period of six months after the date of the agreement.

In the period from March 22, 2012 to April 26, 2012, the Special Committee on behalf of the REIT, DrimmerCo, DrimmerCo's Transaction Participants and their respective advisers negotiated the terms of the Acquisition Agreement and related definitive agreements. The Special Committee held meetings on nine occasions and participated in numerous additional correspondence and communications and meetings (including a meeting with DrimmerCo and the Transaction Participants) in connection with these negotiations. The Special Committee, through its Chair, from time to time during this period also provided updates on the Transaction discussions to the other independent Board members. Among the issues focused on by the Special Committee were: (i) reducing execution risk through negotiation of the conditions to closing of the Transaction and covenants of DrimmerCo and the Transaction Participants and/or certain of their affiliates to guarantee certain aspects of the Transaction; (ii) maximizing the effectiveness of the go-shop process; (iii) obtaining the support of DrimmerCo following termination of the Acquisition Agreement under certain circumstances; (iv) confirming the manner in which the rights of holders of Options and the Convertible Debentures would be addressed in the context of the Transaction; (v) taking steps so as to ensure the continuation of existing commercial arrangements between DrimmerCo and the REIT following completion of a Superior Proposal; (vi) ensuring that the deal protection terms, including the termination payment payable by the REIT, the reverse termination fee payable by DrimmerCo and the expense reimbursement provisions were reflective of market standards; and (vii) obtaining the optimal transaction structure for the parties and Unitholders reflecting the advice of the parties' respective tax advisers and the exigencies of the Transaction.

On April 23, 2012, the Board met to receive an update on the Transaction discussions from the Special Committee, which included presentations by its advisers as to the Transaction structure and tax consequences to the Unitholders, the key terms of the Acquisition Agreement and related definitive agreements, and the key considerations and risks of the proposed Transaction.

On April 24, 2012, with the concurrence of the Special Committee, the advisers to the Special Committee met with DrimmerCo's advisers to settle all remaining outstanding issues concerning the Acquisition Agreement and related definitive agreements.

On April 25, 2012, after consulting with its financial and legal advisers and considering the verbal NBF Valuation and Fairness Opinion and the verbal TD Securities Fairness Opinion and after giving due consideration to the reasons for the Transaction set forth under "– Reasons for the Transaction", the Special Committee unanimously determined that the Transaction is in the best interest of the REIT, and in the best interest of the Unitholders and fair to the Unitholders, in each case other than the Transaction Participants, and unanimously determined to recommend that the Board of Trustees approve the terms of the Transaction. Following the conclusion of the Special Committee meeting, the Board of Trustees met and, based on the recommendation of the Special Committee and the reasons for the Transaction set forth under "– Reasons for the Transaction", unanimously determined that the Transaction is in the best interests of the REIT, and in the best interests of the Unitholders and fair to the Unitholders, in each case other than the Transaction Participants, unanimously approved the Transaction and unanimously determined to recommend that Unitholders vote in favour of the Transaction.

Following the satisfactory resolution of all remaining outstanding issues, the Acquisition Agreement and related definitive agreements were executed and delivered by the REIT and the other parties thereto on the morning of April 26, 2012. The REIT subsequently issued a news release announcing the proposed Transaction and the execution of the Acquisition Agreement.

Executive Compensation Arrangements

At a meeting of the Governance, Compensation and Nominating Committee of the Board (the "GC&N Committee") on January 19, 2012 with legal counsel present, in addition to discussing regularly scheduled matters,

the GC&N Committee discussed the implications for management compensation if a potential acquisition proposal was received from DrimmerCo, and determined that if such a proposal was received, either the GC&N Committee or the Special Committee should engage a compensation consultant with a mandate to advise in connection with such implications.

At a meeting of the GC&N Committee on February 21, 2012 with legal counsel present, the GC&N Committee determined to recommend to the Board that the Special Committee be responsible for assessing the management compensation implications resulting from the DrimmerCo Proposal, and that the Special Committee should engage a compensation consultant with a mandate to advise it in connection with such implications.

At a meeting of the Special Committee on February 24, 2012, it was determined to engage Mercer (Canada) Limited (“**Mercer**”) as compensation consultant to advise it with respect to the management compensation implications resulting from the DrimmerCo Proposal. At a meeting of the Board on February 24, 2012, it determined to amend the Special Committee’s mandate to include the management compensation implications resulting from the acquisition proposal, which matters were previously within the purview of the GC&N Committee, and ratified the Special Committee’s engagement of Mercer.

In meetings between March 12, 2012 and April 11, 2012, the Special Committee also considered and approved management incentive arrangements for 2012 and retention arrangements in connection with the Transaction.

See “Transaction Resolution – Interest of Insiders in the Transaction – Retention Agreements with Named Executive Officers”.

The Transaction and Transaction Mechanics

Overview

Subject to the terms of the Acquisition Agreement and the other Transaction Agreements, Bidco has agreed to complete on the Closing Date those Transaction Steps to be completed by it and arrange for the completion of those Transaction Steps to be completed by the Transaction Participants, resulting in the payment of Consideration to holders of Trust Units equivalent to \$14.25 per Trust Unit (less applicable withholding taxes, see “– Withholding Taxes”) by way of the Special Distribution of \$4.82 per Trust Unit and the Redemption for \$9.43 per Trust Unit.

Pursuant to the Acquisition Agreement and the Transaction Steps:

- Bidco will cause the purchase of, and the REIT will cause the sale of, the CAPREIT Pool Assets to CAPREIT (see “– Transaction Steps – CAPREIT Pool Assets”);
- Bidco will cause the purchase of, and the REIT will cause the sale of, the Timbercreek Pool Assets to Timbercreek (see “– Transaction Steps – Timbercreek Pool Assets”);
- Bidco will arrange the subscription by PSP Holdco for, and the REIT will issue to PSP Holdco, a specified number of Trust Units and the REIT will redeem all Trust Units held by PSP Holdco (and its affiliates, if any) in exchange for an 82.5% interest in the PSP Property Pool (with the remaining 17.5% interest being transferred to DrimmerCo);
- the REIT will pay a special cash distribution on its Trust Units of \$4.82 per Trust Unit and will redeem all publicly held Trust Units for a cash redemption price of \$9.43 per Trust Unit; and
- a DrimmerCo entity, as the holder of the only remaining Trust Unit, will assume control of the remaining assets and liabilities of the REIT and its affiliates which shall comprise the Starlight Property Pool.

Transaction Steps

Pursuant to the Acquisition Agreement, the REIT and Bidco have agreed to take all reasonable steps to complete the following steps on or immediately prior to the Closing Date, all as set forth in and in accordance with the Transaction Steps Memorandum, including the following:

Unitholder Meeting:

- (a) The REIT will convene the Meeting for the purposes of, among other things, the approval of the Declaration of Trust Amendments;

Formation of New Holdings LP

- (b) The REIT and certain of the entities included in DrimmerCo, as limited partners, and TGA Holdings LP, as general partner, will form a new limited partnership (“**New Holdings LP**”) and the REIT and DrimmerCo will transfer their respective limited partnership units of each of the Partnerships to New Holdings LP in exchange for additional limited partnership interests in New Holdings LP;

CAPREIT Pool Assets:

- (c) The applicable Partnerships and CAPREIT will form a new limited partnership (“**CAPREIT Pool Assets LP**”), the general partner of which will be owned by CAPREIT;
- (d) The REIT, Bidco and their respective affiliates will take those steps necessary to cause the applicable Partnerships to transfer the CAPREIT Pool Assets to CAPREIT Pool Assets LP in consideration for the assumption by CAPREIT Pool Assets LP of certain associated liabilities, including \$183,945,143 aggregate principal amount of mortgages and the issuance to the Partnerships of limited partnership units of CAPREIT Pool Assets LP;
- (e) CAPREIT will acquire the Partnerships’ limited partner units in CAPREIT Pool Assets LP for cash consideration of approximately \$268,804,857, in accordance with the CAPREIT APA (see “Transaction Agreements – Asset Purchase Agreements”);

Timbercreek Pool Assets:

- (f) Timbercreek will acquire the Timbercreek Pool Assets from the applicable Partnerships in consideration for the assumption of certain associated liabilities, including \$264,975,359 aggregate principal amount of mortgages, and cash consideration of approximately \$348,524,641, in accordance with the Timbercreek APA (see “Transaction Agreements – Asset Purchase Agreements”);

Special Distribution:

- (g) The applicable Partnerships will use a portion of the cash received from the sale of interests in CAPREIT Pool Assets LP and the Timbercreek Pool Assets to repay and discharge the remaining mortgages not assumed by the CAPREIT Pool Assets LP and Timbercreek on the sale of CAPREIT Pool Assets to CAPREIT Pool Assets LP and the sale of the Timbercreek Pool Assets to Timbercreek, respectively (see “– Discharge of Certain Mortgages”);
- (h) The applicable Partnerships will distribute an amount equal to the remaining cash proceeds from the sale of the interests in the CAPREIT Pool Assets LP and the Timbercreek Pool Assets to New Holdings LP, which will distribute 99.999% of such proceeds to the REIT and 0.001% of such proceeds to the DrimmerCo entities;
- (i) The REIT will declare and pay the Special Distribution in the cash amount of \$4.82 per Trust Unit Special Distribution to all holders of Trust Units, in accordance with the applicable provisions of the Declaration of Trust, as amended (see “The Transaction – Declaration of Trust Amendments”),

such distribution to be funded out of a portion of the funds received from New Holdings LP in the preceding step;

Subscription by PSP Holdco:

- (j) PSP Holdco will subscribe for a specified number of Trust Units pursuant to the Subscription Agreement (see “Transaction Agreements – Subscription Agreement”) for an aggregate subscription price of approximately \$469,042,867, payable in cash;

Public Trust Unit Redemption:

- (k) The REIT will, using the subscription proceeds received from PSP Holdco in the preceding step, as well as a portion of the funds remaining from the distribution received from New Holdings LP of funds, redeem all Trust Units (other than those Trust Units held by PSP Holdco (and its affiliates, if any) and one Trust Unit held by DrimmerCo) for cash equal to \$9.43 per Trust Unit (the “**Trust Unit Redemption Price**”), in accordance with the applicable provisions of the Declaration of Trust, as amended (see “The Transaction – Declaration of Trust Amendments”);

PSP Redemption:

- (l) New Holdings LP will assume certain liabilities related to 82.5% of the PSP Property Pool from the applicable Partnerships as a contribution of capital and the applicable Partnerships will distribute 82.5% of the PSP Property Pool to New Holdings LP;
- (m) New Holdings LP will distribute 82.5% of the PSP Property Pool to the REIT and the REIT will assume certain mortgages related to these assets; and
- (n) The REIT will redeem the Trust Units held by PSP Holdco (and its affiliates, if any) in consideration for the distribution *in specie* of an 82.5% interest in the PSP Property Pool to PSP Holdco and the assumption by PSP Holdco and its affiliates of certain liabilities associated with the PSP Property Pool, including approximately \$259,209,953 aggregate principal amount of mortgages,

as such steps may be modified or supplemented in accordance with the Acquisition Agreement and the Transaction Agreements as the Board determines are in the best interests of the REIT and the Unitholders and are not prejudicial to Unitholders and are necessary to implement the Transaction (collectively referred to as the “**Transaction Steps**”, and the transactions contemplated thereby, collectively referred to as the “**Transaction**”).

Following completion of the Transaction Steps, a DrimmerCo entity will remain as the holder of the only outstanding Trust Unit and will assume control of the remaining assets and liabilities of the REIT and its affiliates which shall comprise the Starlight Property Pool. DrimmerCo will be responsible for funding the discharge of the remaining mortgages not assumed by PSP Holdco and its affiliates on the PSP Property Pool (see “– Discharge of Certain Mortgages”), the early redemption or defeasance of the Convertible Debentures (see “– Treatment of Convertible Debentures”) and the net payout of in-the-money Options (see “– Treatment of Options”).

Payment of the Trust Unit Special Distribution and the Trust Unit Redemption Price

If the Transaction Resolution is passed and all other conditions to completion of the Transaction are satisfied or waived, the Board of Trustees will implement the Declaration of Trust Amendments and, in accordance therewith, (i) the Special Distribution will be paid to each holder of Trust Units, and (ii) each Trust Unit (other than those Trust Units held by PSP Holdco (and its affiliates, if any) and one Trust Unit held by Bidco) will be redeemed for the Trust Unit Redemption Price. As soon as practicable following Closing, the Depositary will send or cause to be sent (i) payment of the Special Distribution to each holder of a Trust Unit and (ii) payment of the Trust Unit Redemption Price to each former holder of a redeemed Trust Unit. Under no circumstances will interest on the Special Distribution or Trust Unit Redemption Price be paid to any Unitholder by the REIT or the Depositary by reason of any delay in paying the Special Distribution, Trust Unit Redemption Price or otherwise.

Treatment of Options

The REIT, effective in each case on or before the payment of the Special Distribution, (i) will cause the acceleration of the vesting of all in-the-money Options and (ii) pursuant to the Board of Trustee's approval granted on May 24, 2012 of certain amendments to the Unit Option Plan, has amended the Unit Option Plan (see "Equity Compensation Plan Information – Unit Option Plan") and will take all such other steps as may be necessary or desirable to (A) permit holders of in-the-money Options the right to "cash out" such Options whereby such holders will receive a cash payment for each such Option that is equal to the product of (x) the amount by which \$14.25 exceeds the exercise price per Trust Unit of each such Option and (y) the number of Trust Units underlying each such Option (such product, the "**Option Consideration**"); and (B) cause the cancellation, without payment of any consideration therefor, of all out-of-the money Options. All amounts paid to holders of Options will be made after deducting applicable withholdings.

The REIT will elect to forgo any deduction under the Tax Act and Regulations with respect to the cash payment of the Option Consideration to a holder of Options that is a resident of Canada for purposes of the Tax Act and Regulations or that is otherwise subject to taxation in Canada in respect of the Option Consideration and, to effect the foregoing, Bidco and the REIT will cause the REIT to timely comply with the requirements described in subsection 110(1.1) of the Tax Act, including delivering written notice of such election to each such holder in accordance with the requirements set out in the Tax Act and Regulations. Bidco will, on or immediately prior to Closing, provide funding to the REIT in a manner to be mutually agreed by Bidco and the REIT sufficient to enable the payment of the aggregate Option Consideration in the manner contemplated by the Acquisition Agreement, including the amount to be remitted to the relevant governmental authority in respect of applicable withholdings.

Treatment of Convertible Debentures

The Transaction will not directly affect the Convertible Debentures, except that: (i) the completion of the Transaction is expected to constitute a change of control under the trust indenture between the REIT and BNY Trust Company of Canada dated July 29, 2011 governing the Convertible Debentures (the "**Trust Indenture**"), as a result of which the REIT will be required to offer to repurchase the Convertible Debentures in the manner set out in the Trust Indenture; and (ii) upon completion of the Transaction, a holder of Convertible Debentures exercising its conversion right in respect of Convertible Debentures will receive, in lieu of Trust Units, the amount of cash that such holder would have been entitled to receive pursuant to the Transaction if, on the effective date of the Transaction, such holder had been the registered holder of the number of Trust Units that it would have been entitled to acquire upon the exercise of such conversion right.

Additionally, the REIT has agreed to use commercially reasonable efforts to cooperate with Bidco in connection with:

- (a) the REIT's solicitation of instruments in writing executed by the holders of not less than 66⅔% of the principal amount of outstanding Convertible Debentures (the "**Requisite Consents**"), consenting to certain amendments to the Trust Indenture to permit the redemption, at Closing, of the Convertible Debentures; and/or
- (b) the calling of a meeting of holders of Convertible Debentures and the solicitation of proxies in connection therewith, in order to effect such amendments to the Trust Indenture specified in clause (a); and
- (c) in respect of all those Convertible Debentures that are not tendered for redemption on or prior to the Time of Closing, the exercise by the REIT of its rights of defeasance, pursuant to the Trust Indenture in order to fully and finally settle the REIT's obligations thereunder,

provided that the consideration for each of the above actions will be provided by Bidco at Closing. In accordance with such agreement, on May 18, 2012, the REIT commenced a consent solicitation with respect to the Convertible Debentures pursuant to a consent solicitation statement dated as of May 18, 2012 and filed on SEDAR at www.sedar.com. The purpose of the consent solicitation is to seek the Requisite Consents to amend the Trust Indenture in order to provide the REIT with the right to redeem the Convertible Debentures for cash at an amount

equal to 101% of the aggregate principal amount thereof plus accrued interest to, but excluding, the date of redemption at any time on or after the occurrence of a Change of Control (as defined in the Trust Indenture).

In the event that the Requisite Consents are not received, and the Convertible Debentures are not redeemed concurrently with the Closing of the Transaction, the REIT will be required, in accordance with the Acquisition Agreement, to defease all outstanding Convertible Debentures upon or immediately prior to the Closing of the Transaction, pursuant to applicable provisions of the Trust Indenture.

The Trust Indenture provides that in order to defease the Convertible Debentures, the REIT would be required, among other things, to deposit or cause to be deposited with the trustee under the Trust Indenture as trust funds or property in trust, for the purpose of making payment on the Convertible Debentures, either: (i) an amount in money sufficient to pay, satisfy and discharge the entire amount of principal, premium, if any, and interest, if any, to maturity or any repayment date or redemption date, as the case may be, or (ii) an amount in Canadian dollars of direct obligations of (or obligations guaranteed by) the Government of Canada as will, together with the income to accrue thereon and reinvestment thereof, be sufficient to pay and discharge the entire amount of principal and accrued and unpaid interest to maturity or any repayment date of the Convertible Debentures. In connection with such defeasance, (1) the REIT expects to delist the Convertible Debentures from the TSX, which may significantly and adversely affect the liquidity of the Convertible Debentures and their use as margin security; (2) the Convertible Debentures shall no longer be convertible into Trust Units; and (3) except as otherwise provided in the Trust Indenture (including with respect to the REIT's obligation to offer to repurchase Convertible Debentures upon certain Changes of Control at a purchase price equal to 101% of the principal amount thereof plus accrued interest pursuant to the terms set out in the Trust Indenture), the sole entitlement of the Holders under the Trust Indenture will be to continue to receive interest until, and the repayment of principal upon, the maturity or redemption date of the Convertible Debentures, as applicable. Following any defeasance, the Convertible Debentures will mature on September 30, 2018 and will continue to bear interest at a rate of 5.40% per annum. Such interest will be paid semi-annually in arrears up until the maturity date of September 30, 2018, or until the date of redemption, if redeemed earlier.

Holders of Convertible Debentures should consult with their financial, legal or other professional advisers in determining what action to take with respect to their Convertible Debentures.

Withholding Taxes

The REIT will be entitled to deduct and withhold from any amounts payable or distributable pursuant to the Transaction, and from all distributions, interest or other amounts payable, to any holder or former holder of Trust Units or Options, such amounts as may be required to be deducted or withheld therefrom under the Tax Act and Regulations, or under any provision of any applicable law. To the extent that such amounts are so deducted or withheld, such amounts will be treated for all purposes under the Acquisition Agreement as having been paid to the person to whom such amounts would otherwise have been paid.

Discharge of Certain Mortgages

Bidco will: (a) with the assistance of the REIT, obtain from each of the lenders under the Discharged Mortgages a mortgage statement certifying how much is required to be paid to such lender in order to obtain a discharge of each of the applicable Discharged Mortgages; and (b) promptly provide a copy of such mortgage statements to the REIT. The REIT will direct Bidco to make the discharge amount payable to the applicable lender, and Bidco will thereafter be responsible for obtaining and registering a discharge of such Discharged Mortgage.

Declaration of Trust Amendments

Pursuant to the terms of the Acquisition Agreement, in order to give effect to the Transaction, the Declaration of Trust will be amended to, among other things: (i) permit the special distribution of cash, Trust Units or property of the Trust *in specie* at any time; (ii) permit the redemption and/or retraction of all or part of the outstanding Trust Units at a fixed redemption price, which may include a distribution *in specie* of any Trust property and permit the REIT to specify those Unitholders entitled to redemption; (iii) permit a person other than an individual to constitute the sole trustee of the Trust; (iv) authorize the Special Distribution and irrevocably specify (A) the portion of the Special Distribution to be characterized as a return of capital and (B) the taxable capital gains designation to be made with respect thereto (and provide that in the event the REIT does not have sufficient capital gains in the taxation year in

which the Transaction occurs to support such designation, the amount of such capital gains shortfall shall also be characterized in respect of the Special Distribution as a return of capital); (v) separate the Special Voting Units from the Class B LP Units and permit the redemption or cancellation, for nominal or nil consideration, of the Special Voting Units; and as otherwise may be necessary in order to give effect to the Transaction.

In furtherance of the foregoing, the Board of Trustees is seeking the approval of Unitholders to amend the Declaration of Trust as follows (with the below references to “Sections” in this section being references to sections of the Declaration of Trust):

- (a) Add the following definitions to Section 1.1:

“Acquisition Agreement” means the acquisition agreement dated April 26, 2012 between Bidco and the Trust;

“Bidco” means, collectively, PD Kanco LP and Starlight Investments Ltd.;

“PSP Holdco” means PSPIB-RE Partners Inc.;

“PSP Holdco Redemption Record Date” means the Closing Date (as defined in the Acquisition Agreement);

“PSP Holdco Redemption Time” means the point in time immediately after the occurrence of the events set forth in Sections 2.5(a) to (k), inclusive, of the Acquisition Agreement provided, for the avoidance of doubt, that before such time the Special Redemption Price shall have been paid pursuant to Section 7.14A;

“Special Distribution” has the meaning given thereto in Section 11.7(c);

“Special Redemption Price” means a price per Trust Unit of \$9.43;

“Special Redemption Record Date” means the business day (as defined in the Acquisition Agreement) immediately preceding the Closing Date (as defined in the Acquisition Agreement);

“Special Redemption Time” means the point in time immediately after the occurrence of the events set forth in Sections 2.5(a) to (j), inclusive, of the Acquisition Agreement provided, for the avoidance of doubt, that before such time Bidco shall have deposited, or caused to be deposited, with CIBC Mellon Trust Company, or as the Trust may otherwise direct, the aggregate Special Redemption Price for all the Trust Units outstanding as of the Special Redemption Record Date other than those held by PSP Holdco (and its Affiliates, if any) and one Trust Unit held by Bidco;

“Transaction Special Distribution” means a distribution per Trust Unit of \$4.82;

“Transaction Special Distribution Record Date” means the business day (as defined in the Acquisition Agreement) immediately preceding the Closing Date (as defined in the Acquisition Agreement);

“Transaction Special Distribution Time” means the point in time immediately after the occurrence of the events set forth in Sections 2.5(a) to (h), inclusive, of the Acquisition Agreement provided, for the avoidance of doubt, the Trust shall have deposited, or caused to be deposited, with CIBC Mellon Trust Company the aggregate Transaction Special Distribution for all the outstanding Trust Units outstanding as of the Transaction Special Distribution Record Date;”;

- (b) Add the following Section 3.16:

“3.16 Sole Trustee

Notwithstanding any other provision of this Declaration of Trust or anything to the contrary contained herein, immediately following the redemption of Trust Units as contemplated

in Section 7.14A(a) hereof, the Trustees shall appoint one person, as directed by Bidco, to be the sole Trustee (which person shall not be subject to Section 3.6 and shall not be an individual) and all of the Trustees who have not otherwise ceased to hold office by virtue of Section 3.11, other than such appointee, shall cease to hold office, without further act or formality, and such appointee shall immediately thereafter constitute the sole Trustee of the Trust, having all rights, privileges, powers, obligations and immunities of a Trustee hereunder. For greater certainty, the provisions of the Declaration of Trust in general, and this Article 3 in particular, shall continue to apply, *mutatis mutandis*, and where the context requires, such provisions shall give, and be interpreted to give, the fullest effect to the immediately preceding sentence.”;

- (c) Add the following Section 7.14A:

“7.14A Special Redemption

- (a) Notwithstanding any other provision of this Declaration of Trust or anything to the contrary contained herein, at the Special Redemption Time the Trust shall redeem, without further act or formality, all of the Trust Units on the Special Redemption Record Date other than those held by PSP Holdco (and its Affiliates, if any) and one Trust Unit held by Bidco, for a redemption price payable in cash equal to the Special Redemption Price.
- (b) The Trust shall cause its registrar and transfer agent to forward or cause to be forwarded by first class mail (postage prepaid) to each Trust Unitholder of record on the Special Redemption Record Date whose Trust Units are redeemed in accordance with paragraph (a) above a cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, representing the Special Redemption Price; provided, however, that payments to CDS shall be made by wire transfer in lieu of a cheque and provided further that if the Trustees determine that delivery by mail may be delayed, any cheques shall be made available for collection by Trust Unitholders of record at the registrar and transfer agent’s offices until such time as the Trustees determine that delivery by mail shall no longer be delayed. Payments made by the Trust of the Special Redemption Price are conclusively deemed to have been made upon the delivery of funds representing the aggregate Special Redemption Price in respect of all Trust Units redeemed to the Trust’s registrar and transfer agent. Upon such payment, the Trust shall be discharged from all liability to all former Trust Unitholders in respect of the Trust Units so redeemed. Under no circumstances will interest be paid to any Trust Unitholder on any payment to be made hereunder, regardless of any delay in making such payment.
- (c) Any and all Trust Units which are redeemed under this Section 7.14A shall be deemed to be cancelled as of the Special Redemption Time. Thereafter, Trust Unitholders whose Trust Units are redeemed by the Trust pursuant to this Section 7.14A shall cease to have any rights as a Trust Unitholder in respect of such Trust Units other than the right to be paid the applicable Special Redemption Price in respect of such Trust Units, unless payment shall not have been made or shall have been dishonoured.”;

- (d) Add the following Section 7.14B:

“7.14B PSP Holdco Redemption

- (a) Notwithstanding any other provision of this Declaration of Trust or anything to the contrary contained herein, at the PSP Holdco Redemption Time the Trust shall redeem all of the Trust Units held by PSP Holdco (and its Affiliates, if any), without further act or formality, in exchange for the transfer to PSP Holdco of an 82.5% interest in the PSP Property Pool (as defined in the Acquisition Agreement) collectively (i) in consideration for the assumption by PSP Holdco of certain mortgages related to such assets, and (ii) in satisfaction of the redemption price for all of the Trust Units held by PSP Holdco (and its Affiliates, if any).

- (b) Upon the delivery to PSP Holdco of the 82.5% interest in the PSP Property Pool (as defined in the Acquisition Agreement), the Trust shall be discharged from all liability to PSP Holdco (and its Affiliates, if any) in respect of the Trust Units so redeemed. Under no circumstances will interest be paid to PSP Holdco (and its Affiliates, if any) on the delivery of such interest in the PSP Property Pool or any payment to be made hereunder, regardless of any delay in making such delivery or payment.
- (c) Any and all Trust Units which are redeemed under this Section 7.14B shall be deemed to be cancelled as of the PSP Holdco Redemption Time. Thereafter, PSP Holdco (and its Affiliates, if any) shall cease to have any rights as a Trust Unitholder in respect of such Trust Units other than the right to receive an 82.5% interest in the PSP Property Pool (as defined in the Acquisition Agreement), less the portion of such assets which is payable by the REIT as consideration for the assumption by PSP Holdco of liabilities in accordance with paragraph (a) above, unless payment shall not have been made or shall have been dishonoured.”;
- (e) Delete the last sentence of Section 7.19 in its entirety and replace it with the following:

“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 or redemption amount, giving notice to Unitholders and determining the right to attend and vote at meetings of Unitholders.”
- (f) Add the following Section 11.7:

“11.7 Special Distributions

- (a) (i) Notwithstanding any other provision of this Declaration of Trust or anything to the contrary contained herein, at the Transaction Special Distribution Time the Trust shall pay, without further act or formality, to Trust Unitholders as of the Transaction Special Distribution Record Date the Transaction Special Distribution, payable in cash.
- (ii) The Trustees shall designate \$127,900,000 of the Transaction Special Distribution to be a distribution of Net Realized Taxable Capital Gains of the Trust, provided that in the event the Trust does not have sufficient capital gains in the taxation year in which the Transaction (as defined in the Acquisition Agreement) occurs to support such designation, the amount of such capital gains shortfall shall be characterized in respect of the Transaction Special Distribution as a return of capital, and shall characterize a further \$7,500,000 of the Transaction Special Distribution as a return of capital. **The obligations of the Trustees (including any sole Trustee appointed in accordance with Section 3.16) under this Section 11.7(a)(ii) are irrevocable and shall not, notwithstanding any other provision of this Declaration of Trust, be amended, modified or varied by the Trustees whether or not approved by the Unitholders. Any amendment to this Declaration of Trust which would permit the Trustees to make any designation, or fail to make any designation, in respect of the Transaction Special Distribution that is not consistent with the designations provided for herein shall constitute a termination of the Trust and a resettlement of this Declaration of Trust and the Trust created hereby.**
- (b) The Trust shall cause its registrar and transfer agent to forward or cause to be forwarded by first class mail (postage prepaid) to each Trust Unitholder of record on the Transaction Special Distribution Record Date a cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, representing the Transaction Special Distribution; provided, however, that payments to CDS shall be made by wire transfer in lieu of a cheque and provided further that if the Trustees determine that delivery by mail may be delayed, any cheques shall be made available for collection by Trust Unitholders of record at the registrar and transfer agent’s offices until such time as the Trustees determine that delivery by mail shall no longer be delayed. Payments made by the Trust of the Transaction Special

Distribution are conclusively deemed to have been made upon the delivery of funds representing the aggregate Transaction Special Distribution in respect of all Trust Units to the Trust's registrar and transfer agent. Upon such payment, the Trust shall be discharged from all liability to all Trust Unitholders in respect of the Transaction Special Distribution. Under no circumstances will interest be paid to any Trust Unitholder on any payment to be made hereunder, regardless of any delay in making such payment.

- (c) The Trustees may in their sole discretion at any time and from time to time declare payable a special distribution of cash, Trust Units or property of the Trust *in specie* (a "**Special Distribution**"). Any Special Distribution shall be made proportionately to persons who are Trust Unitholders, on the record date for such distribution. Any Special Distribution will be made to Trust Unitholders of record on a date to be determined by the Trustees in accordance with Section 8.8 hereof.
- (d) The Trustees shall deduct or withhold from the Transaction Special Distribution and any Special Distribution payable to any Trust Unitholder all amounts required or permitted 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, additional Units or property of the Trust *in specie*, and the Trust may dispose of any Units or other property that is otherwise to be so distributed to such 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 Unitholders to do so. For the avoidance of doubt, the Trustees may withhold from the Transaction Special Distribution or any Special Distribution payable to any Trust Unitholder such amounts which represent, as determined by the Trustees acting reasonably, amounts which were required by applicable law to have been withheld from payments to such Trust Unitholder but were not withheld at the time of such payments, including due to the character of such payments being different as a result of the Transaction (as defined in the Acquisition Agreement) than was expected at the time of such payments.
- (e) Except as otherwise provided for in this Section 11.7, Sections 11.1, 11.2 and Sections 11.4 through to 11.6, inclusive, shall apply *mutatis mutandis* to the Transaction Special Distribution and any Special Distribution.";
- (g) Add the following 13.1A:

"Notwithstanding any other provision of this Declaration of Trust or anything to the contrary contained herein but subject to Section 11.7(a)(ii), the Trustees may, without the approval of the Unitholders, make such amendments to the Declaration of Trust which in the opinion of the Trustees is necessary or desirable to give effect to the transactions contemplated in the Acquisition Agreement."; and
- (h) Delete Section 13.2 in its entirety and replace it with the following:

"Subject to Section 11.7(a)(ii) and Section 13.3, 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."

(collectively, the "**Declaration of Trust Amendments**").

Go-Shop Process

Following the announcement of the Acquisition Agreement, the REIT initiated a "go-shop" process in accordance with the terms of the Acquisition Agreement, with TD Securities contacting 45 prospective purchasers, some of whom have expressed interest and have entered into confidentiality and standstill agreements with the REIT and have been provided access to the REIT's electronic data room. The Go-Shop Period ends on June 9, 2012, and

the REIT has an option to extend the Go-Shop Period by 15 days to June 24, 2012 in certain circumstances, including when the Special Committee has determined that at least one such prospective purchaser has a reasonable prospect of making an Acquisition Proposal. There can be no assurance that the REIT will be successful in soliciting a Superior Proposal during its go-shop process or that, if made, any Superior Proposal will be completed upon its terms and conditions or at all. For further information regarding the solicitation process see “Transaction Agreements – The Acquisition Agreement – Acquisition Proposals – Go-Shop Period”.

Recommendation of the Special Committee

The Board of Trustees established a Special Committee to consider the offer from Bidco and to evaluate strategic alternatives for the REIT. After careful consideration, the Special Committee has unanimously recommended to the Board that it approve the Transaction and determined that the Transaction is in the best interest of the REIT, and in the best interest of Unitholders and fair to Unitholders, in each case other than the Transaction Participants. The Special Committee recommends that Unitholders vote **FOR** the Transaction Resolution.

Recommendation of the Board of Trustees

After careful consideration, the Board of Trustees has unanimously approved the Transaction and determined that the Transaction is in the best interest of the REIT, and in the best interest of Unitholders and fair to Unitholders, in each case other than the Transaction Participants. **The Board of Trustees recommends that Unitholders vote FOR the Transaction Resolution. In the absence of a contrary instruction, persons named in the accompanying form of proxy intend to vote FOR the Transaction Resolution.**

Reasons for the Transaction

The Special Committee reached its recommendation after consulting with its financial and legal advisers and consideration of a number of factors, including the NBF Valuation and Fairness Opinion (see “The Transaction – NBF Independent Valuation and Fairness Opinion”) and the TD Securities Fairness Opinion (see “The Transaction – Fairness Opinion of TD Securities”). In reaching its recommendation, the Special Committee carefully considered all aspects of the Transaction, including the Acquisition Agreement and the Transaction Agreements, and considered a number of factors, including the factors listed below. Such factors, together with the recommendation of the Special Committee, were also taken into consideration by the Board of Trustees in reaching its decision to approve the Transaction and to recommend to Unitholders that they vote **FOR** the Transaction Resolution.

- *Significant Premium.* The total cash Consideration of \$14.25 to be received by holders of the Trust Units represents a premium of 19.3% to the 20-day volume weighted average price of \$11.94 per Trust Unit on the TSX for the period ended April 25, 2012 and a 15.4% premium to the REIT’s closing price of \$12.35 per Trust Unit as at April 25, 2012, which was the last trading day prior to the announcement of the Acquisition Agreement. Prior to receipt of the Proposal Letter, the Trust Units had not traded on the TSX at or in excess of \$14.25.
- *Certainty of Value and Immediate Liquidity.* The Consideration to be received by holders of Trust Units is payable in cash and provides Unitholders with certainty of value and immediate liquidity, and removes the risks associated with the continued ownership of Trust Units.
- *Independent Valuation and Fairness Opinions.* NBF provided the Special Committee with an independent formal valuation and fairness opinion which stated that, as of the date specified and based upon and subject to the analysis, assumptions, limitations and qualifications set forth therein, the fair market value of the Trust Units is in the range of \$13.25 to \$15.25 per Trust Unit and the Consideration to be paid to the holders of the Trust Units in connection with the Acquisition Agreement is fair, from a financial point of view, to holders of the Trust Units other than the Transaction Participants and their respective affiliates. In addition, the Special Committee received a separate opinion from TD Securities that, as of the date specified in such opinion, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth therein, the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units.

- *Negotiation Process and Terms of Acquisition Agreement.* The fact that the Acquisition Agreement was the result of a comprehensive negotiation process with respect to the key elements of the Transaction that was undertaken at arm's length with the oversight and participation of the Special Committee, the Board of Trustees and the REIT's outside legal counsel, financial adviser and tax adviser.
- *Go-Shop Provisions.* The fact that (i) the REIT may, with the assistance of TD Securities, solicit and facilitate the submission of alternate Acquisition Proposals from third parties for a period of 45 days ending June 9, 2012, subject to a 15-day extension on certain conditions including that the Special Committee has determined that at least one such third party has a reasonable prospect of making an Acquisition Proposal, and (ii) Bidco does not have a right to match an Acquisition Proposal received during the Go-Shop Period which is determined by the Special Committee to be a Superior Proposal.
- *Voting and Support Agreements.* The fact that DrimmerCo (and Mr. Daniel Drimmer) and PSP and PSP Holdco have each entered into Voting and Support Agreements with the REIT pursuant to which they have committed (subject to certain exceptions) to vote their Voting Units in favour of any such Superior Proposal received during the Go-Shop Period and DrimmerCo has committed that if the Transaction is terminated during the Go-Shop Period, or if terminated after the Go-Shop Period and the Bidco Termination Payment is paid or the applicable lender consents are not obtained in respect of CMBS mortgages, DrimmerCo will support any Superior Proposal received by the REIT for six months after such termination of the Acquisition Agreement, provided it is an Acceptable Superior Proposal. See "Transaction Agreements – Voting and Support Agreements".
- *Unitholders Can Support a Higher Offer.* The terms and conditions of the Acquisition Agreement, including the go-shop provision, the amount of the termination fee payable by the REIT under certain circumstances and the terms of the Voting and Support Agreements, do not preclude other bidders from submitting a Superior Proposal either before or after the Go-Shop Period or, provided the REIT complies with the terms of the Acquisition Agreement, preclude the Special Committee or the Board from considering and acting on a Superior Proposal prior the Meeting.
- *Superior Proposal Not Precluded.* The fact that the non-solicitation covenant on the part of the REIT following the expiry of the Go-Shop Period is subject to a customary "fiduciary out" provision, which entitles the REIT to consider and accept a Superior Proposal received following the expiry of the Go-Shop Period, subject to the right of Bidco to match such Superior Proposal, and that the Termination Payment and other terms of the Acquisition Agreement would not preclude a bidder from submitting a Superior Proposal.
- *Transaction Participants.* The financial requirements of each Transaction Participant under the Transaction, the financial wherewithal of each of the Transaction Participants, the representations received from the Transaction Participants respecting their sources of financing, and the potential implications of market risk to such financing. See "Information Concerning the Transaction Participants – Disclosure Concerning Financing Arrangements".
- *Guarantees.* The guarantee of each of the Transaction Participants (other than Bidco), pursuant to the Guarantee and Agreements, of certain obligations of Bidco under the Acquisition Agreement as well as certain other obligations, including PSP Holdco's, CAPREIT's and Timbercreek's obligation to pay the reverse termination payment where the obligation to pay is due to failure of such Transaction Participant to complete a purchase from the REIT under the respective Relevant Agreement to which it is a party, and a guarantee by each such Transaction Participant of its *pro rata* portion of Bidco's expense reimbursement obligations.
- *Execution Certainty.* The level of execution certainty offered by the Acquisition Agreement, the assessment by the Special Committee as to the commitment and ability of Bidco to complete the transactions contemplated by the Acquisition Agreement and the likelihood of completing the

Transaction, including the circumstances under which Bidco may be required to pay the REIT a Bidco Termination Payment or expense reimbursements, and considering the totality of the terms of the Acquisition Agreement and the related Transaction Agreements, including the outstanding approvals and consents required by both the REIT and Bidco to be obtained as a condition to completing the Transaction and other customary closing conditions.

- *Tax Advice.* The advice from the REIT's external tax adviser that due to the structure of the Transaction, pursuant to which holders of Trust Units will receive the Consideration of \$14.25 per Trust Unit in part by way of cash distribution on their Trust Units, and that such cash distribution will result in incremental income for tax purposes of \$0.14 per Trust Unit which would not be present under a transaction structure involving a sale of Trust Units.
- *Options.* The requirement under the Acquisition Agreement that the REIT cause the acceleration of the vesting of all in-the-money Options and make such amendments to the Unit Option Plan and take all such other steps as may be necessary or desirable to provide holders of in-the-money Options the right to receive cash for such Options for an amount equal to the amount by which the purchase price exceeds the exercise price of each such Option.
- *Payments and Reimbursements.* The circumstances under which the REIT may be required to pay a Termination Payment or expense reimbursement and the circumstances under which Bidco may be required to pay the REIT a Bidco Termination Payment or expense reimbursement.
- *Unitholder Approval.* The requirement that the Transaction Resolution be approved at a duly convened meeting by: (i) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the meeting; and (ii) in accordance with MI 61-101, the affirmative vote of a majority of the votes cast upon such resolution by Minority Unitholders present in person or represented by proxy at the meeting, and the agreement of DrimmerCo and PSP and PSP Holdco to vote their respective Voting Units in favour of the Transaction pursuant to the applicable Voting and Support Agreement.
- *Future Prospects and Status Quo.* The prospects for the future of the REIT's business as a standalone entity and pursuing the REIT's existing strategy, including the short- and long-term risks and uncertainties associated with achieving the business objectives of the REIT.
- *Transaction Impact on Other Stakeholders.* The impact of the Transaction on the REIT's stakeholders in addition to the Unitholders and holders of Options, including the holders of Convertible Debentures, creditors and employees.

The Special Committee and the Board of Trustees also considered a number of potential risks relating to the Transaction and the Acquisition Agreement in addition to those related to the above factors, including:

- *Risks of Non-completion.* The risks to the REIT if the Transaction is not completed, including the risk that the REIT will be able to find a party willing to pay an equivalent or more attractive price than the Consideration to be paid under the Acquisition Agreement, or that holders of Trust Units would be able to receive cash or other consideration for their Trust Units equal to or greater than the Consideration payable under the Acquisition Agreement in any other future transaction that the REIT may effect; the costs to the REIT incurred in pursuing the Transaction; the consequences of the suspension of acquisition and other activity of the REIT in accordance with the terms of the Acquisition Agreement; and the risk associated with the temporary diversion of the REIT management's attention away from the conduct of the REIT's business in the ordinary course.
- *Taxable Transaction.* The fact that the Transaction will be a taxable transaction for most holders of Trust Units and, as a result, taxes will generally be required to be paid by such holders of Trust Units on any income and gains that result from receipt of the Consideration in the Transaction.
- *Tax Treatment of Previous 2012 Distributions.* The fact that the Transaction is expected to result in previous current year distributions by the REIT which were previously expected to be

characterized in significant part as returns of capital to instead be characterized as distributions of net income for Canadian income tax purposes.

- *Withholding Tax Implications.* Unitholders who are not resident in Canada for tax purposes generally will be subject to withholding tax on the Special Distribution and Redemption and may, depending on their particular circumstances, face additional withholding tax relating to previous current year distributions. **In view of the withholding tax consequences described above, Unitholders not resident in Canada should discuss with their tax advisers the implications of selling Trust Units in the market as an alternative to participating in the Transaction.**
- *Non-fulfillment of Bidco's Obligations.* The risk that the conditions to Bidco's obligations to complete the Transaction or Bidco's obligation to pay the Bidco Termination Payment or expense reimbursement will not be fulfilled. See "Transaction Agreements – The Acquisition Agreement".
- *Bidco's Termination Right.* Bidco's right to terminate the Acquisition Agreement under certain circumstances. See "Transaction Agreements – The Acquisition Agreement – Termination of the Acquisition Agreement".
- *Going Private Transaction.* The fact that, following the implementation of the Transaction, the REIT will no longer exist as an independent public real estate investment trust and holders of Trust Units will forego any future increase in value that might result from future growth and the potential achievement of the REIT's long-term plans.
- *Inability to Enforce Certain Agreements.* The risk of non-completion resulting from the REIT's inability to directly enforce the Asset Purchase Agreements between Bidco and each of CAPREIT and Timbercreek, and certain other agreements among the Transaction Participants.
- *Lack of Specific Performance Remedy.* The fact that the sole remedy available to the REIT pursuant to the Acquisition Agreement for failure by Bidco to close is payment of the Bidco Termination Payment, with no remedy of specific performance to force closing of the Transaction.
- *Expense Reimbursement Fee.* The fact that failure to obtain required Unitholder approval of the Transaction will result in the requirement for the REIT to pay Bidco an expense reimbursement of up to \$6 million.

The foregoing discussion of the information and factors considered by the Special Committee and the Board of Trustees is not intended to be exhaustive but summarizes the material factors considered by the Special Committee and the Board of Trustees. The Special Committee and the Board of Trustees collectively reached their respective decisions with respect to the Transaction in light of the factors described above and other factors that each member of the Special Committee and the Board of Trustees considered appropriate.

In reaching its determination to approve and recommend the Transaction, neither the Special Committee nor the Board of Trustees found it useful or practicable to, and did not, quantify, rank or otherwise attempt to make any specific assessments of, or otherwise assign any relative or specific weight to, the factors that were considered. The Special Committee's and Board of Trustees' determination and recommendation were made after consideration of all of the factors relating to the Transaction and in light of their own knowledge of the business, financial condition and prospects of the REIT and were based upon the advice of the REIT's legal counsel and financial advisers and the Special Committee. Individual Trustees may have assigned or given different weights to different factors. **The Special Committee and the Board of Trustees were, however, unanimous in their respective determination that the Transaction be approved and in its recommendation that Unitholders vote FOR the Transaction Resolution.**

NBF Independent Valuation and Fairness Opinion

NBF advised the Special Committee and the Board of Trustees that, in the opinion of NBF, the Consideration to be paid to holders of Trust Units pursuant to the Transaction falls within the range of values identified in such independent valuation, namely within a range of between \$13.25 and \$15.25 per Trust Unit. NBF

also advised the Special Committee and the Board of Trustees that, based upon and subject to the assumptions, qualifications and limitations set out in the NBF Valuation and Fairness Opinion provided to the Special Committee and the Board of Trustees, the Consideration is fair, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates.

Valuation Requirement

As the Transaction constitutes a “business combination” under MI 61-101, the REIT was required to obtain a formal valuation of the affected securities from a qualified independent valuator and to provide the holders of the affected securities with a summary of such valuation. For the purposes of the Transaction, the Trust Units are considered “affected securities” within the meaning of MI 61-101.

Engagement

NBF and the Special Committee entered into an engagement agreement dated as of March 20, 2012 to prepare and deliver the NBF Valuation and Fairness Opinion. In retaining NBF, it was concluded that, based in part on representations made by NBF, NBF was independent and qualified to provide the Fairness Opinion and the NBF Valuation. The terms of the engagement agreement provide for the payment of fees by the REIT of \$700,000 upon delivery to the Special Committee of the NBF Valuation and Fairness Opinion. The fees to be paid to NBF under the engagement agreement were agreed between NBF and the Special Committee. None of the fees payable to NBF are contingent upon the conclusions reached by NBF in the NBF Valuation and Fairness Opinion or on the completion of the Transaction. In the engagement agreement, the REIT has agreed to indemnify NBF in respect of certain liabilities that might arise out of its engagement and to reimburse it for its reasonable expenses.

The NBF Valuation and Fairness Opinion was prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada, but that organization was not involved in the preparation or review of the NBF Valuation and Fairness Opinion.

Credentials of NBF

NBF is a Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The NBF Valuation and Fairness Opinion is the opinion of NBF and the form and content thereof has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Independence of NBF

Neither NBF nor any of its affiliates (i) is an “issuer insider”, “associated entity” or “affiliated entity” (as those terms are defined in MI 61-101) of the REIT, Mr. Daniel Drimmer or his associated entities or affiliated entities, including Starlight; (ii) is a financial adviser to Mr. Daniel Drimmer or his associated entities or affiliated entities, including Starlight, in connection with the Transaction; (iii) is a manager or co-manager of a soliciting dealer group formed for purposes of the Transaction (or will, as a member of any such group, perform services beyond the customary soliciting dealer’s function or receive more than the per security or per security holder fees payable to other members of such group); or (iv) has a material financial interest in the completion of the Transaction.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the REIT and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, NBF conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the REIT or the Transaction.

There are no commitments, agreements or understandings involving the REIT, Mr. Daniel Drimmer or any of their respective associated entities or affiliated entities under which NBF or any of its affiliates has a material financial interest in future business. In 2011, NBF participated in the REIT’s public offering of Trust Units and

Convertible Debentures, but did not act as lead or co-lead underwriter in respect of such offering. NBF or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to the REIT, Mr. Daniel Drimmer or any of their respective associated entities or affiliated entities.

NBF Valuation

The NBF Valuation defines fair market value as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and each under no compulsion to act. NBF did not make any downward adjustment to the value of the Trust Units to reflect the liquidity of the Trust Units, the effect of the Transaction on the Trust Units, or whether or not the Trust Units form part of a controlling interest. Consequently, the NBF Valuation provides a conclusion on a per Trust Unit basis with respect to the REIT's "en bloc" value, being the price at which all of the Trust Units could be sold to one or more buyers at the same time.

NBF's primary valuation methodology in preparing the NBF Valuation was a net asset value ("NAV") approach. NBF also reviewed precedent transactions involving public real estate entities with significant income producing properties, including an analysis of the implied capitalization rates ("cap rates") of net operating income ("NOI"), multiples of adjusted funds from operations ("AFFO") and premium to NAV. NBF also reviewed the trading multiples of relevant comparable public companies in the real estate industry, including an analysis of the cap rates of NOI, multiples of AFFO, multiples of funds from operations ("FFO") and premium to NAV. Lastly, NBF considered the premium applied in change of control transactions with respect to the relevant comparable companies.

NAV Approach

The NAV approach ascribes a separate value for each asset and liability category, utilizing the methodology appropriate in each case. The sum of total assets less total liabilities equals NAV. There are five key components to NBF's calculation of the REIT's NAV: 1) income producing properties; 2) capitalized general and administrative expenses; 3) secured, convertible and corporate level debt; 4) other assets and liabilities; and 5) distinct material value. The REIT's income producing properties portfolio consists of 176 multi-residential properties. To value the income producing properties, NBF used (i) a NOI capitalization approach; and (ii) a ten-year discounted cash flow ("DCF") approach. In completing the NAV analysis, NBF performed a variety of sensitivity analyses, the results of which are reflected in NBF's judgment as to the appropriate values resulting from the NAV approach.

Precedent Transactions Approach

In selecting the appropriate AFFO multiples, cap rates and premiums to NAV from precedent transactions involving Canadian public real estate entities with significant income producing properties to apply to the REIT, NBF considered the characteristics of the entities involved in the precedent transactions including, among other things, the size, quality and mix of their assets.

Comparables with Premium Approach

In applying the comparables valuation methodology to the REIT, NBF reviewed the public market trading multiples of multi-residential property real estate entities with significant income producing properties. In selecting the appropriate ranges of normalized FFO multiples per unit, normalized AFFO multiples per unit and implied cap rates from the comparable sample, NBF considered the characteristics of the publicly traded multi-residential property real estate entities including, among other things, the size, quality and mix of their assets, market capitalization, analyst coverage, forward trading multiples of FFO and AFFO, current yields, payout ratios, cap rates, leverage, asset management arrangements and governance. NBF reviewed change of control premiums paid in the Canadian public market for real estate entities in order to consider the value in the context of the purchase or sale of a comparable company to estimate the "en bloc" value of a particular company. Based on the analysis, NBF applied a 20.0% premium to the value ranges determined using the comparables approach.

Valuation Summary

The following is a summary of the range of “en bloc” fair market values of the Trust Units resulting from the NAV approach, precedent transaction approach, and the comparables with premium approach:

	<u>Low</u>	<u>High</u>
NAV Analysis using NOI Capitalization Approach.....	\$12.92	\$15.11
NAV Analysis using DCF Approach.....	\$12.90	\$15.69
Precedent Transactions Approach	\$13.58	\$14.85
Comparables with Premium Approach.....	\$14.26	\$15.68

Based upon and subject to the assumptions, qualifications and limitations set out in the NBF Valuation and Fairness Opinion, NBF is of the opinion that, as of April 25, 2012, the fair market value of the Trust Units is in the range of \$13.25 to \$15.25 per Trust Unit.

Fairness Opinion

Based upon and subject to the assumptions, qualifications and limitations set out in the NBF Valuation and Fairness Opinion, NBF is of the opinion that, as of April 25, 2012, the Consideration is fair, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates.

The full text of the NBF Valuation and Fairness Opinion describes the assumptions made, procedures followed, valuation approaches and other factors considered and limitations on the review undertaken by NBF. The foregoing is a summary of the NBF Valuation and Fairness Opinion and Unitholders are urged to read the NBF Valuation and Fairness Opinion in their entirety. The NBF Valuation and Fairness Opinion is attached as Appendix C hereto and form part of this Circular. In addition, the full text of the NBF Valuation and Fairness Opinion may be viewed at the REIT’s offices located at 5935 Airport Road, Suite 600, Mississauga, Ontario, L4V 1W5, and a copy of the NBF Valuation and Fairness Opinion will be sent to any Unitholder upon request subject to a nominal charge to cover printing and mailing costs. NBF’s fairness opinion which forms part of the NBF Valuation and Fairness Opinion is directed only to the fairness, from a financial point of view, of the Consideration. NBF’s fairness opinion does not address the relative merits of the Transaction 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 Transaction. NBF’s fairness opinion does not constitute a recommendation by NBF to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Transaction.

Fairness Opinion of TD Securities

Pursuant to an engagement letter dated as of February 14, 2012 between the REIT and TD Securities, TD Securities was retained to provide financial advice and assistance to the REIT and to the Special Committee and, if requested, prepare and deliver to the Special Committee and the Board of Trustees an opinion as to the fairness of the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates pursuant to the Transaction, from a financial point of view.

At the request of the Special Committee, the TD Securities Fairness Opinion was orally delivered to the Special Committee and the Board of Trustees on April 25, 2012, and subsequently delivered in writing. The TD Securities Fairness Opinion states that, in the opinion of TD Securities, and based upon and subject to the analyses, assumptions, qualifications and limitations set out in the TD Securities Fairness Opinion, the Consideration to be received by holders of Trust Units other than the Transaction Participants and their respective affiliates pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units.

TD Securities has not prepared a formal valuation or appraisal of the REIT or any of its securities or assets, and the TD Securities Fairness Opinion should not be construed as such.

The terms of the engagement letter between the REIT and TD Securities provide that TD Securities will receive a fee for its services, a portion of which is payable on delivery of the TD Securities Fairness Opinion and a

portion of which is contingent on a change of control of the REIT or certain other events, and is to be reimbursed for its reasonable out-of-pocket expenses. Furthermore, the REIT has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the engagement agreement.

The full text of the TD Securities Fairness Opinion which states among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Appendix D to this circular. Unitholders are encouraged to read the TD Securities Fairness Opinion carefully in its entirety. The TD Securities Fairness Opinion was provided to the Special Committee and the Board of Trustees in connection with their evaluation of the Consideration to be received pursuant to the Transaction, does not address any other aspect of the Transaction and does not constitute a recommendation as to how Unitholders should vote or act with respect to the Transaction.

Expenses of the Transaction

The REIT estimates that expenses in the aggregate amount of approximately \$9.2 million will be incurred by the REIT in connection with the Transaction, including legal, financial advisory, printing, depository and proxy solicitation fees and expenses and the cost of preparing and mailing this Circular and holding the Meeting.

TRANSACTION AGREEMENTS

Overview

The Acquisition Agreement provides the terms of the Transaction pursuant to which holders of Trust Units will receive an aggregate of \$14.25 in cash for each Trust Unit held by way of the Special Distribution of \$4.82 per Trust Unit and the Redemption for \$9.43 per Trust Unit and CAPREIT, Timbercreek, PSP Holdco and Bidco (or their respective affiliates) will each acquire an interest in or control over the REIT's Properties.

The Acquisition Agreement also provides for the REIT and Bidco entering into certain other Transaction Agreements that will govern certain aspects relating to the Transaction, including:

- the Voting and Support Agreements;
- the Guarantee and Agreements;
- the Subscription Agreement; and
- the Asset Purchase Agreements.

A summary description of the Acquisition Agreement and the Transaction Agreements is set forth below. This description of these agreements discloses all terms material to the Unitholders but is not complete and, with respect to each such agreement to which the REIT is a party, is qualified by reference to the provisions of the agreement, which has been filed with the Canadian securities regulatory authorities under the REIT's profile on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such agreements.

The Acquisition Agreement

The Acquisition Agreement contains the key provisions related to the payment of the Consideration to holders of Trust Units and acquisition of the REIT's Properties by CAPREIT, Timbercreek, PSP Holdco and Bidco (or their respective affiliates) in connection with the Transaction. The Acquisition Agreement also provides for the REIT and Bidco entering into the Transaction Agreements that will govern certain aspects relating to the Transaction.

Conditions to the Transaction

Mutual Conditions

The Acquisition Agreement provides that the obligations of the parties to complete the Transaction are subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent, each of which may only be waived, in whole or in part, by the mutual consent of the parties:

- (a) the Transaction Resolution having been approved by the Unitholders at the Meeting;
- (b) all required regulatory approvals having been obtained or (if not obtained) concluded on terms reasonably satisfactory to the parties;
- (c) no applicable law having been in effect that makes the consummation of the Transaction illegal or otherwise prohibited or enjoins any party from consummating the Transaction; and
- (d) the Acquisition Agreement not having been terminated in accordance with its terms.

Additional Conditions to the Obligations of the REIT

The Acquisition Agreement provides that the obligations of the REIT to complete the Transaction will also be subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent (each of which is for the exclusive benefit of the REIT and may only be waived, in whole or in part, by the REIT in its sole discretion):

- (a) all representations and warranties of Bidco made in the Acquisition Agreement being true and correct in all respects (without regard to any materiality qualifications contained therein) as of the Time of Closing (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of such specified date), except where any failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Bidco's ability to consummate the Transaction; and the REIT having received a certificate signed for and on behalf of Bidco by a senior officer thereof (without personal liability) confirming the same at the Time of Closing;
- (b) the covenants of Bidco under the Acquisition Agreement and the Asset Purchasers and Transaction Participants under the Transaction Agreements having been performed by them prior to the Time of Closing in all material respects and the REIT having received a certificate signed for and on behalf of each of the Asset Purchasers and Transaction Participants by a senior officer thereof (without personal liability) confirming same at the Time of Closing; and
- (c) immediately prior to the Time of Closing, Bidco having deposited, or having caused the deposit, with the Depositary cash in the amount equal to the aggregate amount payable to holders of Trust Units pursuant to the Special Distribution and Redemption, and to satisfy the obligations of Bidco pertaining to settlement of the Convertible Debentures and of the outstanding Options.

Additional Conditions to the Obligations of Bidco

The Acquisition Agreement provides that the obligations of Bidco to complete the Transaction will also be subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent (each of which is for the exclusive benefit of Bidco and may be waived, in whole or in part, only by Bidco in its sole discretion):

- (a) no act, action, suit, demand or proceeding having been taken by any governmental authority or any other person (other than the Transaction Participants) and no law having been proposed, enacted, promulgated or applied, in either case:
 - (i) that is reasonably likely to cease trade, enjoin, prohibit or impose limitations, damages or conditions on the completion of the Transaction or the right of the Transaction

Participants to own or exercise full rights of ownership of the Timbercreek Pool Assets and the CAPREIT Pool Assets that are, individually or in the aggregate, material in relation to the aggregate Consideration to be paid to holders of Trust Units pursuant to the Transaction; or

- (ii) which, if the Transaction were completed, would reasonably be expected to have a Material Adverse Effect (see “– Material Adverse Effect Definition”) or to materially adversely affect the Transaction Participants (individually or in the aggregate),

provided, however, that Bidco will not have the benefit of this condition if any such act, action, suit, demand, proceeding or law arises as a result of any material breach by any Transaction Participant of any of its respective covenants contained in any Transaction Agreement to which it is a party;

- (b) on or after the date of the Acquisition Agreement, there not having occurred or been disclosed to Bidco or the public if previously undisclosed to Bidco or the public, a Material Adverse Effect;
- (c) all representations and warranties of the REIT made in the Acquisition Agreement being true and correct in all respects (without regard to any materiality or Material Adverse Effect qualifications contained therein) as of the Time of Closing (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of such specified date), except where any failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect; and Bidco having received a certificate signed for and on behalf of the REIT by two Trustees (without personal liability) confirming the same at the Time of Closing;
- (d) the covenants of the REIT required to be performed by it under the Acquisition Agreement prior to the Time of Closing having been performed in all material respects and Bidco having received a certificate signed for and on behalf of the REIT by two Trustees (without personal liability) confirming the same at the Time of Closing;
- (e) satisfactory arrangements acceptable to Bidco having been made with respect to the redemption, repurchase or defeasance of the Convertible Debentures;
- (f) the outstanding principal amount of Assumed Debt (exclusive of the CMBS Debt) for the PSP Property Pool in respect of which the mortgagee thereunder has not consented to the assumption by IMH Pool VI LP or IMH Pool VII LP, as applicable, of mortgages in connection with the Transaction not exceeding 25% of the total outstanding principal amount of such Assumed Debt, being approximately \$51,421,523 (exclusive of the CMBS Debt), subject to the Debt Consent Adjustment;
- (g) Computershare Trust Company of Canada having provided its consent to the assumption of the CMBS Debt in connection with the Transaction; and
- (h) the outstanding principal amount of Assumed Debt for each of the Timbercreek Property Pool, the CAPREIT Property Pool and the Starlight Property Pool in respect of which the mortgagee thereunder has not consented to the assumption of such mortgages by the applicable Transaction Participant in connection with the Transaction, not exceeding 25% of the total outstanding principal amount of such Assumed Debt in respect of the applicable Transaction Participant, being approximately \$66,243,840, \$45,983,232 and \$31,288,495, respectively, subject to the Debt Consent Adjustment.

Representations and Warranties

The Acquisition Agreement contains certain representations and warranties of the REIT, including, without limitation, representations relating to the following: organization and subsidiaries; capitalization; authority to enter into and execution of the Acquisition Agreement; Unitholder approval of the Transaction in the Transaction

Resolution; no violations as a result of the Acquisition Agreement and the Transaction; governmental authorizations (see “Principal Legal Matters Related to the Transaction”); required consents; absence of changes; disclosure record; the absence of undisclosed liabilities; title to assets; real property; books and records; compliance with laws; authorizations; litigation; intellectual property; material contracts; lack of restrictions on business activities; insurance; related party transactions; certain tax matters; environmental matters; benefit plans and labour and employment matters; the NBF Valuation and Fairness Opinion and the TD Securities Fairness Opinion; and broker and other payments.

The Acquisition Agreement also contains representations and warranties of Bidco, including, without limitation, representations relating to the following: organization; authority to enter into the Acquisition Agreement; execution of the Acquisition Agreement; no violations as a result of the Transaction; governmental authorizations (see “Principal Legal Matters Related to the Transaction”); access to sufficient Bidco financing (see “Information Concerning the Transaction Participants – Disclosure Concerning Financing Arrangements”); delivery to the REIT of Asset Purchase Agreements.

Material Adverse Effect Definition

“**Material Adverse Effect**” means any one or more actions, changes, effects, events, developments or occurrences or sets of circumstances or facts, individually or in the aggregate, that has been or would reasonably be expected to be materially adverse to the assets, liabilities, business, affairs, results of operations or financial condition of the REIT and its subsidiaries, as applicable, taken as a whole, or that materially adversely affects the REIT’s ability to consummate the Transaction, in each case, other than any event or occurrence relating to or resulting from:

- (a) the announcement of the execution of the Acquisition Agreement or the Transaction, the performance of the covenants and obligations in Acquisition Agreement, the completion of any of the transactions contemplated by Acquisition Agreement or the identity of or any act or failure to act by any of Bidco, the Transaction Participants or any of their respective affiliates as the acquirers of the REIT or the Properties (including (i) any delay in or disruption to the conduct of the business or operations of the REIT and its subsidiaries, including obtaining financing therefor; (ii) any direct or indirect impact on, including any threatened adverse change in, the relationship of the REIT or any of its subsidiaries with any employees, customers, suppliers, partners, service providers, financing sources or creditors or any communities, districts or regions in which the REIT or any of its subsidiaries operate; and (iii) the acceleration of any indebtedness of the REIT or any of its subsidiaries as a result of the completion of any of the transactions or performance of any of its obligations contemplated hereby);
- (b) any action taken by the REIT or its subsidiaries at the request of any Transaction Participant or as required under any Transaction Agreement, or the failure to take any action prohibited by the Acquisition Agreement, or any breach by any Transaction Participant of any Transaction Agreement to which it is a party;
- (c) any decrease in the market price or any decline in the trading volume of the Trust Units on the TSX (it being understood, however, that any action, change, effect, event, development, occurrence or set of circumstances causing or contributing to any such decreases in market price may constitute a Material Adverse Effect and may be taken into account in determining whether a Material Adverse Effect has occurred);
- (d) any changes, developments, or events affecting the real estate industry, to the extent that they do not materially disproportionately affect the REIT and its subsidiaries, taken as a whole, in relation to other persons in the real estate industry;
- (e) the economy in general, or financial, credit, currency or capital markets in general, in Canada or elsewhere in the world, to the extent that they do not materially disproportionately affect the REIT and its subsidiaries, taken as a whole, in relation to other persons in the real estate industry;

- (f) changes (after the date of the Acquisition Agreement) in law or in GAAP or in accounting standards affecting the real estate industry in general (to the extent that they do not materially disproportionately affect the REIT and its subsidiaries taken as a whole);
- (g) any political conditions or developments, or any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the Acquisition Agreement to the extent that they do not materially disproportionately affect the REIT and its subsidiaries, taken as a whole, in relation to other persons in the real estate industry; and
- (h) earthquakes, hurricanes, tornados or other natural disasters to the extent that they do not materially disproportionately affect the REIT and its subsidiaries, taken as a whole, in relation to other companies in the real estate industry; and it being further understood that references in certain sections of the Acquisition Agreement to dollar amounts are not intended to be, and will not be deemed to be, illustrative or interpretive for purposes of determining whether a Material Adverse Effect has occurred.

Covenants of the REIT Regarding the Conduct of its Activities

The Acquisition Agreement contains affirmative and negative covenants specific to the REIT. Among other things, the REIT covenanted and agreed that from the date of the Acquisition Agreement until the earlier of the termination of the Acquisition Agreement in accordance with its provisions and the Time of Closing, except: (i) in connection with the Transaction or as expressly contemplated by the Acquisition Agreement; (ii) as set forth in the Disclosure Letter; or (iii) with the prior written consent of Bidco, not to be unreasonably withheld; the REIT will and will cause each of its subsidiaries, as applicable, to: (x) carry on its business or activities, in the ordinary and regular course, consistent with all applicable laws in all material respects and in substantially the same manner as previously conducted; and (y) to the extent consistent with the foregoing clause (x), use commercially reasonable efforts to preserve intact its present business or operational organization and keep available the services of its present officers and employees and others having commercial dealings with it to the end that its goodwill, relationships with customers and operations will be maintained. Without limiting the generality of the foregoing, the REIT covenanted and agreed that it will, and it will cause its subsidiaries, to (during that time and subject to the exceptions in clauses (i) through (iii) above):

- (a) not split, consolidate, classify or reclassify any of the outstanding Trust Units or other equity interests of the REIT or any of its subsidiaries that is not directly or indirectly wholly owned by the REIT, nor declare, set aside or pay any distributions whether in cash, securities or other property on or in respect of the outstanding Trust Units or other equity interests of the REIT or any of its subsidiaries that is not directly or indirectly wholly owned by the REIT other than the regular monthly cash distributions payable on the Trust Units and the Class B LP Units and the payment, immediately prior to Closing, of a pro-rated cash distribution on the Trust Units and the Class B LP Units for the period from the record date of the prior regular monthly cash distribution and the Closing Date;
- (b) except pursuant to the exercise of outstanding rights under the securities, plans, agreements, arrangements and/or commitments referred to in the Acquisition Agreement, not sell, pledge, encumber, allot, reserve, set aside or issue, authorize or propose the sale, grant, pledge, encumbrance, allotment, reservation, setting aside or issuance of, or purchase or redeem or propose the purchase or redemption of, any Trust Units, Special Voting Units or any class of securities convertible or exchangeable into, or rights, warrants or options to acquire, any such Trust Units or other convertible or exchangeable securities;
- (c) not pass a resolution approving, adopting or entering into a plan of liquidation or resolutions providing for, the complete or partial liquidation, winding-up, restricting reorganization, or dissolution of the REIT or any of its subsidiaries;
- (d) not amend the Declaration of Trust, articles, by-laws, limited partnership agreements or other organizational documents of any subsidiary, or sell, pledge, encumber, allot, reserve, set aside or

issue, authorize or propose the sale, pledge, encumbrance, allotment, reservation, setting aside or issuance of, or purchase or redeem or propose the purchase or redemption of, any securities of any of its subsidiaries or any class of securities convertible or exchangeable into, or rights, warrants or options to acquire, any such securities or create any new subsidiaries;

- (e) not reorganize, amalgamate, consolidate, wind up or merge the REIT or any of its subsidiaries with any other person, nor acquire or agree to acquire: (i) by amalgamating, merging or consolidating with, purchasing substantially all of the assets or shares of, entering into any other business combination with, or otherwise, any person or business of any other person; or (ii) any other assets, other than as described in the Disclosure Letter and immaterial assets acquired in accordance with the Acquisition Agreement or in the ordinary and regular course consistent with past practice and the disposition of assets as described in the Disclosure Letter;
- (f) not sell or purchase any Properties (except the acquisition of the property municipally known as 10, 11 and 20 Charlie Grace Terrace, Saint John, New Brunswick), interests in Properties, Trust Units, equity voting interests or securities and, not sell, mortgage (except in respect of Assumed Debt), refinance, lease (except in respect of residential or commercial leasing of the Properties in the ordinary and regular course), sublease, transfer, license, pledge, encumber, subject to an encumbrance or otherwise dispose of any material assets;
- (g) not pay, discharge, settle or satisfy any litigation claims (including any litigation claims of holders of Trust Units and any Unitholder litigation relating to the Acquisition Agreement or any transaction contemplated by the Acquisition Agreement or otherwise), other than the payment, discharge, settlement or satisfaction of claims (i) as required by their terms as in effect on the date of the Acquisition Agreement and included in the Disclosure Letter; (ii) reserved against in the Financial Statements (in amounts not in excess of such reserves); or (iii) incurred since the date of Financial Statements in the ordinary and regular course consistent with past practice not in excess of \$10,000;
- (h) not terminate, amend or modify or fail to enforce any standstill obligation under any confidentiality agreement or standstill agreement and use commercially reasonable efforts to enforce the Rights Plan (other than in respect of the Transaction) and not, except as provided for in the Acquisition Agreement, waive the application of or amend such agreement;
- (i) advise Bidco of any municipal work orders that may arise from and after the date of the Acquisition Agreement, of which the REIT or any of its subsidiaries has received written notice;
- (j) except for work orders, undertakings to lenders, certain purchase orders and emergency repairs and replacements, not make or commit to make any individual capital expenditure or series of related capital expenditures in excess of \$7,500 without the prior consent of Bidco, not to be unreasonably withheld, provided that in the event Bidco does not provide consent to the REIT or any of its subsidiaries within one (1) business day of such request for consent, Bidco will be deemed to have consented thereto.
- (k) except as requested by Bidco, not pay or incur any:
 - (i) termination, severance, retention or similar payments to any employee or member of the REIT's Board in connection with the Transaction; and
 - (ii) premiums in respect of the directors and officers run-off insurance policies described in the Acquisition Agreement,which total more than \$5.2 million;
- (l) other than as provided for in the Acquisition Agreement, not amend, vary or modify the Unit Option Plan or the Trustee Unit Issuance Plan, or other benefits or entitlements granted thereunder, as applicable;

- (m) not enter into or modify any employment, severance or similar agreements, policies or arrangements with, or any benefit plans covering, or grant any bonuses, salary increases, pension or supplemental pension benefits, profit sharing, phantom equity or other awards linked to the value of the Trust Units, retention payments, retirement allowances, deferred compensation, incentive compensation, severance or termination pay to, or authorize any other form of increase of compensation or any increase of benefits payable to, or accelerate the vesting of any item of compensation of employee benefits with respect to, or make any loan to, any trustee, director, officer or employees (or independent contractors) of the REIT or any subsidiary or make determinations under any benefit or other plans that are inconsistent with past practices;
- (n) other than solely among and between any of the REIT and/or its subsidiaries, not: (i) guarantee the payment of any additional material indebtedness or enter into any other agreement to maintain the financial condition of another person, or incur any additional material indebtedness (secured or unsecured) for guarantees or borrowed money or issue or sell any material debt securities; (ii) make loans, advances or other capital contributions to or investments in any other person; (iii) prepay, refinance or otherwise materially amend any existing indebtedness; or (iv) pledge or otherwise encumber Trust Units or other equity or securities of the REIT or any of its subsidiaries;
- (o) use commercially reasonable efforts (and cause each of its subsidiaries to use commercially reasonable efforts) to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse unless, simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing similar coverage are in full force and effect;
- (p) not make any material write down of assets or make any material changes to existing accounting practices, except as required by law or required by GAAP;
- (q) not enter into, renew or amend, terminate or waive compliance with the terms of, or breach or assign, any Material Contract or fail to enforce any rights thereunder, other than those contracts not being assumed by the Asset Purchasers pursuant to the Transaction or renewals or amendments in respect of the GE Pool TGA-3/3D or loan and security documents in respect of that Assumed Debt set out in the Disclosure Letter that has not yet been funded;
- (r) not enter into any Material Contract or material amendment to a Material Contract: (i) containing: (x) any material limitation or restriction on the ability of the REIT or its subsidiaries to engage in any type of activity or business; (y) any material limitation or restriction on the manner in which, or the localities in which, all or any material portion of the business or activities, as the case may be, of the REIT or its subsidiaries is or would be conducted; or (z) any material limit or restriction on the ability of the REIT or its subsidiaries to solicit tenants or employees; (ii) containing any provisions that have the effect of providing that the consummation of the transactions contemplated by the Acquisition Agreement or compliance by REIT and its subsidiaries with the provisions of the Acquisition Agreement: (A) will conflict with, result in any violation or breach of, or constitute a material default (with or without notice or lapse of time or both) under, such Material Contract; or (B) give rise under such Material Contract to its termination, any right of termination, right of first refusal, material amendment, revocation, cancellation, material acceleration, loss of a material benefit or the creation of any material encumbrance; or (iii) that involves or would reasonably be expected to involve payments outside the ordinary and regular course that are in excess of \$100,000 per annum and that is not terminable within 365 days of the Closing Date without payment by Bidco or its affiliates;
- (s) not: (i) make, rescind or change any election relating to taxes, annual tax accounting period or change any method of tax accounting or reporting in any material respect except as may be required by applicable law or GAAP; (ii) enter into any material agreement with any governmental authority relating to taxes; (iii) settle any material tax claim or assessment; (iv) surrender any right to claim a material tax refund; (v) amend any of its transfer pricing policies except as may be required by applicable law; or (vi) amend any tax return, or make any material change to the

practice in respect of the reporting of income or the claiming deductions for tax purposes except as may be required by applicable law;

- (t) not take any action or fail to take any action if such action or failure to act would reasonably be expected to result in an inability of the REIT to satisfy certain conditions of the Acquisition Agreement at Closing;
- (u) not take any action that, individually or in the aggregate, would reasonably be expected to cause any of the conditions set forth in the Acquisition Agreement not to be satisfied and use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions of the Transaction, to the extent the same is reasonably within its control, and will use commercially reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Transaction, including using its commercially reasonable efforts to cooperate with Bidco to oppose, lift or rescind any injunction or restraining order or other order or action seeking to enjoin the Transaction, or otherwise adversely affecting the ability of Bidco and the REIT to consummate the Transaction;
- (v) except as otherwise permitted by the Acquisition Agreement, not propose, announce, authorize, commit, agree to or enter into any agreement to do any of the foregoing prohibited matters.
- (w) use commercially reasonable efforts to obtain estoppel certificates from any commercial tenants prior to Closing;
- (x) issue notices to terminate (conditional on Closing), at Bidco's expense, those contracts not being assumed by the Asset Purchasers pursuant to the Transaction, which notices will be delivered as follows: (i) as soon as reasonably possible after the date of the Acquisition Agreement in respect of such terminated contracts other than the property management agreements forming a part thereof so that the required notice period under such terminated contracts can be completed on or before Closing, if possible; and (ii) in respect of such property management agreements, on the Closing Date or such earlier date as the REIT may agree to after considering the status of the satisfaction of the conditions in favour of Bidco hereunder;
- (y) make available to the Transaction Participants prior to Closing, a correct and complete copy of the articles, by-laws, constating documents and other organizational documents of each of the REIT's subsidiaries and all nominees relating to the Properties, in each case, as amended to the Closing Date;
- (z) cause the removal of, or use commercially reasonable efforts to obtain the resignation of, officers and directors, conditional on Closing and effective as of the Closing Date, from all subsidiaries of the REIT and all nominees relating to the Properties and from condominium corporations for any Properties where a condominium declaration has been registered;
- (aa) use commercially reasonable efforts to comply with any outstanding work orders and undertakings to lenders and complete any purchase orders in accordance with their terms and provide clearance letters from the respective municipal departments that are required to be complied with or completed on or before Closing, provided that, Bidco agrees that to the extent such work orders, purchase orders or undertakings to lenders that are required to be complied with or completed on or before Closing are not closed or completed by Closing notwithstanding the REIT's commercially reasonable efforts, Bidco will nonetheless accept the Properties in such state and will assume the obligations under such outstanding work orders, purchase orders and undertakings to lenders;
- (bb)
 - (i) take all further action necessary:
 - (A) in order to ensure that the Separation Time (as defined in the Rights Plan) does not occur in connection with the performance of the Acquisition Agreement; and

- (B) to ensure that the Rights Plan does not interfere with or impede the success of the Transaction.
- (ii) not waive the application of Section 3.1 of the Rights Plan to any Acquisition Proposal unless it is a Superior Proposal and (in the case of an Acquisition Proposal received following the Go-Shop Expiry Time) the Match Period has expired;
- (iii) not amend the Rights Plan or authorize, approve or adopt any other Unitholder rights plan or enter into any agreement providing therefor. Notwithstanding the foregoing, the REIT will be entitled to defer the Separation Time in connection with an Acquisition Proposal.
- (cc) use commercially reasonable efforts to obtain the resignation of the Trustees from their positions effective as of the Closing;
- (dd) except as expressly permitted hereunder and except as may be required pursuant to the Transaction Steps Memorandum, neither the REIT nor its subsidiaries will register anything on title to any of the Properties in connection with the Transaction or the Transaction Steps without the prior written consent of Bidco, not to be unreasonably withheld, provided that in the event Bidco does not provide consent to the REIT or any of its subsidiaries within two business days of such request for consent, Bidco will be deemed to have consented thereto;
- (ee) use commercially reasonable efforts to (i) promptly upload all additional material information which comes to the knowledge of the REIT which materially amends or supplements the existing documents or information made available to the Transaction Participants in the REIT's virtual data room, (ii) provide prompt notice to the Transaction Participants and their representatives of all such uploads and (iii) ensure uninterrupted access by them to the REIT's virtual data room information up to the Closing Date;
- (ff) the REIT will file those elections as required under the Tax Act and Regulations as are reasonably required in order to give effect to the Transaction and the Transaction Steps and will provide copies of such elections to Bidco in advance of filing for review; and
- (gg) the REIT agreed that, upon the request of Bidco, the REIT will cause its subsidiaries to use commercially reasonable efforts to effect such reorganization of their business, operations and assets (including the Timbercreek Pool Assets and the CAPREIT Pool Assets) or transfer of assets to other related entities, as Bidco may request in furtherance of (but not including) the Transaction Steps (the "**Pre-Closing Reorganization**"), provided that the REIT will not be obligated to effect any Pre-Closing Reorganization that is prejudicial to the holders of Trust Units. See "Transaction Agreements – The Acquisition Agreement – Pre-Closing Reorganization".

Covenants of Bidco

Pursuant to the Acquisition Agreement, Bidco agreed that, except as contemplated in the Acquisition Agreement, until the Time of Closing or the day upon which the Acquisition Agreement is terminated, whichever is earlier:

- (a) it will use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions of the Transaction, to the extent the same is within its control, and will use commercially reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done (including using reasonable commercial efforts with respect to the actions of the Asset Purchasers and Transaction Participants), all other things necessary, proper or advisable under all applicable laws to complete the Transaction;
- (b) it will use commercially reasonable efforts to co-operate with the preparation of the Circular including providing to the REIT, on a timely basis, all information regarding itself and any Asset Purchaser or Transaction Participant as may be reasonably required for completion of the Circular, and covenants that the information delivered by or on behalf of it to the REIT in writing for

inclusion in this Circular will not contain any misrepresentation. Bidco agreed to indemnify and save harmless the REIT, its subsidiaries and their respective trustees, directors, officers, employees and representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which the REIT, any subsidiary or any of their respective trustees, directors, officers, employees or representatives may be subject or may suffer that results primarily from any misrepresentation or alleged misrepresentation in any information with respect to Bidco included in the Circular that is provided in writing by or on behalf of Bidco for the purpose of inclusion in the Circular;

- (c) it will not permit any waiver, amendment, modification or replacement of any of the Asset Purchase Agreements if such waiver, amendment, modification or replacement could reasonably be expected to adversely affect the REIT, the holders of Trust Units or the consummation of Transaction in accordance with the terms of the Acquisition Agreement. Bidco will use its commercially reasonable efforts: (i) to maintain the effectiveness of the Asset Purchase Agreements, (ii) to satisfy, on or prior to the Closing, all conditions under the Asset Purchase Agreements that are applicable to it and within its control and otherwise comply with its obligations thereunder, and (iii) to consummate the transactions contemplated by the Asset Purchase Agreements at or prior to the Closing. Notwithstanding anything contained in this section or in any other provision of the Acquisition Agreement, Bidco will give the REIT prompt written notice: (i) of any breach or default by any party to any Asset Purchase Agreement of any provisions thereof; (ii) of the receipt of any written notice or other written communication from any such party with respect to any: (A) breach, default, termination or repudiation by any party to any Asset Purchase Agreement of any provisions thereof, or (B) dispute or disagreement between or among any parties to any Asset Purchase Agreement; and (iii) if for any reason Bidco believes in good faith that it is reasonably likely that it will not be able to complete any of the transactions contemplated by the Asset Purchase Agreements; and
- (d) it will use commercially reasonable efforts to obtain all necessary lender consents, and pay all costs and fees of the lender(s) in connection with such lender consents to the extent required pursuant to the terms of the Assumed Debt. For greater certainty this covenant will not require the Transaction Participants to repay or defease any Assumed Debt (other than in respect of the 294 Chandler Drive, Kitchener, property which forms part of the security for the CMBS Debt and which is being defeased).

Mutual Covenants of the REIT and Bidco

Pursuant to the Acquisition Agreement, each party agreed to perform all obligations reasonably required to be performed by it under the Acquisition Agreement, and the REIT agreed to cause its subsidiaries to perform all obligations reasonably required to be performed by such subsidiaries under the Acquisition Agreement. Subject to the terms of the Acquisition Agreement, each party agreed to cooperate with the other parties in connection with the transactions contemplated in the Acquisition Agreement, and agreed to do all such other acts and things as may be reasonably necessary in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by the Acquisition Agreement and, without limiting the generality of the foregoing, the parties agreed to, and where appropriate the REIT agreed to cause its subsidiaries to:

- (a) reasonably cooperate with the other parties to obtain all necessary consents, approvals and authorizations that are required to be obtained under applicable law, including, without limitation, such exemptive applications or orders as may be required or desirable under applicable securities laws and in respect of the required regulatory approvals;
- (b) reasonably cooperate in seeking any third party consents or waivers, at Bidco's cost and expense, under leases, licenses or other contracts being assumed by the Asset Purchasers, including all Material Contracts, other than those as set forth above under heading "Covenants of Bidco" and as set out in the Acquisition Agreement;
- (c) subject to any applicable laws and to the Confidentiality Agreement, the parties will coordinate and cooperate with one another and Bidco will use its commercially reasonable efforts to cause the

Asset Purchasers and Transaction Participants to cooperate in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with those actions contemplated above under heading “Covenants of Bidco” and as set out in the Acquisition Agreement, including keeping each other generally apprised as to the status of the process of obtaining lender consents upon request by the REIT, acting reasonably;

- (d) use commercially reasonable efforts to defend, in consultation with Bidco, all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting the Acquisition Agreement or the consummation of the transactions contemplated by the Acquisition Agreement, including the Transaction;
- (e) use its reasonable best efforts to have lifted or rescinded any injunction or restraining order relating to the REIT or any of its subsidiaries or other order which may adversely affect the ability of the parties to consummate the transactions contemplated by the Acquisition Agreement, including the Transaction;
- (f) comply promptly in all material respects with all requirements which applicable laws may impose on them with respect to the transactions contemplated by the Acquisition Agreement, including the Transaction;
- (g) satisfy, or cause the satisfaction of, each of the conditions set forth in the Acquisition Agreement, to the extent the same is within its control;
- (h) in the case of Bidco, use commercially reasonable efforts to cause the Asset Purchasers and Transaction Participants to satisfy, or cause the satisfaction of, each of the conditions set forth in the Acquisition Agreement, to the extent the same is within the Asset Purchaser’s or Transaction Participant’s control (provided that nothing in the Acquisition Agreement will be deemed to require Bidco to cause an Asset Purchaser or a Transaction Participant to complete the Transaction);
- (i) in the case of Bidco, waive or caused to be waived, all pre-emptive rights to purchase securities of the REIT in relation to the Transaction only;
- (j) in the case of the REIT, promptly advise Bidco in writing of any Material Adverse Effect of which it is, or prior to Closing becomes, aware;
- (k) in the case of the REIT, continue to file all documents or information required to be filed by the REIT under applicable laws or with the TSX, in accordance with timelines prescribed under applicable securities laws, or by the TSX or otherwise by a governmental authority, and all such documents or information, when filed, will comply as to form and substance in all material respects with the requirements of applicable laws and the rules of the TSX and will not contain any misrepresentation;
- (l) in the case of the REIT, properly reserve (and reflect such reserve in its books and records and financial statements), for all taxes payable by it for which no tax return is required to be filed by it on or before the Time of Closing in a manner consistent with past practice; and
- (m) in the case of the REIT, after consultation with Bidco, duly and timely file all tax returns required to be filed by it or any of its subsidiaries, in a manner consistent with past practice except as may be required by applicable law, which tax returns will be correct and complete in all material respects and fully and timely pay, withhold, collect and remit in a timely fashion to the appropriate governmental authority all amounts relating to the tax required by applicable law to be so paid, withheld, collected or remitted.

Pre-Closing Reorganization

Pursuant to the Acquisition Agreement, the REIT agreed that, upon the request of Bidco, the REIT will cause its subsidiaries to use commercially reasonable efforts to effect such Pre-Closing Reorganization as Bidco may request in furtherance of (but not including) the Transaction Steps, provided that the REIT will not be obligated to effect any Pre-Closing Reorganization that is prejudicial to the holders of Trust Units. Bidco agreed to provide written notice to the REIT of any proposed Pre-Closing Reorganization (in addition to those actions set forth in the Transaction Steps) at least 20 days prior to the Time of Closing.

Upon receipt of such notice, the REIT and Bidco agreed to work cooperatively and use commercially reasonable efforts to prepare, prior to the Time of Closing, all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Closing Reorganization. The parties agreed to use commercially reasonable efforts to have any such Pre-Closing Reorganization made effective at least one business day prior to the Time of Closing as specified in such Pre-Closing Reorganization (but only after Bidco will have waived or confirmed in writing that the conditions under the Acquisition Agreement have been waived or satisfied) and provided that no such Pre-Closing Reorganization will be made effective unless:

- (a) the REIT is reasonably certain that the Transaction will become effective and will not be materially delayed, impaired or impeded as a result of such Pre-Closing Reorganization;
- (b) such Pre-Closing Reorganization can be reversed or unwound without materially adversely affecting the REIT and its subsidiaries or the holders of Trust Units in the event the Transaction does not become effective and the Acquisition Agreement is terminated;
- (c) such Pre-Closing Reorganization would not result in the REIT failing to satisfy at all times during its taxation year that includes the Closing Date the definition of a “real estate investment trust” under the Tax Act; and
- (d) such Pre-Closing Reorganization would not result in taxes being imposed on any holders of Trust Units incrementally greater than the taxes which would be imposed on such holders of Trust Units resulting from the consummation of the Transaction in accordance with the Transaction Steps; or
- (e) the parties otherwise agree.

If the Transaction is not completed, Bidco agreed to forthwith reimburse the REIT for all reasonable fees and expenses (including any professional fees and expenses) incurred by the REIT and its subsidiaries in considering and effecting any Pre-Closing Reorganization and will be responsible for all reasonable fees and expenses (including any professional fees and expenses) of the REIT and its subsidiaries, and any taxes of the REIT and its subsidiaries or the holders of Trust Units, arising as a result of, reversing or unwinding any Pre-Closing Reorganization that was effected prior to the termination of the Acquisition Agreement in accordance with its terms. Notwithstanding the foregoing, in no event will the completion of any Pre-Closing Reorganization be a condition to the completion of the Transaction.

Acquisition Proposals

Go-Shop Period

Notwithstanding any other provision of the Acquisition Agreement, from the date of the Acquisition Agreement until the Go-Shop Expiry Time, the REIT has the right, directly or indirectly, including through its subsidiaries or any of its or their representatives: (i) to solicit, initiate, encourage or in any manner facilitate inquiries from or submissions of proposals or offers from any person which are designed to facilitate the making of an Acquisition Proposal; (ii) to participate in any discussions or negotiations with any person or its representatives regarding an Acquisition Proposal; or (iii) provided that a person first enters into an Acceptable Confidentiality Agreement, to furnish non-public information with respect to the REIT and its subsidiaries to any such person and its representatives.

The REIT has a one-time option to extend the Go-Shop Expiry Time by 15 days if, on or before June 9, 2012: (i) one or more persons has executed an Acceptable Confidentiality Agreement; and (ii) at least one such person has a reasonable prospect of making an Acquisition Proposal and has engaged in due diligence of the REIT on the business day next preceding the date which was 40 days from the date of the announcement of the Acquisition Agreement. Any such extension of the Go-Shop Expiry Time shall be applicable only in respect of person(s) referred to in clause (ii) of the preceding sentence, as well as any additional persons who are: (x) acting jointly and in concert with any such person(s), (y) financing any such person's or persons' Acquisition Proposal or (z) entitled to participate in such person's or persons' Acquisition Proposal pursuant to any agreement, commitment or other understanding with such person(s) relating to an Acquisition Proposal.

Covenants Regarding Non-Solicitation

Except as permitted by the Acquisition Agreement, from and after the Go-Shop Expiry Time, the REIT will and will cause each of its subsidiaries and their representatives to: (i) immediately cease and cause to be terminated any existing solicitations, encouragements, communications, activities, discussions or negotiations with any persons (other than the Transaction Participants and their respective representatives) with respect to any potential Acquisition Proposal; and (ii) immediately cease to provide any other person (other than the Transaction Participants and their respective representatives) with access to information concerning the REIT and its subsidiaries; (iii) provide Bidco, prior to Closing, with the identity of all persons that executed Acceptable Confidentiality Agreements during the Go-Shop Period together with the details of any Acquisition Proposal; and (iv) immediately confirm with any person with which it has entered into an Acceptable Confidentiality Agreement that the Go-Shop Period has expired.

Except as permitted by the Acquisition Agreement, from and after the Go-Shop Expiry Time until the earlier of the Time of Closing or the termination of the Acquisition Agreement, the REIT will not, and will cause each of its subsidiaries not to: (i) solicit, initiate, encourage or facilitate inquiries from or submissions of proposals or offers from any person which are designed to facilitate the making of an Acquisition Proposal; (ii) participate in any discussions or negotiations with any such person or its representatives regarding an Acquisition Proposal; (iii) furnish to any person any non-public information with respect to the REIT or its subsidiaries; or (iv) release any person from any confidentiality or standstill agreement or similar obligation to the REIT or any of its subsidiaries.

After the Go-Shop Expiry Time, the REIT will notify Bidco of the receipt of any Acquisition Proposal, any *bona fide* inquiry or communication that could reasonably be expected to lead to an Acquisition Proposal or any request for non-public information. Such notice to Bidco will be provided orally and in writing, as promptly as practicable and will contain certain information as outlined in the Acquisition Agreement. To the extent that the REIT is permitted to provide information or to participate in discussions or negotiations pursuant to the Acquisition Agreement, the REIT will advise Bidco as promptly as practicable of the identity of such person, the material terms of any such Acquisition Proposal, inquiry communication or request and any modifications, amendments or proposed amendments to any material terms and conditions of any such Acquisition Proposal of which the Trustees or officers of the REIT become aware.

However, from and after the Go-Shop Expiry Time, following the receipt by the REIT of a *bona fide* written Acquisition Proposal that does not result from a breach of the Acquisition Agreement which the REIT's Board determines in good faith, after consultation with its financial advisers and outside legal counsel, constitutes or could reasonably be expected to lead to a Superior Proposal, the REIT and its representatives may: (i) contact, communicate and otherwise participate in discussions or negotiations with the person making the Acquisition Proposal and its representatives regarding such Acquisition Proposal; and (ii) furnish non-public information with respect to the REIT and its subsidiaries to such person after such person enters into an Acceptable Confidentiality Agreement.

In accordance with the Acquisition Agreement: (A) the REIT's Board may effect a Change in Recommendation; and/or (B) the REIT may enter into a written agreement with any person providing for or to facilitate an Acquisition Proposal other than an Acceptable Confidentiality Agreement (a "**Proposed Agreement**") and terminate the Acquisition Agreement in accordance with the Acquisition Agreement, in each case if and only if, the REIT's Board determines in good faith that such Acquisition Proposal is a Superior Proposal; and provided in each case that the REIT may do so only after:

- (a) the REIT has complied with its obligations under the Acquisition Agreement;

- (b) if the Acquisition Proposal is received following the Go-Shop Expiry Time, the REIT has provided Bidco with not less than four business days prior written notice (such four business day period being the “**Match Period**”) that the REIT’s Board has determined that it has received a Superior Proposal;
- (c) if the Acquisition Proposal is received following the Go-Shop Expiry Time, the REIT has negotiated in good faith with Bidco during the Match Period and, to the extent that Bidco offers to amend the Acquisition Agreement, the REIT’s Board determines that any such offered amendment does not cause the Acquisition Proposal to no longer constitute a Superior Proposal; and
- (d) the REIT has paid or concurrently pays the Termination Payment.

Pursuant to the Acquisition Agreement, the REIT agrees that each successive modification of any Acquisition Proposal will constitute a new Acquisition Proposal for purposes of the requirements of the Acquisition Agreement.

Termination of the Acquisition Agreement

The Acquisition Agreement may be terminated by notice in writing at any time prior to the Time of Closing:

- (a) by mutual written consent of Bidco and the REIT;
- (b) by the REIT:
 - (i) provided that the REIT is not in breach or default of any material covenant required to be performed by it under the Acquisition Agreement, if: (A) a Transaction Participant breaches or is in default of any material covenant required to be performed by it under any Transaction Agreement; or (B) if any representation or warranty of Bidco in the Acquisition Agreement will have become untrue or incorrect, in each case such that the conditions set forth in the Acquisition Agreement would not be satisfied; and provided that: (x) the REIT will be required to deliver written notice to Bidco specifying, in reasonable detail, all defaults or breaches of covenants, representations and warranties or other matters which the REIT is asserting as the basis for this right of termination; and (y) if such breach is curable by any Transaction Participant and for so long as such party continues to exercise such commercially reasonable efforts to cure such defaults or breaches, the REIT may not terminate the Acquisition Agreement under this section until the earlier of 30 days following the date of notice and August 30, 2012;
 - (ii) in order to enter into a Proposed Agreement in respect of a Superior Proposal, provided the REIT has complied with the Acquisition Agreement and the REIT has paid or concurrently pays Bidco the Termination Payment; or
 - (iii) if certain conditions set forth in the Acquisition Agreement have been and continue to be satisfied or have been waived and Bidco fails to complete the Transaction within two business days of the Closing Date or any such condition is not, or is incapable of being, satisfied by August 31, 2012 as a result of the wilful breach by one or more of the Transaction Participants of their obligations under any Transaction Agreement, and, in either case, the REIT certifies that it is ready, willing and able to consummate the Transaction on that date;
- (c) by Bidco:
 - (i) provided that it is not in breach or default of any material covenant required to be performed by it under the Acquisition Agreement, if: (A) the REIT breaches or is in default of any material covenant required to be performed by it under the Acquisition Agreement; or (B) if any representation or warranty of the REIT in the Acquisition

Agreement will have become untrue or incorrect in each case such that the conditions set forth in the Acquisition Agreement would not be satisfied; and provided that: (x) Bidco will be required to deliver written notice to the REIT specifying in reasonable detail all defaults or breaches of covenants, representations and warranties or other matters which Bidco is asserting as the basis for this right of termination; and (y) if such breach is curable by the REIT and for so long as the REIT continues to exercise such commercially reasonable efforts to cure such defaults or breaches, Bidco may not terminate the Acquisition Agreement under this section until the earlier of 30 days following the date of notice and prior to August 30, 2012;

- (ii) if the Trustees or any committee thereof:
 - (A) will have effected a Change in Recommendation;
 - (B) recommend any Superior Proposal or the support thereof or make a public announcement to that effect; or
 - (C) fails to reaffirm their Recommendation of the Transaction by press release within three business days after the public announcement of any Acquisition Proposal;
 - (iii) if the REIT enters into a Proposed Agreement in respect of a Superior Proposal or wilfully and intentionally breaches its non-solicitation obligations in any material respect; or
 - (iv) if there will have occurred after the date of the Acquisition Agreement any Material Adverse Effect.
- (d) by either the REIT or Bidco:
- (i) at any time after August 31, 2012, if the Time of Closing does not occur on or prior to such date for any reason; provided, however, that: (A) this right to terminate the Acquisition Agreement will not be available to any party whose failure to fulfill any obligation or the inaccuracy of whose representations and warranties under any Transaction Agreement has been the cause of, or resulted in, the failure of the Transaction to be completed on or before August 31, 2012, and (B) the termination of the Acquisition Agreement pursuant to this right will not relieve any party from any liability for any prior breach by it of the Acquisition Agreement, including for any inaccuracies in its representations and warranties;
 - (ii) if the Meeting will have been held and the Transaction Resolution will fail to receive the required Unitholder approval at the Meeting; or
 - (iii) if conditions precedent to Closing under the Acquisition Agreement relating to legal proceedings and applicable law are incapable of being satisfied; provided that the party seeking to terminate the Acquisition Agreement will have used commercially reasonable efforts to contest such proceedings.

Termination Payment

Termination Payment Payable by the REIT

If the Acquisition Agreement is terminated by:

- (a) the REIT in order to enter into a Proposed Agreement in respect of a Superior Proposal;
- (b) Bidco if the Trustees or any committee thereof: (i) will have effected a Change in Recommendation; (ii) recommend any Superior Proposal or the support thereof or make a public

announcement to that effect; or (iii) fail to reaffirm their Recommendation of the Transaction by press release within three business days after the public announcement of any Acquisition Proposal; or

- (c) Bidco if the REIT enters into a Proposed Agreement in respect of a Superior Proposal or wilfully and intentionally breaches certain of its obligations under the Acquisition Agreement in any material respect,

the REIT will pay to Bidco an amount equal to the Termination Payment. Such payment will be due no later than the third business day following the termination of the Acquisition Agreement or in the case of termination by the REIT in order to enter into a Proposed Agreement in respect of a Superior Proposal, concurrently or prior to such termination.

If:

- (a) after the date of the Acquisition Agreement and prior to the termination of the Acquisition Agreement, the Meeting has been held and the Transaction Resolution failed to receive the required Unitholder approval at the Meeting, a person has made an Acquisition Proposal or publicly announced an intention to make an Acquisition Proposal (whether or not conditional and whether or not withdrawn);
- (b) the Unitholders will not have approved the Transaction and the Acquisition Agreement has been terminated;
- (c) each of Bidco, PSP and PSP Holdco have voted the Trust Units in respect of which they are the beneficial owner or that are under their control or direction in favour of the Transaction Resolution in accordance with the Voting and Support Agreements; and
- (d) within 9 months of any such termination, the REIT or any of its subsidiaries enters into an agreement with any person with respect to an Acquisition Proposal;

the REIT will pay to Bidco an amount equal to the Termination Payment (less any Termination Expense Payment paid by the REIT); provided that for the purposes of such provisions, references to “20%” in the definition of “Acquisition Proposal” will be deemed to be “50%”. Such payment will be due no later than the third business day following the date on which the REIT or any of its subsidiaries enters into such agreement with such person with respect to an Acquisition Proposal or completes an Acquisition Proposal.

Termination Payment Payable by Bidco

If the REIT terminates the Acquisition Agreement when all of the mutual conditions precedent and conditions precedent to the obligations of Bidco have been satisfied or have been waived and Bidco fails to complete the Transaction within two business days of the Closing Date, and the REIT certifies that it is ready, willing and able to consummate the Transaction on that date, Bidco will pay to the REIT the Bidco Termination Payment.

Notwithstanding anything to the contrary in the Acquisition Agreement, the REIT’s right to terminate the Acquisition Agreement and receive the Bidco Termination Payment will be the sole and exclusive remedy of the REIT against Bidco or any of the Transaction Participants for any loss or damages suffered as a result of any breach of any covenant or provision of any Transaction Agreement or the failure of the Transaction to be completed. Neither the REIT nor any of its subsidiaries shall, under any circumstances, be entitled to specific performance by or other equitable relief from Bidco or the other Transaction Participants to compel such parties to complete the Transaction.

Upon such election by the REIT and payment of the Bidco Termination Payment, each of Bidco, the Asset Purchasers and Transaction Participants will have no further liability or obligation relating to or arising out of the Transaction Agreements or any related document or agreement contemplated by the Acquisition Agreement or in

respect of any other document or theory of law or equity or in respect of representations made in connection therewith (except under the Confidentiality Agreement).

Termination Expenses

If the Acquisition Agreement is terminated by Bidco when:

- (a) (i) the REIT breaches or is in default of any material covenant required to be performed by it under the Acquisition Agreement; or (ii) if any representation or warranty of the REIT in the Acquisition Agreement becomes untrue or incorrect; and provided that Bidco delivers written notice to the REIT and it is not in breach or default of any material covenant required by it under the Acquisition Agreement; or
- (b) the Meeting is held and the Transaction Resolution fails to receive the required Unitholder approval;

and each of the Transaction Participants have voted all Voting Units in respect of which they are the beneficial owner or that are under their control or direction in favour of the Transaction Resolution in accordance with the Voting and Support Agreements, the REIT will pay or cause to be paid to Bidco all fees and expenses of the Transaction Participants, up to a maximum of \$6,000,000, which were incurred in connection with the Transaction (the “**Termination Expense Payment**”).

If the Acquisition Agreement is terminated by the REIT when: (A) a Transaction Participant breaches or is in default of any material covenant required to be performed by it under any Transaction Agreement; or (B) any representation or warranty of Bidco in the Acquisition Agreement becomes untrue or incorrect; and provided that the REIT delivers written notice to Bidco and it is not in breach or default of any material covenant required by it under the Acquisition Agreement, Bidco will pay or cause to be paid to the REIT all fees and expenses of the REIT, up to a maximum of \$6,000,000, which were incurred in connection with the Transaction.

Further Actions by Trustees

Notwithstanding the passing of the Transaction Resolution by the Unitholders at the Meeting, the Trustees are authorized without further notice or approval of the Unitholders:

- (a) to amend the Acquisition Agreement to the extent permitted by the Acquisition Agreement; and
- (b) not to proceed with the transactions contemplated in the Acquisition Agreement in accordance with the terms and conditions of the Acquisition Agreement.

See “Transaction Resolution”.

Voting and Support Agreements

DrimmerCo and PSP (along with PSP Holdco), collectively holders of approximately 26.3% of the outstanding Trust Units (on a non-diluted basis, but including the issued and outstanding Class B LP Units), have each entered into a voting and support agreement (the “**Voting and Support Agreements**”) with the REIT pursuant to which they have committed to vote their securities of, or securities that are exchangeable into securities of, the REIT in favour of the Transaction and certain Superior Proposals received during the Go-Shop Period (each an “**Acceptable Superior Proposal**”).

Under each of the Voting and Support Agreements with the REIT, each of the applicable Unitholders has agreed to various other covenants, including a covenant to notify the REIT of the receipt of any Acquisition Proposal, any *bona fide* inquiry or communication that could reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to the REIT or any of its subsidiaries by any person, in circumstances where it knows, or reasonably expects, that such non-public information will be used by the recipient in connection with an Acquisition Proposal.

Each of the Voting and Support Agreements may be terminated at any time by mutual consent of the REIT and the applicable Unitholder, or by the REIT or the applicable Unitholder upon the occurrence of certain events, including upon a material breach by the other party of its material covenants under the Voting and Support Agreement, and will automatically terminate upon the termination of the Acquisition Agreement in accordance with its terms in certain circumstances. The Voting and Support Agreements may also be terminated by the applicable Unitholder if following the Go-Shop Expiry Time, a Proposed Agreement with respect to an Acceptable Superior Proposal which was executed prior to the Go-Shop Expiry Time is terminated or modified in a manner which results in such Acquisition Proposal no longer constituting an Acceptable Superior Proposal.

Notwithstanding the above, in the case of DrimmerCo only, if the Acquisition Agreement is terminated in accordance with its terms: (i) in circumstances where the Bidco Termination Payment is payable to the REIT; (ii) during the Go-Shop Period; or (iii) as a result of the applicable lender consents not being obtained in respect of the CMBS mortgages, and within six months of any such termination or within the remainder of the Go-Shop Period, as applicable, the REIT or any of its subsidiaries enters into an agreement with any person with respect to an Acquisition Proposal, such Acquisition Proposal will be deemed for all purposes of the Voting and Support Agreement to constitute an Acceptable Superior Proposal if such Acquisition Proposal satisfies certain criteria of the definition of Acceptable Superior Proposal and the REIT's Board has determined, in good faith, that such Acquisition Proposal constitutes a Superior Proposal. In such event, the Voting and Support Agreement may be terminated by mutual consent of the REIT and DrimmerCo, or if earlier, on the earlier of (i) the date that is five months after the date on which the REIT provided DrimmerCo with notice of such Acceptable Superior Proposal and (ii) the completion of such Acceptable Superior Proposal.

The Voting and Support Agreements were filed under the REIT's profile on SEDAR at www.sedar.com on April 26, 2012.

Guarantee and Agreements

On April 26, 2012, each of CAPREIT, Timbercreek and PSP Holdco (each a "**Guarantor**" with regards to the Guarantee and Agreement to which it is a party) entered into a Guarantee and Agreement with the REIT and PDK.

Pursuant to each Guarantee and Agreement, each Guarantor guaranteed: (a) the performance of the obligation of Bidco to pay to the REIT the Bidco Termination Payment, but only if a Bidco Termination Payment Event (as defined below) has occurred, and the immediate payment to Bidco, on demand, of such Bidco Termination Payment; and (b) the contribution of such Guarantor's *pro rata* share of Bidco's termination expense obligation under the Acquisition Agreement if such obligation becomes due and the immediate payment to Bidco, on demand, of such amount, subject to certain conditions. In certain circumstances, the Bidco Termination Payment may be shared among the Guarantors and Bidco. For the purposes of the foregoing, a "**Bidco Termination Payment Event**" means the occurrence of any of the following:

- (a) all of the mutual conditions precedent between the REIT and Bidco and conditions precedent to the obligations of Bidco under the Acquisition Agreement continue to be satisfied or have been waived, the Guarantor (either by itself or together with one or more of the other Transaction Participants) has failed to comply with its or their respective obligations under any of the Asset Purchase Agreements, the Subscription Agreement or the Acquisition Agreement, as the case may be (any one of them, the "**Relevant Agreement**"), to which it or any of them is a party, Bidco fails to complete the Transaction within two business days of the Closing Date, and the REIT certifies that it is ready, willing and able to consummate the Transaction; or
- (b) any mutual condition precedent between the REIT and Bidco or any condition precedent to the obligations of Bidco under the Acquisition Agreement is not, or is not capable of being, satisfied by August 31, 2012 as a result of the wilful breach by the Guarantor (either by itself or together with one or more of the Transaction Participants) of any of its or their respective obligations under any of the Transaction Agreements, and the REIT certifies that it is ready, willing and able to consummate the Transaction.

Pursuant to the Guarantees and Agreements, certain Guarantors have delivered to the REIT copies of financing commitment letters and have agreed to take certain actions in connection with obtaining financing necessary to complete their obligations with respect to the Transaction. See “Information Concerning the Transaction Participants – Disclosure Concerning Financing Arrangements”.

Pursuant to the Guarantees and Agreements, the REIT agreed to comply with the property access, competition law and the Meeting covenants contained in the Acquisition Agreement for the benefit of the Guarantors; each Guarantor agreed to take the same actions with respect to itself that Bidco is obligated to take with respect to itself (*mutatis mutandis*) pursuant to the competition law, co-operation regarding the Circular, and co-operation regarding lender consent covenants of the Acquisition Agreement for the benefit of the REIT and Bidco; PSP Holdco undertook to enter into the Subscription Agreement and to subscribe for the number of Trust Units specified in the Subscription Agreement on or immediately prior to the Closing Date; and the REIT agreed to provide reasonable and timely cooperation in connection with the arrangement of certain of the Guarantors’ financing.

The entering into of the Guarantee and Agreements does not contravene the prohibition against collateral agreements under applicable securities laws since it does not have the effect of providing the respective Guarantors thereunder with consideration of greater value than that offered to the other Unitholders under the Transaction.

The Guarantee and Agreements were filed under the REIT’s profile on SEDAR at www.sedar.com on April 26, 2012.

Subscription Agreement

The Subscription Agreement between PSP Holdco and the REIT sets out that on the Closing Date, concurrent with the execution and delivery of the Subscription Agreement by the parties, the REIT agrees to sell, and PSP Holdco agrees to purchase, a specified number of Trust Units for an amount, to be determined in accordance with the Transaction Steps Memorandum, which corresponds to the difference between the fair market value of an 82.5% interest in the PSP Property Pool and the value of the Trust Units already beneficially owned by PSP Holdco (and its affiliates, if any) and based on the understanding that such Trust Units (as well as the Trust Units already beneficially owned by PSP Holdco (and its affiliates, if any)) will be redeemed *in specie* immediately following the issuance thereof in exchange for an 82.5% interest in the PSP Property Pool.

The draft form of Subscription Agreement has been attached as Schedule A to the Guarantee and Agreement dated April 26, 2012 between PSP Holdco, the REIT and PDK, a copy of which has been filed under the REIT’s profile on SEDAR at www.sedar.com, and will be subject to further amendments and variations, as may be mutually agreed.

Asset Purchase Agreements

On April 26, 2012, CAPREIT and Timbercreek each entered into an agreement of purchase and sale (the “**CAPREIT APA**” and the “**Timbercreek APA**”, respectively, and collectively the “**Asset Purchase Agreements**”) with Bidco.

The CAPREIT APA provides for the acquisition, concurrently with the Closing of the Transaction, of all of the limited partnership interests in CAPREIT Pool Assets LP (which holds the CAPREIT Pool Assets) and the assumption of certain specified liabilities of the REIT related to the CAPREIT Pool Assets by CAPREIT. The purchase price under the CAPREIT APA is \$452,750,000, to be satisfied in part by the assumption of indebtedness related to the CAPREIT Pool Assets and subject to certain other adjustments, which is estimated to result in a net cash purchase price of approximately \$268,804,857.

The Timbercreek APA provides for the acquisition, concurrently with the Closing of the Transaction, of all of the Timbercreek Pool Assets and the assumption of certain specified liabilities of the REIT related to the Timbercreek Pool Assets by Timbercreek. The purchase price under the Timbercreek APA is \$613,500,000, to be satisfied in part by the assumption of indebtedness related to the Timbercreek Pool Assets and subject to certain other adjustments, which is estimated to result in a net cash purchase price of approximately \$348,524,641.

Except as set out in the Asset Purchase Agreements, each of CAPREIT and Timbercreek acknowledged and agreed that the purchased assets and all other aspects of the transactions under the respective Asset Purchase Agreements are to be purchased and sold “as is” and at CAPREIT’s and Timbercreek’s own risk and peril without any representation, warranty or covenant.

The obligations of Bidco and each of CAPREIT and Timbercreek under the respective Asset Purchase Agreements are conditional upon the satisfaction of the mutual conditions precedent and the additional conditions precedent to the obligations of Bidco under the Acquisition Agreement, and may be waived in whole or in part by Bidco (subject to certain restrictions), CAPREIT or Timbercreek by notice to the other party under the respective Asset Purchase Agreements on or before the Closing Date. See “Transaction Agreements – The Acquisition Agreement – Conditions to the Transaction”.

The entering into of the Asset Purchase Agreements does not contravene the prohibition against collateral agreements under applicable securities laws since it does not have the effect of providing either CAPREIT or Timbercreek with consideration of greater value than that offered to the other Unitholders under the Transaction.

PRINCIPAL LEGAL MATTERS RELATED TO THE TRANSACTION

Competition Law Matters

Pursuant to the Acquisition Agreement, on May 2, 2012, Bidco filed with the Commissioner of Competition (the “**Commissioner**”) a submission requesting an advance ruling certificate pursuant to section 102 of the Competition Act or, in the alternative, written confirmation that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in connection with the transactions contemplated by the Acquisition Agreement (a “**No Action Letter**”) and a waiver of the parties’ obligation to comply with the notification requirements of Part IX of the Competition Act, pursuant to s.113(c) of the Competition Act (a “**Waiver**”). On May 23, 2012, Bidco received a No Action Letter and a Waiver.

Canadian Securities Law Matters

The REIT is a reporting issuer (or the equivalent) under applicable securities legislation in each of the provinces of Canada and is, among other things, subject to applicable securities laws in each of the Canadian provinces, including MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of securityholders by requiring enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties) and independent valuations. The Transaction constitutes a “business combination” under MI 61-101 because it is a transaction as a consequence of which the interest of a holder of Trust Units of the REIT may be terminated without the consent of such holder of Trust Units, and as a result of the involvement of DrimmerCo, which is a “related party” under MI 61-101.

MI 61-101 provides that, unless an exemption is available, a reporting issuer proposing to carry out a business combination is required to obtain a formal valuation of the affected securities from a qualified independent valuator and to provide the holders of the affected securities with a summary of such valuation. For the purposes of the Transaction, the Trust Units are considered “affected securities” within the meaning of MI 61-101. The NBF Valuation and Fairness Opinion (the full text of which is attached as Appendix C) includes a formal valuation prepared in accordance with MI 61-101. A summary of the NBF Valuation and Fairness Opinion can be found under the heading “The Transaction – NBF Independent Valuation and Fairness Opinion”.

MI 61-101 also requires that, in addition to any other required securityholder approval, a reporting issuer must obtain approval of a simple majority of the votes cast by the Minority Unitholders, voting separately as a class, in order to complete a business combination. See “Transaction Resolution”.

Prior Valuations

There are no “prior valuations” (as defined in MI 61-101) in respect of the REIT that relate to the subject matter of or are otherwise relevant to the Transaction that have been made in the 24 months before the date hereof and the existence of which is known, after reasonable inquiry, to the REIT or to any Trustee or senior officer of the REIT, other than the formal valuations of certain of the Properties as part of the REIT’s acquisition of a portfolio of

residential properties from DrimmerCo in connection with the September 2011 Acquisition and January 2011 Acquisition. The January 2011 Acquisition is not considered by the REIT to be material.

The full text of such prior formal valuations describe the assumptions made, procedures followed, matters considered and limitations on the review undertaken by CB Richard Ellis, Limited (the “Valuator”). Below are summaries of the conclusions reached in such prior formal valuations and Unitholders are advised to read such prior formal valuations in their entirety. Summaries of such prior formal valuations (the “Prior Valuations”) and other formal valuations undertaken at that time have been filed with the Canadian securities regulatory authorities and are available for review on SEDAR at www.sedar.com. In addition, the full text of such Prior Valuations may be viewed at the REIT’s offices located at 5935 Airport Road, Suite 600, Mississauga, Ontario, L4V 1W5, and copies of such Prior Valuations will be sent to any Unitholder upon request subject to a nominal charge to cover printing and mailing costs.

Parties receiving the type of information set out in the Prior Valuations are cautioned that a summary or reproduction in part may distort the findings of the Prior Valuations and are advised to read the entire Prior Valuations. Caution should be exercised in the evaluation and use of valuation results. A valuation 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 Prior Valuations were based on various assumptions of future expectations and while the Valuator’s internal forecasts of net operating income for the Properties were considered to be reasonable at the time the Prior Valuations were prepared, some of the assumptions may not have materialized or may have differed materially from actual experience.

Summary of September 2011 Acquisition Properties Valuation

The Valuator was retained to provide an independent estimate of the fair market value of the 57 real estate properties that were indirectly acquired by the REIT pursuant to the September 2011 Acquisition (the “**September 2011 Acquisition Properties**”). The valuation of the September 2011 Acquisition Properties (the “**September 2011 Acquisition Properties Valuation**”) was prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada. The Appraisal Institute of Canada defines market value as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. According to the Appraisal Institute of Canada, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market; (iv) payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Based on the September 2011 Acquisition Properties Valuation, the estimated aggregate market value of the September 2011 Acquisition Properties as a portfolio as at June 30, 2011 ranged between \$763.4 million and \$778.3 million. These market values included a portfolio premium of 3.0% to 5.0%. The estimated market value of the September 2011 Acquisition Properties was determined by the Valuator by using an income valuation approach (which utilized the direct capitalization approach), and also by the direct comparison approach (which utilized the gross income multiplier approach, in respect of some September 2011 Acquisition Properties, and the sale price per suite approach). The Valuator gave consideration to a forecast of income for each property based on market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses and assumed completion of the new suites then under construction at 2265 Victoria Park, Toronto, Ontario and 270 Sheldon Avenue, Toronto, Ontario, 211 and 215 Reedaire Court, Whitby, Ontario, and 395 and 415 Cote Vertu Boulevard, 1105 Jules Poitras Boulevard and 370 Thompson Boulevard, Montréal, Québec. The Valuator visited each of the September 2011 Acquisition Properties to assess location and general physical characteristics and estimated the highest and best use for each property. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In valuating the September 2011 Acquisition Properties, the Valuator assumed that title to the September 2011 Acquisition Properties was good and marketable and did not take into account engineering, environmental, zoning, planning or related issues. The Valuator noted in the September 2011 Acquisition Properties Valuation that it had not taken into account any capital expenditures and that any outstanding expenditures of a capital nature will affect its value conclusions.

In determining the approximate market value of the September 2011 Acquisition Properties, the Valuator relied on operating and financial data provided by DrimmerCo, including rent rolls and projected net operating income. For each of the September 2011 Acquisition Properties, the Valuator discussed with management of DrimmerCo the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed management revenue and expense estimates as set forth in the forecast operating budgets for their reasonableness. Based on their review, and other relevant facts, the Valuator considered such data to be reasonable and supportable.

The Valuator was not made aware of any distinctive material benefit that would accrue to DrimmerCo and its third party co-vendors as a result of the Acquisition (other than the consideration to be paid to such parties for the Acquisition) and, accordingly, was unable to identify any such benefit.

Summary of January 2011 Acquisition Properties Valuation

The Valuator was retained by the Special Committee to provide an independent estimate of the fair market value of the 20 residential properties to be indirectly acquired by the REIT pursuant to the January 2011 Acquisition (the "**January 2011 Acquisition Properties**").

The Valuator followed similar valuation approach as the one used for the September 2011 Acquisition Properties, above. Based on the properties valuation for the January 2011 Acquisition Properties, the estimated aggregate market value of the January 2011 Acquisition Properties as a portfolio as at November 1, 2010 ranged between \$285.6 million and \$291.1 million. These market values included a portfolio premium of 3.0% to 5.0%. The Valuator gave consideration to a forecast of income for each property based on market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses and assumed completion of the new suites under construction at 6020 & 6030 Bathurst Street, Toronto, Ontario.

Summary of the Valuation of Properties Acquired at the REIT's Initial Public Offering

DrimmerCo retained the Valuator to provide an independent estimate of the fair market value of a portfolio of 65 residential properties acquired at the time of the REIT's initial public offering (the "**Initial Properties**").

The Valuator followed similar valuation approach as the one used for the September 2011 Acquisition Properties, above. Based on the valuation of the Initial Properties, the estimated aggregate market value of the Initial Properties as a portfolio as at April 1, 2010 ranged between \$776 million and \$791 million. These market values included a portfolio premium of 3.0% to 5.0%. The Valuator made certain assumptions listed in the valuation of the Initial Properties that would affect the Valuator's value conclusions; these included the assumption that the renovation work at 2283 Eglinton Avenue East had been completed, that the head leases between the REIT and DrimmerCo had been executed with respect to 2283 Eglinton Avenue East and 250 Sandringham Crescent, among others.

Stock Exchange Delisting

The Trust Units and Convertible Debentures are expected to be delisted from the TSX as soon as practicable following completion of the Transaction.

INFORMATION CONCERNING THE TRANSACTION PARTICIPANTS

The information concerning the Transaction Participants contained in this Circular has been provided by Bidco for inclusion herein. Although the REIT has no knowledge that would indicate that any statements concerning any of the Transaction Participants is untrue or incomplete, the REIT assumes no responsibility for the accuracy or completeness of such information or the failure by the Transaction Participants to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

Disclosure Regarding Bidco and the Transaction Participants

Bidco

Starlight is a privately-held real estate asset management company established in 2011 pursuant to the laws of the Province of Ontario. Starlight is driven by an experienced team led by Mr. Daniel Drimmer. Starlight provides asset management to a portfolio of approximately 7,000 multi-family suites spread over 70 residential rental real estate properties in the provinces of British Columbia, Alberta, Ontario, Québec, New Brunswick and Nova Scotia.

PDK was established on June 3, 2002 pursuant to the laws of Province of Ontario and is controlled by Mr. Daniel Drimmer. PDK currently owns various residential real estate properties which are assets managed by Starlight.

PSP and PSP Holdco

PSP is a Canadian crown corporation established to invest on behalf of the pension plans of the Public Service, the Canadian Forces, the Royal Canadian Mounted Police and the Reserve Force Pension Plan. PSP has net assets under management as at March 31, 2011 of over \$58 billion, with over \$5 billion invested in real estate. PSP Holdco is a direct, wholly-owned subsidiary of PSP.

CAPREIT

Canadian Apartment Properties Real Estate Investment Trust is one of Canada's largest residential landlords with units listed on the TSX and a market capitalization of approximately \$2 billion. As of the date hereof, it owns interests in 30,878 residential units, comprised of 29,545 residential suites and two manufactured home communities comprising 1,333 land lease sites located in and near major urban centres across Canada.

Timbercreek

Timbercreek is a specialized investment manager focused on real estate and other alternative asset classes. Timbercreek was founded in 1999, and manages approximately \$1.9 billion in assets through its seven private and public funds, invested both in direct real estate (primarily multi-residential) and in mortgage debt.

Disclosure Concerning Financing Arrangements

The aggregate amount of approximately \$786.5 million payable to Unitholders pursuant to the Transaction will be funded in accordance with the Transaction Steps pursuant to the payment obligations of Bidco under the Acquisition Agreement and of the Transaction Participants under the applicable Relevant Agreement to which they are a party. Such payment obligations are not subject to any financing condition. The financing arrangements of Bidco and those Transaction Participants are described below.

Bidco

Bidco will enter into an arranged term loan facility with a Canadian chartered bank in the aggregate amount of up to \$102 million and shall be granted mortgage financing by another financial institution in the amount of \$36.6 million, each on standard market terms, over which customary security over the properties shall be granted. The balance of the required funds shall be satisfied by the assumption of existing mortgages and cash.

PSP Holdco

PSP Holdco's only funding requirement with respect to the Transaction is to pay the subscription price contemplated in the Acquisition Agreement as a step in its acquisition of the PSP Property Pool. A Canadian chartered bank has committed to provide term credit facilities in the aggregate principal amount of up to \$320 million to IMH Pool VI LP (a limited partnership in which PSP Holdco holds a 82.5% interest and an affiliate of Starlight holds a 17.5% interest). It is contemplated that 82.5% of the proceeds of those facilities will be advanced to the REIT on account of the subscription price and that PSP Holdco will finance the remainder of the subscription price from internal cash sources.

CAPREIT

CAPREIT will finance its acquisition of the CAPREIT Pool Assets through a combination of: (i) the assumption of approximately \$183.9 million in existing mortgage debt, and (ii) cash on hand, with the balance from CAPREIT's acquisition and operating facility.

Timbercreek

Timbercreek will finance its acquisition of the Timbercreek Pool Assets through a combination of: (i) the assumption of approximately \$265.0 million in existing mortgage debt; and (ii) the balance from a senior secured term loan facility with a Canadian chartered bank in the amount of approximately \$54 million on standard market terms.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the REIT, the following summary, as of the date hereof, fairly presents the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**Tax Act**”) arising in respect of the Transaction. This summary is generally applicable to a holder of Trust Units who, for purposes of the Tax Act and at all relevant times, deals at arm's length with and is not affiliated with the REIT and holds their Trust Units as capital property. Generally, Trust Units will be considered to be capital property to a holder provided such holder does not hold Trust Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a holder (i) that is a “financial institution” for purposes of the “mark-to-market rules” in the Tax Act, (ii) an interest in which is a “tax shelter investment” as defined in the Tax Act or (iii) that has elected to report its “Canadian tax results” as defined in the Tax Act in a currency other than Canadian currency. Such holders should consult their own tax advisers.

This summary is of a general nature only and is based upon the facts and assumptions set out in this Circular. This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”) , all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and the current administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”) made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed but no assurances can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Circular. Modification or amendment of the Tax Act, the Regulations or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of the Transaction as described herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to the Transaction. Moreover, the income and other tax consequences of the Transaction may vary depending on the holder's particular circumstances, including the province(s) in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be nor should it be construed to be legal or tax advice or representations to any holder of Trust Units. Holders should consult their own tax advisers for advice with respect to the tax consequences to them of the Transaction based on their particular circumstances.

Status of the REIT

This summary is based on, among other things, certain representations as to factual matters made in a certificate signed by an officer of the REIT and provided to counsel (the “**Officer's Certificate**”). This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that the REIT has and will at all times comply with the Declaration of Trust, that the REIT is and has been (or is deemed to have been) a mutual fund trust at all times from the time of its establishment, and that the REIT does and will continue to qualify as a “mutual fund trust” under the provisions of the Tax Act at all times until the

Redemption has been completed. If the REIT were not to qualify as a mutual fund trust at any time before the Redemption, the tax considerations below would in some respects be materially and adversely different.

SIFT Rules

The Tax Act contains special rules applicable to SIFT trusts and SIFT partnerships (each as defined in the Tax Act, and collectively “**SIFTs**”) and their unitholders (the “**SIFT Rules**”), which modify the tax treatment of SIFTs and their unitholders. If the REIT is subject to the SIFT Rules for its taxation year in which the Transaction occurs, certain of the income tax considerations described below would, in some respects, be materially different. In particular, if the REIT were subject to the SIFT Rules in the year, distributions of income from the REIT (which would generally include the taxable portion of the Special Distribution and any previous distributions by the REIT in the year which are treated as distributions of net income of the REIT, in each case as discussed in more detail below) would be deemed to be dividends paid to holders of Trust Units by a taxable Canadian corporation.

The REIT however, will not be considered to be a SIFT trust, and therefore will not be subject to the SIFT Rules for its taxation year in which the Transaction occurs if it qualifies as a “real estate investment trust”, as defined in the Tax Act, for such year (the “**REIT Exemption**”).

The REIT Exemption (both as currently enacted and as proposed to be amended pursuant to certain Tax Proposals announced on December 16, 2010) contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exemption in any particular taxation year can only be made at the end of that taxation year. Based on the advice of the REIT’s external tax adviser, management has advised counsel that the REIT has qualified for the REIT Exemption throughout its current taxation year. In order not to be considered a SIFT trust, the REIT must meet the requirements of the REIT Exemption throughout the taxation year that includes the Transaction. It is intended that the REIT will do so, however, there is no assurance that subsequent investments or activities undertaken by the REIT in its current taxation year, including after the Redemption and completion of the Transaction, will not result in the REIT failing to qualify for the REIT Exemption.

The remainder of this summary is subject to the SIFT Rules, and assumes that the REIT is, and will at all relevant times be, eligible for the REIT Exemption.

Taxation of the REIT and its Subsidiaries

The REIT should not realize taxable income or gain solely by virtue of the amendments to be made to the Declaration of Trust as proposed in this Circular.

The taxation year of the REIT is the calendar year. In each taxation year, subject to the SIFT Rules, the REIT will generally be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains for that year and its allocated share of income of New Holdings LP, less the portion thereof that the REIT deducts in respect of amounts paid or payable, or deemed to be paid or payable, to Unitholders in the year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

Provided that the REIT and New Holdings LP file an election under subsection 97(2) of the Tax Act in the manner and time prescribed, the transfer of its interests in the Partnerships by the REIT to New Holdings LP should occur on a tax-deferred basis. Consequently, there should be no taxable income to the REIT arising from this transfer.

The amendments to the Limited Partnership Agreements of each of the Partnerships following such transfer, as described in the Transaction Steps, should not be considered to result in a disposition of the units of the Partnerships by New Holdings LP and therefore New Holdings LP should not realize taxable income or gain solely by virtue of such amendments.

New Holdings LP, CAPREIT Asset Pool LP and the Partnerships will not themselves be subject to tax under Part I of the Tax Act. Each such partnership will however be required to compute its income (including taxable capital gains) or loss in accordance with the Tax Act for each fiscal period as if it were a separate person resident in Canada. For purposes of this computation, each Partnership will be required to include in computing its

income for its fiscal period in which the Transaction occurs the amount of any recaptured capital cost allowance and the taxable portion of any capital gain which may be realized on the disposition of its properties to CAPREIT Pool Assets LP or Timbercreek, as the case may be, in accordance with the Transaction Steps. Such recaptured capital cost allowance and capital gains will be taken into account in computing the net income or loss of such Partnership allocated to its partners, including New Holdings LP. The portion of such amounts allocated to New Holdings LP will be taken into account in computing the net income or loss of New Holdings LP allocated to its partners, including the REIT. In accordance with the Transaction Steps, New Holdings LP will allocate to the REIT 99.999% of the recaptured capital cost allowance and capital gains arising from the dispositions by the Partnerships of the CAPREIT Pool Assets and the Timbercreek Pool Assets which are allocated to it by the Partnerships.

The adjusted cost base to the Partnerships of their respective units of CAPREIT Pool Assets LP received as partial consideration for the transfer of the CAPREIT Pool Assets in accordance with the Transaction Steps should be equal to the fair market value of the CAPREIT Pool Assets less the amount of the liabilities assumed by CAPREIT Pool Assets LP as partial consideration for such transfer. Each Partnership will transfer its units of CAPREIT Pool Assets LP to CAPREIT for cash consideration in accordance with the Transaction Steps. Provided the cash purchase price paid by CAPREIT to each Partnership is equal to the fair market value of the CAPREIT Pool Assets transferred by such Partnership to CAPREIT Pool Assets LP net of the amount of liabilities of such Partnership assumed by CAPREIT Pool Assets LP as partial consideration for such transfer, and provided the sale of the CAPREIT Pool Assets LP units to CAPREIT occurs immediately after such transfer, no gain or loss should be realized by such Partnership as a result of such sale.

In computing its income to be allocated to its partners as described above, New Holdings LP generally will not be subject to tax on any amounts received as distributions from the Partnerships. Generally, distributions to New Holdings LP by a particular Partnership will result in a reduction of the adjusted cost base of New Holdings LP's units of such Partnership. If, as a result, New Holdings LP's adjusted cost base of its units in any particular Partnership would otherwise be a negative amount, New Holdings LP would be deemed to realize a capital gain at the end of the fiscal period of such Partnership equal to such negative amount and its adjusted cost base would then be nil. It is not expected that distributions by such Partnerships to New Holdings LP will result in any such deemed capital gain.

Similarly, the REIT will generally not be subject to tax on any amounts received as distributions from New Holdings LP. Generally, distributions to the REIT by New Holdings LP will result in a reduction of the adjusted cost base of the REIT's units of New Holdings LP. If, as a result, the REIT's adjusted cost base of its units in New Holdings LP would otherwise be a negative amount, the REIT would be deemed to realize a capital gain in such amount at the end of the fiscal period of New Holdings LP and the REIT's adjusted cost base of its units in New Holdings LP would then be nil. It is not expected that distributions by New Holdings LP to the REIT will result in any such deemed capital gain.

Unitholders Resident in Canada

The following portion of this summary applies to a holder of Trust Units who, at all relevant times, is resident in Canada or deemed to be resident in Canada for purposes of the Tax Act (a "**Resident Unitholder**"). Certain Resident Unitholders who might not otherwise be considered to hold their Trust Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such holders should consult their own tax advisers regarding their particular circumstances.

Payment of the Special Distribution

The REIT intends to designate in respect of the Special Distribution as net taxable capital gains paid to holders of Trust Units the taxable portion of any net realized capital gains arising from the disposition of the CAPREIT Pool Assets and the Timbercreek Pool Assets by the Partnerships under the Transaction. In the event that the full amount of such net taxable capital gains cannot be so designated under the Tax Act, the relevant portion of the Special Distribution will be treated as a return of capital on the Trust Units. A portion of the Special Distribution equal to the income of the REIT for the current year to the extent that it had not been distributed to Unitholders through the prior distributions in 2012 and including the recaptured capital cost allowance realized by the Partnerships' disposition of the CAPREIT Pool Assets and the Timbercreek Pool Assets and allocated to the

REIT will be treated as net income of the REIT that is paid or payable to Unitholders who receive the Special Distribution. Any remaining portion of the Special Distribution which is not treated as capital gains or net income distributed by the REIT as described above will be treated as a return of capital on the Trust Units. A Unitholder who is resident in Canada will generally be required to include in income the net income of the REIT, including net realized taxable capital gains, that is included in the Special Distribution as described above. A Unitholder will be required to reduce its adjusted cost base of its Trust Units by any portion of the Special Distribution received by such Unitholder that is treated as a return of capital.

Management of the REIT currently anticipates that such designations will result in 5.8% of the Special Distribution being treated as net income of the REIT paid or payable to holders of Trust Units in the year, 45.8% of the Special Distribution being treated as net realized taxable capital gains distributed to holders of Trust Units in the year, 45.8% of the Special Distribution representing the non-taxable portion of net realized capital gains and the remaining 2.6% being treated as a return of capital.

Subject to the application of the SIFT Rules, a Resident Unitholder will generally be required to include in income for its taxation year in which the Transaction occurs the portion of the net income of the REIT for the taxation year of the REIT in which the Transaction occurs, including net realized taxable capital gains, that is included in the Special Distribution as described above.

The non-taxable portion of any net realized capital gains of the REIT that is included in the Special Distribution will not be included in computing the Resident Unitholder's income for the year.

A Resident Unitholder generally will be required to include in income for the Resident Unitholder's taxation year which includes the end of the taxation year of the REIT in which the Transaction occurs, such portion of the net income of the REIT that is paid or made payable by the REIT to such Resident Unitholder in such taxation year. A Resident Unitholder will be required to reduce the adjusted cost base of its Trust Units by the portion of any amount (other than the non-taxable portion of net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the unitholder) paid or payable to such unitholder that was not included in computing the Resident Unitholder's income, including that portion of the Special Distribution is characterized as a return of capital. Provided that appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable to a Resident Unitholder will effectively retain its character and be treated as such in the hands of the Resident Unitholder for purposes of the Tax Act. See "Taxation of Capital Gains and Losses" below. All other income of the REIT that is paid or made payable to a Resident Unitholder generally will be considered to be income from property, regardless of its source.

The REIT expects that the portion of distributions (excluding the Special Distribution and the amount paid on the Redemption) which exceeds the aggregate net income of the REIT paid to holders of Trust Units in 2012 to be significantly lower than in previous years as a result of the Transaction, in part because a claim for capital cost allowance (as defined in the Tax Act) will not be available to the REIT in 2012 in respect of the properties being disposed of by the REIT in the Transaction. As a result, it is expected that previous distributions made by the REIT in its taxation year in which the Transaction occurs will be required to be included in the income of the Resident Unitholders who received such distributions as described above, whereas in prior years a significant proportion of distributions would have been treated as returns of capital. Resident Unitholders should consult their own tax advisers regarding the characterization of distributions already received by them in the REIT's current taxation year.

Redemption of Trust Units

A redemption of Trust Units for cash consideration pursuant to the Redemption will be a disposition of such Trust Units for proceeds of disposition equal to the amount of such cash consideration. Resident Unitholders will consequently realize a capital gain (or sustain a capital loss) to the extent that such proceeds of disposition exceed (or are exceeded by) the adjusted cost base of the Trust Units redeemed. Any capital gain or capital loss realized on the disposition of a Trust Unit will be subject to the general rules relating to taxation of capital gains and capital losses described below.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Resident Unitholder on a disposition or deemed disposition of Trust Units, and the amount of any net taxable capital gains designated by the REIT in respect of a Resident Unitholder, will be included in the Resident Unitholder's income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized by a Resident Unitholder on a disposition or deemed disposition of Trust Units must be deducted from taxable capital gains of the Resident Unitholder in the year of disposition. Any excess of allowable capital losses over the Resident Unitholder's taxable capital gains for the year of disposition may be deducted from taxable capital gains in the three preceding years or in any subsequent taxation year, subject to and in accordance with the provisions of the Tax Act.

A Resident Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain types of income, including taxable capital gains.

Alternative Minimum Tax

In general terms, net income of the REIT paid or payable to a Resident Unitholder who is an individual or a trust (excluding certain specified trusts) that is designated as net taxable capital gains, and capital gains realized on a disposition of Trust Units by such a Resident Unitholder on the Redemption, may increase such Resident Unitholder's liability for alternative minimum tax under the Tax Act.

Unitholders Not Resident in Canada

The following portion of this summary is applicable to a holder of Trust Units who, for purposes of the Tax Act and any applicable income tax convention, and at all relevant times, is a non-resident of Canada and whose Trust Units are not "taxable Canadian property" (as defined in the Tax Act) (a "**Non-Resident Unitholder**"). Generally, Trust Units will not be taxable Canadian property of a non-resident holder provided that (i) the REIT is a mutual fund trust at the time of disposition of such Trust Units, (ii) such holder does not use or hold, and is not deemed to use or hold, Trust Units in connection with carrying on a business in Canada, and (iii) persons with whom the holder did not deal at arm's length, or such holder, either alone or in combination with such persons, has not owned 25% or more of the issued Units at any time during the 60-month period ending at the time of disposition.

Special rules, which are not discussed herein, may apply to a non-resident of Canada that is an insurer carrying on an insurance business in Canada and elsewhere. Such persons should consult their own tax advisers.

Payment of Special Distribution

All amounts that the REIT pays or credits, or is deemed to pay or credit, to a Non-Resident Unitholder, which represent the net income of the REIT for its taxation year in which the Transaction occurs as is included in the income of such holder (determined in accordance with the Tax Act) will be subject to Canadian withholding tax at a rate of 25% of the gross amount thereof, unless such rate is reduced under an applicable income tax convention. The rate of withholding tax is reduced to 15% under the Canada-United States Income Tax Convention, 1980, as amended, (the "**US Convention**") where such distributions are paid or credited, or deemed to be paid or credited, to Non-Resident Unitholders who are residents of the United States and entitled to the applicable benefits thereunder.

All other amounts that the REIT pays or credits, or is deemed to pay or credit, to a Non-Resident Unitholder at a time when the Trust Units are listed on a designated stock exchange as defined in the Tax Act (which includes the TSX), including the redemption price paid on the Redemption, will be subject to Canadian tax under Part XIII.2 of the Tax Act in an amount equal to 15% of the amount so-distributed. Any such amount will not, however, reduce the adjusted cost base of the Trust Units held by Non-Resident Unitholders. If a Non-Resident Unitholder realizes a loss from a disposition of Trust Units, such holder may in certain circumstances be entitled to a full or partial refund of such Part XIII.2 tax if the Non-Resident Unitholder files a Canadian income tax return. Non-Resident Unitholders are urged to consult their own tax advisers for advice as to the potential availability of such a refund.

Treatment of Previous Distributions

As noted above under “Unitholders Resident in Canada – Payment of the Special Distribution”, the REIT expects that previous distributions made by the REIT in 2012 which would typically have been comprised largely of returns of capital, as a result of the Transaction, instead be treated as distributions of net income of the REIT in part because a claim for capital cost allowance (as defined in the Tax Act) will not be available to the REIT in 2012 in respect of the properties being disposed of by the REIT in the Transaction. Non-Resident Unitholders who received such distributions and who are not entitled to reduced withholding under an applicable income tax convention may be subject to additional withholding from the Special Distribution to the extent that sufficient Canadian withholding tax was not withheld from such distributions at the time of payment. Non-Resident Unitholders who are subject to such additional withholding should consult their own tax advisors, including with respect to the potential availability of a refund of such withholding if the unitholder files a Canadian Tax Return.

In view of the withholding tax consequences described above, Unitholders not resident in Canada should discuss with their tax advisers the implications of selling Trust Units in the market as an alternative to participating in the Transaction.

TRANSACTION RESOLUTION

Required Unitholder Approval

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, approve the Transaction Resolution. The Transaction Resolution is attached as Appendix A hereto. The Transaction Resolution must be passed by:

- (a) the affirmative vote of not less than 66⅔% of the votes cast upon such resolution by Unitholders present in person or represented by proxy at the Meeting; and
- (b) in accordance with MI 61-101, the affirmative vote of a majority of the votes cast upon such resolution by Minority Unitholders present in person or represented by proxy at the Meeting.

As at the Record Date, to the knowledge of the REIT after reasonable inquiry, DrimmerCo beneficially owns or exercised control or direction over 353,414 Trust Units, 14,450,462 Class B LP Units (which are economically equivalent to and exchangeable for Trust Units) and 14,450,462 accompanying Special Voting Units, representing, in aggregate, approximately a 20.4% voting and economic interest in the REIT; PSP owns 4,221,000 Trust Units (wherein PSP Holdco owns 2,110,500 Trust Units, and PSP owns 2,110,500 Trust Units), representing approximately a 5.8% voting and economic interest in the REIT; Timbercreek owns 101,494 Trust Units, representing approximately a 0.1% voting and economic interest in the REIT; and CAPREIT currently does not own any securities of the REIT.

Accordingly, as at the Record Date, these Trust Units are required to be excluded for purposes of satisfying the minority approval requirements under MI 61-101. See “Principal Legal Matters Related to the Transaction – Canadian Securities Law Matters”.

The Board of Trustees recommends that Unitholders vote FOR the Transaction Resolution. In the absence of a contrary instruction, persons named in the accompanying form of proxy intend to vote FOR the Transaction Resolution.

Interest of Insiders in the Transaction

See also “Interest of Informed Persons in Material Transactions”.

Ownership of Securities of the REIT

In addition to the holdings of Voting Units disclosed above under “Required Unitholder Approval”, the following table sets out, to the knowledge of the REIT, the number of Voting Units beneficially owned, or over which control or direction is exercised, by the Trustees and officers of the REIT, insiders of the REIT, associates

and affiliates of the REIT or insiders of the REIT, and each person or company acting jointly or in concert with Bidco:

Name	Position with REIT	Voting Units	Approximate Percentage of Voting Units Outstanding
Graham L. Rosenberg	Chairman	7,186	— ⁽¹⁾
John A. Brough	Trustee	1,579	— ⁽¹⁾
Michael Knowlton	Trustee	5,780	— ⁽¹⁾
David G. Leith	Trustee	6,432	— ⁽¹⁾
Eric W. Slavens	Trustee	6,273	— ⁽¹⁾
Kelly C. Hanczyk	Trustee and Chief Executive Officer	2,774	— ⁽¹⁾
Leslie Veiner	Chief Financial Officer	2,774	— ⁽¹⁾
Kristina Boyce	Senior Vice-President Residential Operations	0	— ⁽¹⁾

(1) Less than 1%.

As at May 28, 2012, to the knowledge of the REIT, the Trustees and executive officers of the REIT, as a group, beneficially own or exercise control or direction over 32,798 Trust Units (representing less than 1% of the outstanding Trust Units and less than 1% of the outstanding Voting Units) and none of the Special Voting Units.

As at May 28, 2012, to the knowledge of the REIT, none of the Trustees and officers of the REIT, insiders of the REIT, associates and affiliates of the REIT or insiders of the REIT, or any person or company acting jointly or in concert with Bidco beneficially own or exercise control or direction over any of the Convertible Debentures.

Retention Agreements with Named Executive Officers

Effective as at April 11, 2012, the employment agreements (see “Remuneration of Management of the REIT – Employment Agreements”) of all Named Executive Officers (as defined below), namely Kelly Hanczyk, Chief Executive Officer of the REIT, Leslie Veiner, Chief Financial Officer of the REIT, and Kristina Boyce, Senior Vice-President Residential Operations of the REIT, were amended to provide those individuals, upon Closing, with: (i) a severance payment plus the corresponding benefit coverage continuation in accordance with their respective employment agreements; (ii) a *pro rata* portion of their short-term incentive awards and long-term incentive awards for 2012, at target; and (iii) a transaction bonus (collectively, the “**Retention Payments**”). Their respective Retention Payments are conditional upon them remaining in employment with the REIT until Closing, them using their best efforts to facilitate Closing, and them executing a formal release document in favour of the REIT pursuant to their respective employment agreements. Following consultation with Mercer, the Retention Payments were approved by the Special Committee and the Board of Trustees in recognition of the contributions from these individuals anticipated to be required to complete the Transaction. Assuming Closing were to occur on June 29, 2012, Messrs. Hanczyk and Veiner and Ms. Boyce would be entitled to receive an aggregate of approximately \$3,042,426, \$1,259,933 and \$430,250, respectively, pursuant to such arrangements.

Given that at the time the Acquisition Agreement as agreed to, each of the Named Executive Officers and his or her associates beneficially owned or exercised control or direction over less than 1% of the outstanding securities of each class of equity securities of the REIT, the retention agreements are not considered to be collateral benefits for the purposes of applicable securities laws.

Indemnification and Insurance

The Acquisition Agreement also provides that Bidco will assume and guarantee the performance of all obligations of the REIT and its subsidiaries to indemnification or exculpation now existing in favour of the Trustees or officers of the REIT or of any directors or officers of any subsidiary for a period of not less than six years from the Time of Closing. Bidco further agrees that the REIT will be permitted prior to the Time of Closing to purchase trustees’, directors’ and officers’ run-off insurance providing protection not less favourable than the protection provided by the policies maintained by the REIT and its subsidiaries as are in effect immediately prior to the Time of Closing with respect to directors’ and officers’ insurance for all present and former trustees and officers of the

REIT and directors and officers of its subsidiaries with respect to claims related to any period of time at or prior to the Time of Closing providing coverage for a period of not less than six years from the Time of Closing.

Intentions of the REIT's Executive Officers and Trustees

The Trustees and Chief Financial Officer of the REIT have indicated to the REIT that they intend to vote their Trust Units in favour of the Transaction.

INFORMATION CONCERNING THE REIT

TransGlobe Apartment Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario pursuant to the Declaration of Trust.

The initial Declaration of Trust dated April 8, 2010 established the REIT and was amended and restated as at May 6, 2010 to reflect certain changes required in connection with the REIT becoming a reporting issuer under applicable Canadian securities laws. The Declaration of Trust was further amended and restated as at September 1, 2011 to, among other things, remove those terms which expressly concerned DrimmerCo (including Trustee appointment rights) and remove the requirement that material amendments to any Limited Partnership Agreement, if the Partnership governed thereby beneficially owns real properties having an aggregate cost to the REIT (net of the amount of debt incurred or assumed at the time of their acquisition) exceeding 15% of the gross book value of the REIT, must be approved by a special resolution of Unitholders, excluding votes represented by Voting Units held by DrimmerCo. The Declaration of Trust was amended and restated again on May 24, 2012 to permit the payment of the regular distribution for June 2012 immediately prior to Closing.

The REIT was established to own multi-suite residential rental properties across Canada. The REIT owns a geographically diverse portfolio of 176 residential rental properties comprising approximately 21,771 suites in 81 High Rise, 81 Mid Rise, 196 Low Rise and 8 townhouse complexes principally located in urban centres in Alberta, Ontario, Québec, New Brunswick and Nova Scotia.

The principal, registered and head office of the REIT is located at 5935 Airport Road, Suite 600, Mississauga, Ontario, L4V 1W5. As at December 31, 2011, the REIT and its subsidiaries employed 480 employees.

Market Price and Trading Volume Data

Trust Units

On May 28, 2012, there were a total of 57,984,725 Trust Units issued and outstanding. The Trust Units are listed and posted for trading on the TSX under the symbol "TGA.UN". The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Trust Units on the TSX:

Period	Price (\$)		Trading Volume
	High	Low	
2011			
January.....	10.73	10.25	1,640,324
February.....	11.50	10.55	1,882,989
March.....	12.15	10.90	1,684,392
April.....	11.71	11.04	840,254
May.....	11.84	11.15	1,296,701
June.....	11.54	11.20	1,090,196
July.....	11.49	11.05	1,155,961
August.....	11.10	9.54	2,585,236
September.....	11.39	10.48	3,779,261
October.....	11.57	10.51	2,861,338
November.....	11.60	11.20	1,754,873
December.....	11.96	11.25	4,247,512

2012

January.....	12.67	11.46	6,494,174
February.....	12.61	11.61	2,664,871
March.....	12.49	11.80	3,254,190
April.....	14.50	11.74	19,483,236
May (1-28).....	14.25	14.19	6,833,546

Source: TSX MarketData

On April 25, 2012, the last trading day of the Trust Units on the TSX prior to the announcement of the Transaction and entering into the Acquisition Agreement, the closing price of the Trust Units on the TSX was \$12.35 per Trust Unit.

Convertible Debentures

On May 28, 2012, there were \$48.75 million aggregate principal amount of Convertible Debentures outstanding. The outstanding Convertible Debentures are listed on the TSX and commenced trading under the symbol “TGA.DB” on July 29, 2011. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Convertible Debentures on the TSX:

Period	Price (\$)		Trading Volume
	High	Low	
2011			
July (29-31)	99.00	98.00	8,000
August	98.25	90.00	18,150
September	97.00	95.01	8,600
October	98.15	92.25	12,390
November	98.00	96.50	13,340
December.....	100.88	96.90	31,670
2012			
January.....	102.21	99.25	16,270
February.....	103.00	100.33	10,800
March.....	103.00	100.21	9,260
April.....	104.50	101.01	83,260
May (1-28).....	107.00	104.00	191,950

Source: TSX MarketData

On April 24, 2012, the last active trading day of the Convertible Debentures on the TSX prior to the announcement of the Transaction and entering into the Acquisition Agreement, the closing price of the Convertible Debentures on the TSX was \$101.81 per Convertible Debenture.

Previous Distributions of Securities

From the inception of the REIT to the date hereof, the REIT distributed the following securities:

On May 14, 2010, the REIT completed its initial public offering of 24,729,000 Trust Units, at \$10.00 per Trust Unit, for gross proceeds of approximately \$247.3 million.

On May 14, 2010, the REIT also indirectly acquired, through some of its Partnerships, a portfolio of 65 residential properties operated and owned or co-owned by DrimmerCo. The consideration for the aggregate net purchase price was satisfied, in part, by:

- (a) the issuance to DrimmerCo of 5,245,601 Class B LP Units of the applicable Partnerships (and accompanying Special Voting Units of the REIT) at a price of \$10.00 per Class B LP Unit for an aggregate amount of approximately \$52.5 million; and

- (b) the issuance to DrimmerCo of a convertible, senior, secured debenture in the principal amount of \$20.0 million. On September 23, 2010, the REIT redeemed such convertible debenture, pursuant to its terms, at par plus accrued interest.

On December 1, 2010, the REIT indirectly acquired, through a Partnership, two residential properties operated and owned by DrimmerCo. The consideration for the aggregate purchase price of approximately \$10.8 million was satisfied, in part, by the issuance to DrimmerCo of 79,511 Class B LP Units of a Partnership (and accompanying Special Voting Units of the REIT) at a price of \$10.69 per Class B LP Unit for an aggregate amount of approximately \$0.85 million.

On January 13, 2011, the REIT completed a public offering of 10,662,570 subscription receipts, at \$10.30 per subscription receipt, for gross proceeds of approximately \$109.8 million.

Pursuant to the January 2011 Acquisition, on January 28, 2011, the REIT indirectly acquired, through some of the Partnerships, the portfolio of 20 residential properties. The consideration for the aggregate purchase price of approximately \$277.0 million was satisfied, in part, by the issuance to DrimmerCo of 1,747,570 Special Voting Units (accompanying 1,747,570 Class B LP Units issued by the applicable Partnerships to DrimmerCo at a deemed price of \$10.30 per Class B LP Unit for an aggregate amount of approximately \$18.0 million). On closing of the January 2011 Acquisition, the outstanding subscription receipts were exchanged for Trust Units.

On May 31, 2011, the REIT completed a public offering of 4,979,500 Trust Units, at \$11.55 per Trust Unit, for gross proceeds of approximately \$57.5 million.

On July 29, 2011, the REIT completed a public offering of 17,248,680 subscription receipts, at \$11.25 per subscription receipt, for gross proceeds of approximately \$194.0 million, and \$50.0 million aggregate principal amount of the Convertible Debentures. The Convertible Debentures had an initial maturity date of the earlier of (a) the termination of the September 2011 acquisition of a portfolio of 57 properties operated and owned or co-owned by DrimmerCo and (b) October 31, 2011, which maturity date would extend to September 30, 2018 upon completion of the September 2011 Acquisition.

On September 1, 2011, the REIT (through some of its Partnerships) completed the September 2011 Acquisition. The consideration for the aggregate purchase price of approximately \$740.4 million was satisfied, in part, by the issuance to DrimmerCo of 7,377,780 Special Voting Units (accompanying 7,377,780 Class B LP Units issued by the applicable Partnerships to DrimmerCo at a deemed price of \$11.25 per Class B LP Unit for an aggregate amount of approximately \$83.0 million). On closing of the September 2011 Acquisition, the outstanding subscription receipts were exchanged for Trust Units and the maturity date for the Convertible Debentures was extended to September 30, 2018.

Pursuant to the REIT's distribution reinvestment plan, eligible holders of Trust Units may elect to have their monthly cash distributions used to purchase additional Trust Units and receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution. As at the date hereof, 258,246 Trust Units have been issued pursuant to the REIT's distribution investment plan. See "Information Concerning the REIT – Distribution Policy".

Pursuant to the REIT's Trustee Unit Issuance Plan, 50% of each non-executive Trustee's base annual retainer (after deducting applicable withholding taxes, if any) is payable in Trust Units based on the five-day volume weighted average trading price of a Trust Unit on the TSX prior to issue. As at the date hereof, 8,951 Trust Units have been issued to such Trustees pursuant to the above-noted plan. See "Equity Compensation Plan Information – Non-Executive Trustee Unit Issuance Plan".

Since May 14, 2010, 18,415 Trust Units have been issued by the REIT upon exercise of Options, at \$10.00 per Trust Unit, pursuant to the terms of such Options.

Since July 29, 2011, \$1,250,000 aggregate principal amount of Convertible Debentures have been exchanged for 79,363 Trust Units, at \$15.75 per Trust Unit, pursuant to the terms of such Convertible Debentures.

Except for the applicable issuances of securities described above, the REIT has not purchased or sold any of its securities during the twelve months preceding the date of this Circular.

Distribution Policy

The following outlines the distribution policy of the REIT as contained in the Declaration of Trust and Limited Partnership Agreements. Pursuant to the Declaration of Trust, the Trust may distribute to Unitholders on each distribution date, such amounts for such periods, as the Trustees determine in their sole discretion.

Holders of Trust Units of record as at the close of business on the last business day of each month will have an entitlement, on or about the 15th day of the immediately following month or on such other dates as the Trustees so determine in their discretion, to proportionately receive distributions, if any, declared by the Board in respect of such month. The Partnerships will make corresponding monthly cash distributions to holders of Class B LP Units. Special Voting Units have no entitlement to any distributions from the REIT.

For the period from closing of the initial public offering to June 30, 2010, the REIT distributed \$0.099 per Trust Unit. For each of the months commencing July 31, 2010, to and inclusive of April 30, 2012, the REIT distributed \$0.0625 per Trust Unit, and the REIT has declared a distribution of \$0.0625 per Trust Unit payable on June 15, 2012 to holders of Trust Units of record as at May 31, 2012. Since the closing of the REIT's initial public offering of Trust Units, holders of each Class B LP Unit, to the extent then-outstanding, have received monthly distributions from the respective Partnerships equivalent to those paid on each Trust Unit by the REIT.

On September 8, 2010, the REIT adopted a distribution reinvestment plan for eligible holders of Trust Units. Participants have been entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the closing price of Trust Units on the applicable stock exchange for the five trading days immediately preceding the relevant date of distribution. Holders of Trust Units who so elect have received a "bonus distribution" of Trust Units equal in value to 3% of each distribution. The REIT's distribution reinvestment plan has been available to resident Canadian holders of Trust Units.

The REIT's distribution reinvestment plan will be suspended on or about June 15, 2012 following payment of the REIT's regular monthly distributions for May 2012.

The REIT currently expects to pay (but has not yet declared any such distributions to be payable) the regular monthly distribution for June 2012, on a pro rated basis, prior to the Closing Time on June 29, 2012 to holders of record as at the close of trading of Trust Units on June 28, 2012.

Financial Statements

The REIT's most recently available financial statements, consisting of its audited consolidated financial statements as at and for the financial year ended December 31, 2011 and unaudited interim consolidated financial statements as at and for the three months ended March 31, 2012, have been publicly filed and are available under the REIT's profile on SEDAR at www.sedar.com. Copies of this Circular and the annual consolidated financial statements of the REIT as at and for the year ended December 31, 2011, and related management's discussion and analysis, and the unaudited interim consolidated financial statements of the REIT as at and for the three months ended March 31, 2012, and related management's discussion and analysis may be obtained without charge by writing to the Chief Financial Officer of the REIT at 5935 Airport Road, Suite 600, Mississauga, Ontario, L4V 1W5.

ANNUAL AND OTHER SPECIAL BUSINESS TO BE ACTED UPON AT THE MEETING

Financial Statements

The audited consolidated annual financial statements of the REIT as at and for the year ended December 31, 2011, together with the auditors' report thereon, were previously mailed to Unitholders who have requested such materials and will be presented to Unitholders at the Meeting.

Election of Trustees


The Declaration of Trust provides that the REIT must have a minimum of three and a maximum of 10 Trustees and, presently, the number of Trustees is set at six. The six nominees named hereunder (the "**Nominees**") will be proposed for election as Trustees of the REIT by the Unitholders at the Meeting. The term of office of each Trustee currently in office expires at the close of the Meeting. Each Nominee is currently a Trustee and has demonstrated the eligibility and willingness to serve as a Trustee. If, prior to the Meeting, any of the listed Nominees becomes unable or unwilling to serve, Voting Units represented by properly executed proxies will be voted by the persons so designated in their discretion for a properly qualified substitute. Each Trustee elected at the Meeting shall hold office for a term expiring at the close of the next annual meeting of Unitholders, unless such office becomes vacant for any reason.

The Trustees have adopted a policy that entitles each Unitholder to vote for each Nominee on an individual basis rather than for a fixed slate of Nominees. Each Nominee should be elected by the vote of a majority of the Voting Units represented in person or by proxy at the Meeting that are voted in respect of that Nominee. If any Nominee receives, from the Voting Units voted at the Meeting in person or by proxy, a greater number of votes "withheld" than votes "for" his election as a Trustee, the Trustee will be required to tender his resignation to the chair of the GC&N Committee for consideration promptly following the Meeting, to take effect upon acceptance by the Board of Trustees. The GC&N Committee will consider the resignation and provide a recommendation to the Board of Trustees as to whether or not to accept such resignation. The Board of Trustees will, in turn, consider the recommendation of the GC&N Committee, among other things, and make a final decision concerning the acceptance of such resignation within 90 days of the Meeting and a news release will be issued by the REIT announcing that decision. A Trustee who tenders his resignation will not participate in any deliberations pertaining to the resignation.


The foregoing process applies only in circumstances involving an "uncontested" election of Trustees. If any Trustee fails to tender his resignation as contemplated above, the Board of Trustees would not re-nominate that Trustee. Subject to any restrictions in the Declaration of Trust, where the Board of Trustees accepts the resignation of a Trustee, the Board of Trustees may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of Unitholders, fill the vacancy through the appointment of a new Trustee whom the Board of Trustees considers to merit the confidence of the Unitholders, or call a special meeting of Unitholders to elect a new nominee to fill the vacant position.

It is the intention of the persons named in the enclosed form of proxy for use at the Meeting (in the event that authority is not withheld) to vote FOR the election of John A. Brough, Kelly C. Hanczyk, J. Michael Knowlton, David G. Leith, Graham L. Rosenberg and Eric W. Slavens as Trustees.

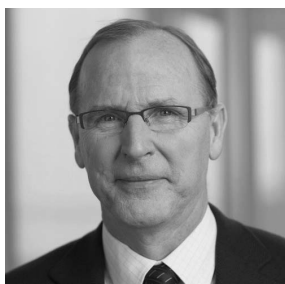
The following tables set forth certain information regarding each Nominee proposed for election as a Trustee:

	<p>John A. Brough is a corporate director. Mr. Brough retired as President of Torwest Inc. and Wittington Properties Limited, both of which are real estate companies, effective December 2007, positions he had held since 1998. Prior thereto, from 1996 to 1998, Mr. Brough was Executive Vice President and Chief Financial Officer of iSTAR Internet, Inc. From 1974 to 1996, Mr. Brough held a number of positions with Markborough Properties, Inc., his final position being Senior Vice President and Chief Financial Officer, which position he held from 1986 to 1996. He is currently a trustee and chair of the Audit Committee of Canadian Real Estate Investment Trust, a director and chair of the Audit Committee of Silver Wheaton Corp., a director and chair of the Audit Committee of Kinross Gold Corporation, and lead director and chair of the Audit Committee of First National Financial Corporation. Mr. Brough holds a Bachelor of Arts (Economics) degree from the University of Toronto and is a Chartered Accountant. Mr. Brough is a graduate of the Director's Education Program at the University of Toronto, Rotman School of Management and is a member of the Institute of Corporate Directors and the Canadian Institute of Chartered Accountants.</p>
<p>JOHN A. BROUGH⁽¹¹⁾ Ontario, Canada Trustee since: May 14, 2010 Age: 65 Primary Areas of Expertise: Real Estate Governance/Compensation Accounting/Auditing</p>	<p>John A. Brough is an Independent Trustee.</p>

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units ⁽³⁾ (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁵⁾
6/6	Audit	4/4	May 28, 2012	1,579 Trust Units	20,000	94,272	2.90x	Yes
	GC&N	3/3	April 8, 2011	604 Trust Units	5,000	12,989		
	Special ⁽⁶⁾	2/2	Change	975 Trust Units	15,000	81,283		

	<p>Kelly C. Hanczyk is the Chief Executive Officer of the REIT. Mr. Hanczyk has extensive commercial and residential real estate experience, including with respect to corporate strategy, leasing, development, acquisitions and dispositions, financing, property management and asset management. Previously, Mr. Hanczyk was Chief Executive Officer (until September 2011) and Chief Operating Officer and Senior Vice President of Asset Management (until November 2009) within DrimmerCo, Vice President of Asset Management for Whiterock Real Estate Investment Trust (until October 2007) and the Director of Operations and Leasing for Summit Real Estate Investment Trust (until September 2006). He obtained a Bachelor of Business Administration degree from Acadia University.</p>
<p>KELLY C. HANCZYK Ontario, Canada Trustee since: April 8, 2010 Age: 44 Primary Areas of Expertise: Real Estate Management</p>	<p>Mr. Hanczyk, as Chief Executive Officer, is an officer of the REIT and is therefore not considered to be an Independent Trustee.</p>

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁷⁾
6/6	Investment	-/- ⁽⁸⁾	May 28, 2012	2,774 Trust Units	250,000	967,891	1.81x	Yes
			April 8, 2011	2,574 Trust Units	100,000	152,932		
			Change	200 Trust Units	150,000	814,959		



J. MICHAEL KNOWLTON
Ontario, Canada
Trustee since: May 17, 2011
Age: 60
Primary Areas of Expertise:
Real Estate
Management
Accounting/Auditing

J. Michael Knowlton is a corporate director. Mr. Knowlton started his career in real estate in 1985 and retired from his position as the President and Chief Operating Officer of Dundee Real Estate Investment Trust ("Dundee REIT") in May 2011, a position he had held since February 2006. He joined a predecessor company of Dundee REIT ("Dundee") in 1998 and served the company in a variety of capacities including Executive Vice President and Chief Operating Officer, responsible for property management operations, and Executive Vice President and Chief Financial Officer, responsible for financial accounting and reporting, treasury and finance functions. Prior to joining Dundee, Mr. Knowlton was the Senior Vice president and Chief Financial Officer of OMERS Realty Corporation from 1990 to 1998, helping to lead the company from formation to becoming one of the premier real estate holding companies in Canada. He has also held senior positions with companies such as Citicom Inc. (a privately held real estate development company), Imperial Oil, Datacrown, and American Standard. Mr. Knowlton is currently a trustee of Crombie Real Estate Investment Trust, a trustee and chair of the audit committee of NorthWest Healthcare Properties Real Estate Investment Trust and a director and chair of the audit committee of Tricon Capital Group Inc. Mr. Knowlton holds a Bachelor of Science degree in Engineering and a Masters in Business Administration from Queens' University and received his Chartered Accountant designation in 1977.

J. Michael Knowlton is an Independent Trustee.

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units ⁽³⁾ (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁵⁾
4/4 ⁽⁹⁾	Investment	-/- ⁽⁸⁾⁽⁹⁾	May 28, 2012	5,780 Trust Units	15,000	132,926	4.09x	Yes
	Special ⁽⁶⁾	2/2	April 8, 2011	0 Trust Units	-	0		
			Change	5,780 Trust Units	15,000	132,926		



DAVID G. LEITH
Ontario, Canada
Trustee since: May 14, 2010
Age: 52
Primary Areas of Expertise:
Finance
Governance

David G. Leith is a corporate director. Mr. Leith spent over 25 years with CIBC World Markets until February 2009, based in both Toronto and London, England. Most recently, he was Deputy Chairman of CIBC World Markets, in addition to holding the positions of Managing Director and Head of CIBC World Markets' Investment and Corporate Banking activities, to which he was appointed in 2004, and Merchant Banking activities, for which he assumed responsibility in 2006. Through his 25 years with CIBC World Markets and its predecessors, Mr. Leith has extensive equity, debt, government finance, and mergers and acquisition experience. Mr. Leith serves as the Chair, Board of Directors of Manitoba Telecom Services Inc./MTS Allstream Inc. and became a director of Yellow Media Inc. in February 2012. He is also a member of the Economic Advisory Panel of the Government of Ontario. Mr. Leith holds a Bachelor of Arts from the University of Toronto and a Masters of Arts from Cambridge University.

David G. Leith is an Independent Trustee.

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units ⁽³⁾ (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁵⁾
6/6	GC&N	3/3	May 28, 2012	6,432 Trust Units	20,000	163,184	5.02x	Yes
	Investment	-/- ⁽⁸⁾⁽¹⁰⁾	April 8, 2011	5,604 Trust Units	5,000	69,189		
	Special ⁽⁶⁾	2/2	Change	828 Trust Units	15,000	93,995		



GRAHAM L. ROSENBERG
Ontario, Canada
Trustee since: May 14, 2010
Age: 49
Primary Areas of Expertise:
Principal Investing
Finance
Accounting/Auditing

Graham L. Rosenberg is the Co-Chief Executive Officer and a director of Dental Corporation of Canada Inc., a company he co-founded in July 2011 that acquires and partners with dental practices across Canada, prior to which he was managing partner of BCM Bancorp Inc., a boutique merchant bank he founded in 2009. Mr. Rosenberg was a Managing Director of MDC Partners Inc., a marketing and communications firm listed on the TSX and NASDAQ, from 2003 to 2009, holding various senior executive positions within the firm since 2001. Prior to that, Mr. Rosenberg spent eight years as a Managing Partner at Clairvest Group Inc., a TSX-listed merchant bank. Mr. Rosenberg began his career in public accounting with PricewaterhouseCoopers where he worked for seven years between 1986 and 1993. Mr. Rosenberg is a seasoned board member, having served on numerous boards and sub-committees of both private and public companies. He obtained his designation as a Chartered Accountant in 1988, and received a Masters of Business Administration and a Bachelor of Business Administration from the Schulich School of Business in Toronto.

Graham L. Rosenberg is an Independent Trustee and is the Chair of the Board of Trustees.

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units ⁽³⁾ (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁵⁾
6/6	Audit	4/4	May 28, 2012	7,186 Trust Units	20,000	173,891	5.35x	Yes
	Investment	-/-(⁽⁸⁾)	April 8, 2011	5,604 Trust Units	5,000	69,189		
	Special ⁽⁶⁾	2/2	Change	1,582 Trust Units	15,000	104,702		



ERIC W. SLAVENS
Ontario, Canada
Trustee since: May 14, 2010
Age: 66
Primary Areas of Expertise:
Real Estate
Accounting/Auditing
Governance

Eric W. Slavens is a corporate director. Mr. Slavens was a partner of PricewaterhouseCoopers LLP for thirty years, working with numerous public and private real estate companies, and was most recently the National Leader, IPO Services. Mr. Slavens retired from the partnership on June 30, 2005 to act as an independent director and business consultant. He is a graduate of the Directors Education Program, co-sponsored by the Rotman School of Management and the Institute of Corporate Directors. Mr. Slavens currently serves on the boards of Altus Group Limited, Titanium Corporation Inc., The Effort Trust Company and NexGen Financial Corporation. Mr. Slavens holds a Bachelor of Commerce degree from the University of Toronto and is a Fellow of the Institute of Chartered Accountants of Ontario.

Eric W. Slavens is an Independent Trustee.

Summary of attendance of Trustee for meetings held during 2011			Number of each class of voting securities of the REIT and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly					
Board meetings attended	Committee ⁽¹⁾	Committee meetings attended	Date ⁽²⁾	Voting Units ⁽³⁾ (#)	Options	Total at-risk value ⁽⁴⁾ (\$)	Multiple of Base Annual Retainer	Meets ownership guidelines ⁽⁵⁾
6/6	Audit	4/4	May 28, 2012	6,273 Trust Units	20,000	160,927	4.95x	Yes
	GC&N	3/3	April 8, 2011	4,723 Trust Units	5,000	59,287		
	Special ⁽⁶⁾	2/2	Change	1,550 Trust Units	15,000	101,640		

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- (1) Trustee is currently a member of each Committee noted. In addition, Mr. Slavens was a member of the Investment Committee until December 19, 2011 at which time the committee responsibilities of the Trustees were rebalanced. See also notes (10) and (8) below.
 - (2) Trustees' holdings of Voting Units were disclosed as at April 8, 2011 in the management information circular prepared in respect of the annual meeting of Unitholders held on May 17, 2011.
 - (3) Pursuant to the Trustee Unit Issuance Plan, 50% of each non-executive Trustee's base annual retainer (after deducting applicable withholding taxes, if any) is payable in Trust Units issued from the REIT's treasury. See "Equity Compensation Plan Information – Non-Executive Trustee Unit Issuance Plan".
 - (4) Total at-risk value represents the total value of Voting Units and in-the-money Options held by the Trustee, calculated based on the May 28, 2012 and April 8, 2011 closing prices on the TSX of \$14.20 per Trust Unit and \$11.24 per Trust Unit, respectively. As at May 28, 2012 and April 8, 2011, the Trustees held no Convertible Debentures.
 - (5) Each Trustee is required to hold Trust Units, securities convertible into Trust Units and/or Options having a value equal to at least two times the Trustee's annual retainer, which requirement will need to be achieved within three years following the Trustee's initial election or appointment as a Trustee. See "Remuneration of Trustees of the REIT – Mandatory Trust Unit Ownership Policy".
 - (6) On May 17, 2011, the Board of Trustees constituted a special committee of Trustees consisting of Messrs. Rosenberg (Chair), Brough, Leith, Slavens and Knowlton (upon his election as a Trustee), to consider the proposed September 2011 Acquisition and Management Internalization, which matters were completed on September 1, 2011.
 - (7) Mr. Hanczyk is required to hold Trust Units, securities convertible into Trust Units and/or Options having a value equal to at least his salary during the prior year, which requirement will need to be achieved within three years following his initial appointment as the REIT's Chief Executive Officer. See "Remuneration of Management of the REIT – Mandatory Trust Unit Ownership Policy".
 - (8) The Investment Committee did not meet during 2011.
 - (9) Mr. Knowlton was elected to the Board of Trustees and appointed to the Investment Committee on May 17, 2011.
 - (10) Mr. Leith was appointed to the Investment Committee on December 19, 2011. See also note (1) above.
 - (11) On April 14, 2005, while Mr. Brough was a director of Kinross Gold Corporation ("Kinross"), the Ontario Securities Commission issued a definitive management cease trade order, which superseded a temporary management cease trade order dated April 1, 2005, against all the directors and officers of Kinross in connection with that company's failure to file its audited financial statements for the year ended December 31, 2004. The missed filings resulted from questions raised by the United States Securities and Exchange Commission (the "SEC") about certain accounting practices related to the accounting for goodwill. The management cease trade order was lifted on February 22, 2006 when Kinross completed the necessary filings following the SEC's acceptance of Kinross' treatment for goodwill.

Appointment of Auditors

KPMG LLP, Chartered Accountants, located in Toronto, Ontario are currently the auditors of the REIT and have been the auditors of the REIT since its formation on April 8, 2010. The Trustees recommend that KPMG LLP be re-appointed as auditors of the REIT, to hold office until the close of the next annual meeting of Unitholders or until a successor is appointed, and that the Trustees be authorized to fix KPMG LLP's remuneration as the auditors of the REIT.

Unless such authority is withheld, persons named in the accompanying form of proxy intend to vote FOR the re-appointment of KPMG LLP as the auditors of the REIT and to authorize the Trustees to fix the remuneration of KPMG LLP as the auditors of the REIT.

Approval of Restricted Trust Unit Plan

Background

On May 24, 2012, the Board of Trustees conditionally adopted a new Restricted Trust Unit Plan (the "RTU Plan") for the REIT. In accordance with the policies of the TSX, the REIT is required to submit the RTU Plan for approval by Unitholders at the Meeting. If approved by Unitholders, the RTU Plan will be deemed effective as of a date to be established by the Board of Trustees. The Board of Trustees has determined not to implement the RTU Plan if the Transaction is completed.

The REIT has not granted any RTUs under the RTU Plan. See “Remuneration of Management of the REIT – Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives”.

Summary of the RTU Plan

The following description of the RTU Plan is written on the assumption that the RTU Plan, as presented to the Unitholders, is approved at the Meeting. A copy of the RTU Plan is available on the REIT’s website at www.tgareit.com.

Purposes

The purposes of the RTU Plan are to grant long-term incentives to employees, officers, trustees, directors or service providers (“**RTU Participants**”) who are providing services to, or involved in the management of, the REIT, to allow such persons to participate in the growth and development of the REIT, thereby aligning their interests with the long-term interests of holders of Trust Units.

Administration

The RTU Plan is administered by the Board of Trustees, which has the sole and absolute discretion to administer the RTU Plan and to exercise all the powers and authorities either specifically granted to it under the RTU Plan or necessary or advisable in the administration of the RTU Plan, including, without limitation, the authority to: interpret and administer the RTU Plan; select the RTU Participants to whom grants may, from time to time, be made; determine the value and grant date for each grant and accordingly the number of RTUs to be covered by each grant; and determine the terms and conditions to the vesting of RTUs covered by each grant.

Mechanics

Each RTU Participant may receive in respect of any calendar year, a grant of RTUs in such number and/or expected value as may be specified by the Board of Trustees with effect from such date(s) as the Board Trustees may specify. Each grant and the participation of an RTU Participant in the RTU Plan shall be evidenced by a grant agreement. Each grant agreement shall set forth, at a minimum, the value of the grant, the grant date, the number of RTUs subject to such grant and the applicable vesting date(s). The number of RTUs to be covered by each grant shall be determined by dividing the value of the grant by the Fair Market Value (as defined below) of a Trust Unit as at the valuation date for such grant. Each whole RTU will give an RTU Participant the right to receive, as determined by the Board of Trustees, either one Trust Unit or a cash payment equal to the Fair Market Value thereof. An RTU Participant shall have no right to receive Trust Units or a cash payment with respect to any RTUs that do not become vested under the RTU Plan.

“Fair Market Value” for these purposes means the volume weighted average trading price of the Trust Units on the TSX for the five business days preceding the applicable date.

An account, called an “RTU Account”, shall be maintained by the REIT for each RTU Participant and will be credited with such grants of RTUs as are received by an RTU Participant and any distribution equivalent RTUs pursuant to the RTU Plan. RTUs that fail to vest in an RTU Participant and are forfeited pursuant to the RTU Plan, or that are paid out to the RTU Participant or his legal representative, shall be cancelled and shall cease to be recorded in the RTU Participant’s RTU Account. Whenever cash distributions are paid with respect to Trust Units, additional RTUs will be credited to the RTU Participant’s RTU Account in accordance with the RTU Plan. The number of such additional RTUs will be calculated by dividing the cash distributions that would have been paid to the RTU Participant if the RTUs recorded in the RTU Participant’s RTU Account as at the record date for such cash distribution had been Trust Units by the Fair Market Value on the date on which the cash distributions are paid and shall vest and be paid at the same time as the particular RTUs to which they relate.

An RTU Participant’s vested RTUs (rounded down to the nearest whole number) shall be settled by a distribution to the RTU Participant or his legal representative, as the case may be, following the vesting date thereof in accordance with the RTU Plan, subject to satisfaction of all related withholding obligations. Settlement shall be made in cash or, subject to the RTU Plan, Trust Units issued by the REIT (or a combination of cash and Trust Units), as determined by the Board of Trustees. Settlement of vested RTUs in Trust Units shall be made by the

issuance of one Trust Unit for each vested RTU. Settlement of RTUs in cash shall be made by payment to the RTU Participant of an aggregate amount equal to the number of vested RTUs multiplied by the Fair Market Value thereof.

The assignment or transfer of RTUs, or any other benefits under the RTU Plan, shall not be permitted other than by operation of law.

Vesting

RTUs and distribution equivalent RTUs credited to an RTU Participant's RTU Account in respect of such RTUs shall vest in such proportion(s) and on such vesting date(s) as specified in the grant agreement governing the grant of such RTUs provided that the RTU Participant is employed on the relevant vesting date. RTUs which do not become vested in accordance with the RTU Plan shall be forfeited by the RTU Participant and the RTU Participant will have no further right, title or interest in such RTUs.

Number of Trust Units Available for Issuance and Restrictions on the Issuance of Trust Units

Pursuant to the RTU Plan, the maximum number of Trust Units available for issuance under the RTU Plan is 600,000 Trust Units, representing 0.83% of the Effective Outstanding Trust Units (as defined below) as at May 28, 2012. The total number of Trust Units reserved for issuance under the RTU Plan, the Unit Option Plan and the Trustee Unit Issuance Plan, being all of the security-based compensation arrangements of the REIT, is 3,596,617 or approximately 4.97% of the Effective Outstanding Trust Units as at May 28, 2012.

The maximum number of Trust Units which are issuable to insiders under the RTU Plan and all other security-based compensation arrangements of the REIT, collectively: (i) shall be 10% of the effective outstanding Trust Units (as if the then-outstanding Class B LP Units were exchanged for Trust Units) (the "**Effective Outstanding Trust Units**") at the relevant grant date and (ii) within a one-year period shall be 10% of the Effective Outstanding Trust Units at the time of the issuance. No RTUs may be granted to an RTU Participant if the total number of Trust Units issuable to such RTU Participant under the RTU Plan and all other security-based compensation arrangements of the REIT, collectively, would exceed 5% of the Effective Outstanding Trust Units at the grant date.

Retirement, Termination, Death; Other Periods of Absence; Change of Control

In the event that an RTU Participant retires prior to attaining the age of 60 years, an RTU Participant's employment is terminated by the REIT or a subsidiary without cause (regardless of the RTU Participant's age) or an RTU Participant dies, then the RTU Participant, or the RTU Participant's legal representative, as applicable, shall receive one Trust Unit for each vested RTU or a cash payment equal to the Fair Market Value thereof as determined in accordance with the RTU Plan. In such a case, the number of vested RTUs shall equal the number of RTUs credited to the RTU Participant for the vesting period plus any distribution equivalent RTUs, pro-rated to reflect the portion of the vesting period that elapsed prior to the RTU Participant's retirement, termination without cause or death. In the event that an RTU Participant's retirement occurs on or after the date the RTU Participant attains the age of 60 years, then all RTUs shall become vested in accordance with the RTU Plan and will be settled by way of the issuance of Trust Units or a cash payment as described above.

In the event of an RTU Participant's Period of Absence (as defined in the RTU Plan), RTUs shall continue to be and become vested RTUs in accordance with the RTU Plan and the RTU Participant shall be entitled to receive payment in accordance with the RTU Plan, unless the RTU Participant's retirement, termination of employment or the RTU Participant's death occurs during the vesting period. In the event of an RTU Participant's Unpaid Leave of Absence (as defined in the RTU Plan), RTUs shall not become vested RTUs in accordance with the RTU Plan during the RTU Participant's Unpaid Leave of Absence. The RTU Participant shall only become entitled to have his or her RTUs become vested RTUs on the date when the RTU Participant returns to provide employment services to the REIT or a subsidiary. If the RTU Participant does not return from the Unpaid Leave of Absence, all unvested RTUs shall be forfeited and cancelled.

In the event of a change of control transaction, all outstanding RTUs will be deemed to be vested RTUs and settled on such terms as may be specified by the Board of Trustees prior to the change of control transaction, unless

either the RTUs are assumed by the successor in connection therewith or the Board of Trustees determines otherwise.

Amendment, Suspension or Termination of RTU Plan

The Board of Trustees may at any time and for any reason amend, suspend or terminate the RTU Plan and any grant made pursuant to the RTU Plan without approval of Unitholders and the RTU Plan shall govern the rights and obligations of the REIT and the RTU Participants with respect to all then-outstanding RTUs, provided that no such amendment, suspension or termination of the RTU Plan may, without the consent of an RTU Participant affected by the amendment (unless required by applicable law), adversely affect or impair the rights accrued to such RTU Participant with respect to RTUs granted prior to the date of the amendment.

Notwithstanding the foregoing, except as set forth in the RTU Plan, the RTU Plan or any grant may not be amended without approval by a majority of the votes cast by Unitholders taken together, present and voting in person or by proxy at a meeting of Unitholders of the REIT to: (a) increase the number of Trust Units issuable pursuant to the RTU Plan; (b) expand the authority of the Board of Trustees to permit assignability of the RTUs beyond that contemplated by the RTU Plan; (c) increase or delete the percentage limit relating to Trust Units issuable or issued to insiders in the RTU Plan; (d) increase or delete the percentage limit on Trust Units reserved for issuance to any one RTU Participant pursuant to RTUs in the RTU Plan; (e) amend the definition of RTU Participant to add categories of eligible participants; (f) extend the term of any RTU or any rights pursuant thereto held by an insider beyond its original expiry date; (g) amend the RTU Plan to provide for other types of compensation through equity issuance; or (h) amend the amendment provisions of the RTU Plan other than as permitted under the applicable rules of the TSX.

Resolution

At the Meeting, Unitholders will be asked to consider and, if deemed advisable, to pass the following resolution (the “**RTU Plan Resolution**”):

“WHEREAS:

1. the Board of Trustees of the REIT approved on May 24, 2012 the adoption of a restricted trust unit plan (the “RTU Plan”) for the benefit of trustees, officers, employees and service providers of the REIT and its subsidiaries; and

2. there will be a maximum of 600,000 trust units reserved for issuance under the RTU Plan.

BE IT RESOLVED THAT:

1. the RTU Plan of the REIT as disclosed in the management information circular of the REIT dated May 28, 2012 be and is hereby approved; and

2. any Trustee or officer of the REIT be and is hereby authorized to do such things and to sign, execute and deliver all documents that such Trustee and officer may, in their discretion, determined to be necessary in order to give full effect to the intent and purpose of this resolution.”

The Board of Trustees recommends that the Unitholders vote FOR the RTU Plan Resolution. In the absence of a contrary instruction, persons named in the accompanying form of proxy intend to vote FOR the RTU Plan Resolution.

The Board of Trustees reserves the right to alter any terms of or not proceed with the RTU Plan at any time prior to the Meeting if the Board of Trustees determines that it would be in the best interests of the REIT and the Unitholders to do so, in light of subsequent developments.

GOVERNANCE

Board Mandate

The mandate of the Board of Trustees, which it discharges directly or through one of the three standing committees of the Board of Trustees, is one of stewardship and oversight of the REIT and its business, and includes responsibility for strategic planning, risk management, review of operations, disclosure and communication policies, oversight of financial and other internal controls, corporate governance, Trustee orientation and education, senior management compensation and oversight, and Trustee compensation and assessment. The text of the Board of Trustees' written mandate is attached to this Circular as Appendix E.

Trustee Independence, Attendance and Affiliations

Based on consideration of information provided by the Nominees, the Board has determined that five of the six Nominees proposed for election as Trustees by the Unitholders at the Meeting will be Independent Trustees (being a Trustee who is "independent" within the meaning of NI 58-101). Mr. Hanczyk, as Chief Executive Officer, is an officer of the REIT and is therefore not considered to be an Independent Trustee.

The mandate of the Board of Trustees provides that the Independent Trustees shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-Independent Trustees and members of management are not present. Furthermore, as set out in the Declaration of Trust, certain matters must be specifically approved by the Independent Trustees, which assists in facilitating the functioning of the Trustees independently of management. At each of the six meetings of the Board of Trustees and nine Board committee meetings held during 2011, the Independent Trustees met separately without the non-Independent Trustees and members of management in attendance.

Additional information relating to Trustees proposed for election by the Unitholders at the Meeting, including a list of all public companies and select private companies for which they serve as board members, as well as their attendance records at all Board and committee meetings for the year ended December 31, 2011, can be found at "Annual and Other Special Business to be Acted Upon at the Meeting – Election of Trustees".

Position Descriptions

The Chair of the Board of Trustees and Committee Chairs

Mr. Graham L. Rosenberg, the Chair of the Board of Trustees, is an Independent Trustee. The Board of Trustees has adopted a written position description for the Chair of the Board of Trustees which sets out the Chair's key responsibilities, including duties relating to: setting Board of Trustees meeting agendas; chairing Board of Trustees and Unitholder meetings; trustee development; and communicating with securityholders and regulators. As independent Chair of the Board of Trustees, Mr. Rosenberg is also responsible for: ensuring that appropriate structures and procedures are in place so that the Board of Trustees may function independently of management; recommending, where necessary, the holding of special meetings of the Board of Trustees, or meetings of Independent Trustees, whether as part of a regularly scheduled meeting of the Board of Trustees or otherwise, at which non-Independent Trustees and members of management are not present; and leading the process by which the Independent Trustees seek to ensure that the Board of Trustees represents and protects the interest of all securityholders of the REIT.

The Board of Trustees has also adopted a written position description for each of the committee Chairs which sets out each of the committee Chair's key responsibilities, including duties relating to: setting committee meeting agendas; chairing committee meetings; and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

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 of Trustees. The Board of Trustees has developed a written position description for the Chief Executive Officer which sets out

the Chief Executive Officer's key responsibilities, including duties relating to: strategic planning; operational direction; Board of Trustees interaction; succession planning; and communication with securityholders and regulators.

Committees of the Board of Trustees

Pursuant to the Declaration of Trust, the Board has established three standing committees: the Audit Committee, the GC&N Committee and the Investment Committee.

Audit Committee

The Audit Committee currently consists of Eric W. Slavens (Chair), John A. Brough and Graham L. Rosenberg, each of whom is "independent" and "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees*.

The Board of Trustees has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibility in: reviewing the financial statements of the REIT and public disclosure documents containing financial information and reporting on such review to the Board of Trustees; ensuring that adequate procedures are in place for the review of the REIT's public disclosure documents that contain financial information; overseeing the work and reviewing the independence of the external auditors; and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

Governance, Compensation and Nominating Committee

The GC&N Committee currently consists of John A. Brough (Chair), David G. Leith and Eric W. Slavens, all of whom are Independent Trustees. The GC&N Committee is charged with reviewing, overseeing and evaluating the governance and nominating policies and the compensation policies of the REIT. In addition, the GC&N Committee is responsible for: assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; overseeing the recruitment and selection of candidates as Trustees of the REIT; organizing an orientation and education program for new Trustees and coordinating continuing Trustee development programs; considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board as a whole or on behalf of the Independent Trustees; reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board; administering any Trust Unit option or purchase plan of the REIT or any other compensation incentive programs; assessing the performance of the officers and other members of the executive management team of the REIT; reviewing and approving the compensation paid by the REIT to the officers and consultants of the REIT; reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable to the Trustees and officers of the REIT; providing risk oversight of the REIT's compensation policies and practices; and identifying and mitigating compensation policies and practices that could encourage inappropriate or excessive risks by members of the REIT's senior management.

Investment Committee

Pursuant to the Declaration of Trust, a majority of the members of the Investment Committee must be Independent Trustees and must have at least five years of substantial experience in the real estate industry. The Investment Committee currently consists of J. Michael Knowlton (Chair), Kelly C. Hanczyk, David G. Leith and Graham L. Rosenberg, all of whom (other than Mr. Hanczyk) are Independent Trustees.

The Investment Committee is responsible for recommending to the Board whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of properties and borrowings (including the assumption or granting of any mortgage but not the renewal, extension or modification of any existing mortgage) by the REIT, or approving such transactions to the extent delegated to the Investment Committee by the Board.

Orientation and Continuing Education

The GC&N Committee has put in place an orientation program for new Trustees under which a new Trustee will meet with the Chair of the Board of Trustees and with members of the executive management team of the REIT, and be provided with a comprehensive orientation and education as to the nature and operation of the

REIT and its business, as to the role of the Board of Trustees, its committees and its members, and as to the contribution that an individual Trustee is expected to make. As part of the new Trustee's orientation and education of the REIT, he or she will be provided with a Trustee's binder containing the REIT's key documents, including the Declaration of Trust, Board and committee mandates and charters, code of business conduct and ethics, whistleblower policy, insider trading policy, disclosure policy, financial information for the REIT's most recently completed annual and interim financial periods and the REIT's current year business plan.

The GC&N Committee is also responsible for coordinating continuing Trustee development programs to enable the 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. As new laws, issues or other material or significant developments that are relevant to the REIT arise, the GC&N Committee seeks to ensure that such matter is the subject of presentations to, or discussions with, the Board of Trustees so that the Board is aware of such matter. Trustees are also empowered to request site visits to REIT properties.

The continuing Trustee development programs involve the ongoing evaluation by the GC&N Committee of the skills and competencies of existing Trustees. The Board of Trustees is currently comprised of seasoned business executives, directors and professionals who collectively possess a complimentary skill set, diverse knowledge base and considerable experience, including as board members of other significant public companies. The GC&N Committee continually monitors the composition of the Board and will recommend the adoption of other Trustee development program components should it determine other components to be necessary.

Ethical Business Conduct

Code of Business Conduct and Ethics

The Board has adopted a written code of business conduct and ethics (the “**Code**”) applicable to the Trustees, officers and employees of the REIT and its subsidiaries. The Code sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the REIT. Those who violate the Code may face disciplinary actions, including dismissal.

The Board has established confidential reporting procedures in order to encourage individuals to raise concerns regarding matters addressed by the Code on a confidential basis free from discrimination, retaliation or harassment. If a person subject to the Code should learn of a potential or suspected violation of the Code or of any applicable laws or regulations, they are required to promptly report the violation orally or in writing and, if preferred, anonymously, as the case may be, as follows: in the case of a situation that does not involve management of the REIT, to the Chief Financial Officer of the REIT; in the case of a situation that involves management of the REIT and does not involve any member of the Audit Committee of the REIT, to the chair or any member of the Audit Committee; or in the case of a situation that involves management of the REIT and any member of the Audit Committee, to any Independent Trustee of the REIT. If the issue or concern is related to the internal accounting controls of the REIT or any accounting or auditing matter, a person subject to the Code may report it anonymously to the Audit Committee.

In addition to the “conflict of interest” provisions contained in the Declaration of Trust as noted below, the Code provides that persons subject to the Code should not engage in any activity, practice or act which conflicts with the interests of the REIT. Trustees, officers and employees must not place themselves or remain in a position in which their private interests conflict with the interests of the REIT. If the REIT determines that an employee's outside work interferes with performance or the ability to meet the requirements of the REIT, the employee may be asked to terminate the outside employment if he or she wishes to remain employed by the REIT. To protect the interests of both the employees and the REIT, any such outside work or other activity that involves potential or apparent conflict of interest may be undertaken only after disclosure to the REIT by the employee and review and approval by management.

The GC&N Committee reports to the Board, when determined necessary by the committee, on investigations and any resolutions of complaints received under the Code, and at least annually, reports to the Board on compliance with, or material deficiencies from, the Code and recommends amendments, if any, to the Code to the Board. Each person subject to the Code is required to acknowledge that they have read and understand its contents. A copy of the Code can be found on SEDAR at www.sedar.com.

Only the Board of Trustees may waive application of or amend any provision of the Code. No such waiver was granted from the inception of the REIT to the date hereof and the REIT did not file any material change reports from the inception of the REIT to the date hereof pertaining to conduct that constitutes a departure from the Code.

Whistleblower Policy

The REIT has also adopted a whistleblower policy to enable any person to raise concerns regarding accounting, internal accounting controls or auditing matters on a confidential basis, free from discrimination, retaliation or harassment, anonymously or otherwise. The Audit Committee is responsible for administering the whistleblower policy.

Conflict of Interest

The Declaration of Trust contains “conflict of interest” provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees engage in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the REIT, at the first meeting of Trustees or committee of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a material contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees or a committee thereof, the nature and extent of his 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 primarily relates to his remuneration or is for indemnity under the provisions of the Declaration of Trust or the purchase or maintenance of liability insurance.

Further, each of the following matters require the approval of a majority of the Independent Trustees:

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which any related party of the REIT has any direct or indirect interest, whether as owner, operator or manager;
- (b) a material change to any agreement with a related party of the REIT or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case with: any Trustee; any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest; or any entity for which any Trustee acts as a director or other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to: any Trustee; any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest; or any entity for which any Trustee acts as a director or other similar capacity; or
- (e) decisions relating to any claims by or against one or more parties to any agreement with any related party of the REIT.

Nomination and Assessment of Trustees

The GC&N Committee 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 GC&N Committee's views regarding the appropriate size of the Board, with a view to facilitating effective decision-making.

The GC&N Committee 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 REIT's Chief Executive Officer recommends one candidate for each Board opening, to be interviewed by the independent Chair of the GC&N Committee, who shall in turn, if such candidates are acceptable to the Chair of the GC&N Committee, recommend the candidates to the GC&N Committee, who shall in turn, if such candidates are acceptable to the GC&N Committee, recommend the candidates to the Board for nomination as a trustee to be elected by the Unitholders. While the foregoing was the process followed with respect to the nomination of Mr. Knowlton for election as a Trustee in 2011, the REIT may employ a variation of this objective nomination process for future nominations.

The GC&N Committee is also responsible for regularly assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees. Given the Management Internalization and associated changes to the composition of the Board of Trustees effected on September 1, 2011, the GC&N Committee determined to defer formal assessments until 2012. With respect to 2011, the Board was sufficiently small to permit all Trustees to have input on matters on a regular basis and to informally assess the performance, effectiveness and contribution of Trustees of the REIT throughout the year. When needed, time was set aside at meetings of the GC&N Committee and the Board for discussions regarding the effectiveness of the Board, its committees and individual Trustees.

Disclosure Policy

The Board of Trustees has adopted a disclosure policy (the "**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 and employees of the REIT and its subsidiaries. The Disclosure Policy covers disclosure documents filed with the Canadian securities regulators and written statements made in the REIT's annual and quarterly reports, press releases, letters to Unitholders, presentations by senior management 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 disclosure committee, which is comprised of the REIT's Chief Executive Officer and Chief Financial Officer, is responsible for overseeing the REIT's disclosure controls, procedures and practices. Subject to applicable law, periodic disclosure matters (such as quarterly results) and any development determined by the Board as requiring immediate public disclosure, the REIT's disclosure committee is responsible for overseeing that a reasonable investigation of the REIT's information and developments is conducted on an ongoing basis for disclosure purposes, assessing such information and developments for materiality and determining if and when such material information requires public disclosure. The REIT's disclosure committee reports to, and provides minutes of its meetings to, the Audit Committee on a regular basis.

The Disclosure Policy has been circulated to all persons subject to such policy and the disclosure committee endeavours 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 GC&N Committee.

Retirement Policy

As the REIT only became a reporting issuer, and the longest-serving Trustees were only elected as Trustees, in May 2010, the Board of Trustees is of the view that it is premature to consider the adoption of a retirement policy for Trustees. The Board of Trustees will, however, consider the adoption of such policy if and when it determines that such policy would be beneficial to the REIT.

REMUNERATION OF MANAGEMENT OF THE REIT

Compensation Discussion and Analysis

GC&N Committee

The GC&N Committee currently consists of John A. Brough (Chair), David G. Leith and Eric W. Slavens, all of whom are Independent Trustees. In addition to each GC&N Committee member's general business background, senior management experience and involvement on the boards of other issuers (see biographical information under "Annual and Other Special Business to be Acted Upon at the Meeting – Election of Trustees"), each member has served on the GC&N Committee since the establishment of the REIT. The following further, direct experience of the members of the GC&N Committee in the design, implementation or oversight of compensation programs is also relevant to their responsibilities in executive compensation and the members of the GC&N Committee draw upon this experience, as well as the skills gained with this experience, to enable them to make decisions on the suitability of the REIT's compensation policies and practices:

John A. Brough: Mr. Brough has been a member of the Human Resources, Compensation and Nominating Committee of Kinross Gold Corporation for 18 years and previously served on the Compensation Committee of Silver Wheaton Corp. (2004-2008). Mr. Brough is also a graduate of the Director's Education Program at the University of Toronto, Rotman School of Management.

David G. Leith: Mr. Leith has had extensive experience in designing and administering performance-based compensation arrangements in his prior role as a senior manager at an investment bank. He also serves as the Chair, Board of Directors and an *ex officio* member of the Human Resources & Compensation Committee of Manitoba Telecom Services Inc./MTS Allstream Inc.

Eric W. Slavens: As a retired partner of a large accounting firm, Mr. Slavens has extensive experience in the development and compensation of partners and professional staff as well as the design of compensation programs. Mr. Slavens also serves on the Human Resource and Compensation Committee of Altus Group Limited and the Compensation and Corporate Governance Committee of Titanium Corporation Inc.

Compensation Decision-Making Process

Based on recommendations made by the GC&N Committee, the Board makes decisions regarding the salary, annual bonus and equity incentive compensation for the REIT's executive officers and approves goals and objectives relevant to such compensation. Prior to making its recommendations, the GC&N Committee obtains and considers the recommendation of the REIT's Chief Executive Officer with respect to the compensation of members of the REIT's senior management other than the Chief Executive Officer, together with the annual performance evaluation of such officers, and considers any input from the Audit Committee regarding the Chief Financial Officer's competence and performance. The GC&N Committee also assesses the compensation of the members of the REIT's senior management in light of the REIT's performance, Unitholder return, compensation paid to senior management in comparable organizations and such other factors as the committee considers relevant from time to time. Further information regarding the responsibilities of the GC&N Committee can be found at "Governance – Committees of the Board of Trustees – Governance, Compensation and Nominating Committee".

Prior to the REIT's assumption of responsibility from DrimmerCo for the day-to-day administration and operation of its properties (the "**Management Internalization**") on September 1, 2011, the REIT employed two persons, one of whom (being the Chief Financial Officer) was considered an executive officer of the REIT, while the services of Mr. Kelly C. Hanczyk, as Chief Executive Officer, were provided to the REIT by DrimmerCo. Other than equity incentive compensation (see "– Compensation Components – Long-Term Equity Incentives" below),

prior to September 1, 2011, no compensation was paid by the REIT or its subsidiaries to those persons provided by DrimmerCo as officers of REIT (including Mr. Hanczyk), and the compensation received by such persons from DrimmerCo was not within or subject to the discretion of the Board of Trustees or GC&N Committee. The compensation paid by the REIT to DrimmerCo for services rendered was calculated in accordance with the Services Agreement and the limited partnership agreements of the Partnerships (the “**Limited Partnership Agreements**”), (see “Interest of Informed Persons in Material Transactions”), and was also not subject to the general discretion of the Board of Trustees.

In connection with the Management Internalization, the GC&N Committee retained the services of Mercer as a compensation consultant to assist in the determination of appropriate compensation for the REIT’s executive officers (see “– Compensation Consultant”). Compensation decisions made by the GC&N Committee reflect many other factors and considerations in addition to the information and recommendations provided by Mercer.

Compensation Objectives

The REIT’s compensation practices are designed to retain, motivate and reward its executive officers for their performance and contribution to the long-term success of the REIT. The Board of Trustees seeks to compensate its executive officers by combining short and long-term cash and equity incentives. It also seeks to reward the achievement of issuer and individual performance objectives, and to align executive officers’ incentives with Unitholder value creation. The Board of Trustees seeks to set issuer performance goals that reach across all business areas and include achievements in financial and business development. The Board of Trustees seeks to tie individual goals to the area of the officer’s primary responsibility. These goals may include the achievement of specific financial or business development goals.

Prior to the Management Internalization, the REIT did not have a formal policy for a specific allocation between annual base and bonus compensation, current and long-term compensation, or cash and non-cash compensation. The REIT sought to establish a pay mix which provided a competitive set salary with a significant portion of compensation awarded on both issuer and personal performance, although the relative importance between individual performance objectives and issuer performance goals was not rigidly predetermined.

Effective upon completion of the Management Internalization, the GC&N Committee determined to, for the period from such completion date through the end of the 2011 fiscal year: (i) set new base salaries for the REIT’s executive officers; (ii) take a discretionary approach with respect to variable compensation; (iii) target executive compensation to be at the median of the REIT’s peer group or slightly greater than the median (see “– Benchmarking”); and (iv) target base, short-term variable compensation and mid-to-longer term variable compensation to each comprise approximately one third of total direct compensation.

In connection with the Management Internalization, the GC&N Committee also determined to, for the 2012 fiscal year: (i) review base salaries; (ii) with the assistance of the REIT’s Chief Executive Officer, formulate a succinct set of performance metrics for consideration in awarding variable compensation, employing the same entity-level categories of quantitative performance metrics for each executive officer so that their objectives are aligned, together with individual performance metrics; (iii) provide a competitive base salary, a short-term incentive and a long-term incentive program, consistent with peer group (see “– Benchmarking”); and (iv) implement the RTU Plan to complement the Unit Option Plan.

Compensation Risk Management

In performing its duties, the GC&N Committee considers the implications of the possible risks associated with the REIT’s compensation policies and practices. This includes identifying any such policies or practices that may encourage executive officers to take inappropriate or excessive risks, identifying risks arising from such policies and practices that could have a Material Adverse Effect on the REIT and considering the possible risk implications of the REIT’s compensation policies and practices and any proposed changes to them. The GC&N Committee periodically reviews and assesses the REIT’s compensation policies and practices in relation to such risks, including assessing such policies and practices in light of practices identified by the Canadian Securities Administrators as potentially encouraging officers to expose the REIT to inappropriate or excessive risks. It is the GC&N Committee’s view that the REIT’s compensation policies and practices do not encourage inappropriate or excessive risk-taking.

The REIT's executive compensation policies and programs have been designed to support the REIT's objective of generating long-term value for Unitholders. A significant portion of executive compensation is long-term unit-based incentive grants with vesting requirements. In the view of the GC&N Committee, as recipients only benefit under unit-based incentive grants if Unitholder value increases over the long-term, the REIT's executive officers are not provided incentives to take actions which provide short-term benefits and which may expose the REIT over a longer term to inappropriate or excessive risks. In addition, the REIT's unit ownership guidelines require the REIT's Chief Executive Officer and Chief Financial Officer to continue to hold a minimum amount of the REIT's securities, which also mitigates against such executives taking inappropriate or excessive risks to improve short-term performance.

Compensation Consultant

During 2010, the REIT did not engage any independent professional compensation consultant. In 2011, in connection with the Management Internalization, the GC&N Committee engaged Mercer to assist with the assessment of compensation of certain of the REIT's executive officers. Mercer's compensation analysis examined the base salary, short-term incentives, total cash compensation, long-term incentives and total direct compensation for the REIT's Chief Executive Officer and Chief Financial Officer and benchmarked such compensation against a peer group of comparable issuers (see "– Benchmarking").

In 2011, in connection with the September 2011 Acquisition (as defined below at "Interest of Informed persons in Material Transactions – Acquisitions and Dispositions") and Management Internalization, the GC&N Committee also engaged Mercer to conduct research into market practice and outline considerations for the committee's consideration in respect of payment of a transaction bonus to the Chief Executive Officer and Chief Financial Officer (the "**2011 Transaction Bonus**"), as well to the REIT's only other employee prior to the Management Internalization. See "– 2011 Transaction Bonus".

With respect to any compensation consultant or adviser (other than a legal, accounting and tax adviser) retained by the GC&N Committee or the Board for determining compensation for any of the Trustees and executive officers of the REIT, the GC&N Committee must pre-approve any retainer for such compensation consultant or adviser, or any affiliate thereof, to provide to the REIT any other services at the request of management.

Fees paid by the REIT to Mercer in 2011 and 2010 were as follows:

Year ended	Executive Compensation- Related Fees	All Other Fees
	(\$)	(\$)
December 31, 2011	39,220	–
December 31, 2010	–	–

Benchmarking

To assist in determining competitive compensation for executive positions effective upon completion of the Management Internalization and for fiscal 2012, the GC&N Committee reviewed data from reference groups comprised of the following publicly-traded, Canadian real estate investment trusts and real estate operating companies that the GC&N Committee viewed as being comparable to the REIT's scope, industry or size: Allied Properties Real Estate Investment Trust; Artis Real Estate Investment Trust; Boardwalk Real Estate Investment Trust; Canadian Apartment Properties Real Estate Investment Trust; Canadian Real Estate Investment Trust; CANMARC Real Estate Investment Trust (then known as Homburg Canada Real Estate Investment Trust); Chartwell Seniors Housing Real Estate Investment Trust; Cominar Real Estate Investment Trust; Crombie Real Estate Investment Trust; Dundee Real Estate Investment Trust; Extendicare Inc.; Killam Properties Inc.; Morguard Real Estate Investment Trust; Northern Property Real Estate Investment Trust; and Whiterock Real Estate Investment Trust.

The GC&N Committee: (i) determined that the basis of the compensation of the REIT's executive officers would be comprised of a competitive base salary, a short-term incentive (annual bonus) and a long-term incentive program, consistent with the peer group; and (ii) resolved to set target compensation for the Chief Executive Officer and Chief Financial at the median or slightly greater than the median level of total direct compensation for their

respective roles among the peer group. The GC&N Committee did not benchmark the compensation of the REIT's Senior Vice-President Residential Operations.

Compensation Components

The REIT's compensation consists primarily of three elements: base salary, annual bonus and long-term equity incentives. Each element of compensation is described in more detail below.

Base Salary

Base salaries for the executive officers are established based on the scope of their responsibilities and their prior relevant experience, taking into account competitive market compensation paid by other issuers in the industry for similar positions and the overall market demand for such executives at the time of hire. An executive officer's base salary is also determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation is in line with the REIT's overall compensation philosophy.

Base salaries are initially based on contractual arrangements and then reviewed annually and increased, if applicable, for merit reasons. Additionally, the REIT may adjust base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive officer's role or responsibilities. As at September 1, 2011, in connection with the Management Internalization, the REIT entered into employment agreements with the Chief Executive Officer and Senior Vice-President Residential Operations, establishing annual base salaries for such officers, and the Chief Financial Officer's annual base salary was increased. See "Remuneration of Management of the REIT – Summary Compensation Table".

For 2012, the REIT's Chief Executive Officer, Chief Financial Officer and Senior Vice-President Residential Operations have each been awarded a 3% increase in their respective annual base salaries.

Annual Bonus

Bonuses may be paid to executive officers in accordance with the employment contracts of such executive officers. For 2011, due to the Management Internalization, the GC&N Committee determined it to be appropriate to establish executive incentive compensation, within the contractually established range, using a review and global assessment of the performance of the REIT, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach.

Pursuant to their employment agreements, the REIT's Chief Executive Officer, Chief Financial Officer and Senior Vice-President Residential Operations were entitled to annual incentives of up to 65%, 40% and 35% of their annual base salaries for 2011, respectively, or such other amount as may be determined by the Board. The REIT's Chief Executive Officer and Chief Financial Officer were awarded their maximum contractual annual incentives in cash. The REIT's Senior Vice-President Residential Operations was awarded the maximum contractual annual incentives in cash, *pro rata* from September 1, 2011 to December 31, 2011 reflecting her length of service as a direct employee of the REIT upon completion of the Management Initialization.

Long-Term Equity Incentives

The REIT believes that equity based awards provide management 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 of Trustees does not award long-term equity incentives 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 of Trustees takes previous grants into consideration when considering new unit-based incentive grants.

Pursuant to their employment agreements, the REIT's Chief Executive Officer and Senior Vice-President Residential Operations were entitled to long-term incentive grants of up to 100% and 40% of their annual base salaries for 2011, respectively, or such other amount as may be determined by the Board. Pursuant to compensation

arrangements implemented as at September 1, 2011, the REIT's Chief Financial Officer was entitled to a long-term incentive grant of up to 50% of his annual base salary for 2011. The REIT's Chief Executive Officer and Chief Financial Officer were awarded their maximum long-term incentive grants. The REIT's Senior Vice-President Residential Operations was awarded the maximum long-term incentive grants, *pro rata* from September 1, 2011 to December 31, 2011 reflecting her length of service as a direct employee of the REIT upon completion of the Management Initialization. While the amounts of all such long-term incentive grants have been established and are currently payable in cash, the Board of Trustees resolved to defer the payment of such entitlements until five business days following implementation of the RTU Plan, at which time the grants would instead be awarded in the form of RTUs. The Board of Trustees has determined not to implement the RTU Plan if the Transaction is completed. Should either (i) the RTU Plan Resolution not be approved by the Unitholders at the Meeting or (ii) the Transaction be completed, all such long-term incentive grants will be paid in cash.

2011 Transaction Bonus

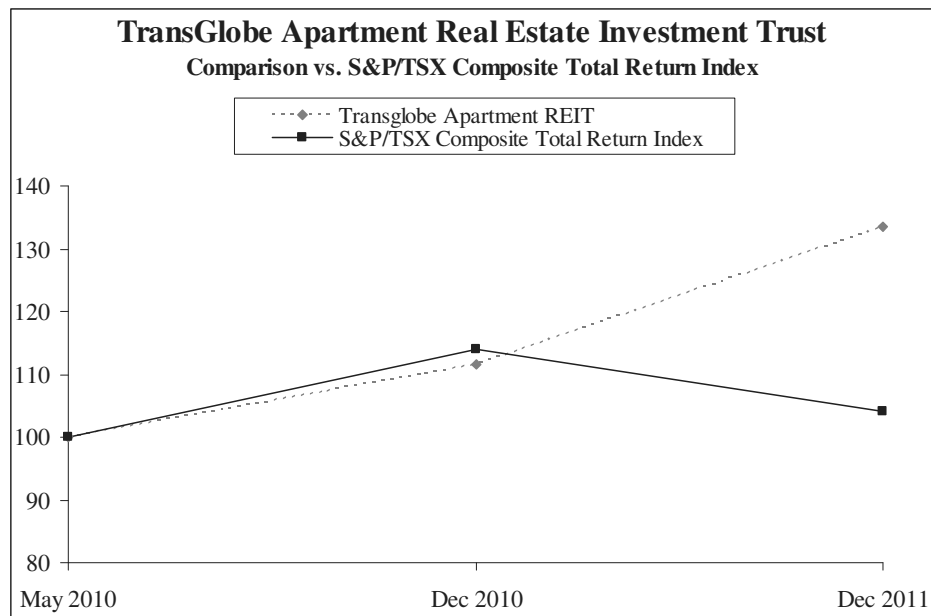
In gratitude for their additional efforts in completing the September 2011 Acquisition and Management Internalization, and otherwise for growing the REIT from 8,179 suites in May 2010 to 21,516 suites in March 2012, the REIT's Chief Executive Officer and Chief Financial Officer were each granted a bonus of cash compensation and the grant of Options, in addition to their annual bonus paid in respect of 2011, see "Remuneration of Management of the REIT – Summary Compensation Table".

Termination Based Compensation

For payments due to Named Executive Officers (as defined below) upon termination or a change of control, and the acceleration of vesting of Options in the event of a change of control under the Unit Option Plan, see "Remuneration of Management of the REIT – Employment Agreements" and "Equity Compensation Plan Information – Unit Option Plan".

Performance Graph

The following graph compares the cumulative total unitholder return on the Trust Units to the cumulative total return of the S&P/TSX Composite Total Return Index since the initial public offering of the REIT (based on a nominal investment of \$100):



Compensation paid by DrimmerCo to the REIT's Chief Executive Officer and Senior Vice-President Residential Operations for the period prior to the completion of the Management Internalization was not subject to the general discretion of the Board and GC&N Committee. Accordingly, compensation to such executive officers was not based upon, and may not be comparable to, the total return of the Trust Units relative to any particular index. For the REIT's Chief Financial Officer, who has been employed directly by the REIT throughout the period covered by the chart above, the trend of total compensation is consistent with the trend of cumulative value earned by holders of Trust Units over the period; however, the REIT's determination of executive compensation is based upon the policies and procedures described above and is not based upon the total return of the Trust Units relative to any particular index.

Summary Compensation Table

The following table sets out information concerning compensation to be earned by, paid to, or awarded to the persons determined to be named executive officers of the REIT pursuant to applicable securities laws (the "Named Executive Officers"):

Name and principal position	Year ⁽¹⁾	Salary ⁽²⁾ (\$)	Unit-based awards ⁽³⁾ (\$)	Option-based awards ⁽⁴⁾ (\$)	Non-equity annual incentive plans (\$)	All other compensation ⁽⁵⁾ (\$)	Total compensation (\$)
Kelly C. Hanczyk, <i>Chief Executive Officer</i>	2011	178,667	–	69,750	964,600 ⁽⁶⁾	289,924 ⁽⁷⁾⁽⁸⁾	1,502,941
	2010	–	–	128,100	–	387,500 ⁽⁷⁾⁽⁸⁾	515,600
Leslie Veiner, <i>Chief Financial Officer</i>	2011	277,500	–	46,500	293,967 ⁽⁶⁾	Nil	617,967
	2010	156,250	–	128,100	62,500 ⁽⁹⁾	Nil	346,850
Kristina Boyce, <i>Senior Vice-President Residential Operations</i>	2011	66,667	–	–	47,000 ⁽⁶⁾	58,333 ⁽⁷⁾	172,000
	2010	–	–	–	–	21,875 ⁽⁷⁾⁽¹⁰⁾	21,875

(1) The REIT commenced operations on May 14, 2010. As the REIT came into existence during 2010, information is not presented with respect to prior years.

(2) On an annualized basis, salaries paid to the Named Executive Officers for the year ended December 31, 2011 would have been as follows: Mr. Hanczyk, \$536,000 commencing September 1, 2011; Mr. Veiner, \$295,000 (\$275,000 prior to September 1, 2011 and \$250,000 prior to March 1, 2011); and Ms. Boyce, \$200,000 commencing September 1, 2011. See also Note 7.

(3) If the RTU Plan Resolution is approved by the Unitholders at the Meeting and the Transaction is not completed, the Board of Trustees has determined to award the 2011 long-term incentives to the Named Executive Officers in the form of RTUs (see "– Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives"). However, since such awards are currently payable in cash, the intended grant date value of such awards is noted in the "Non-equity annual incentive plans" column in the table above (see Note 6).

(4) The amount is the estimated fair value of each Option grant on the grant date. This fair value was calculated using the Black-Scholes option pricing model, as this is a widely used methodology that satisfies International Financial Reporting Standards ("IFRS") and corresponds to the compensation value intended to be provided to each Named Executive Officer, within the REIT's total compensation policy, and the fair value determined for accounting purposes. The following weighted average assumptions were used: expected distribution yield is 6.94%; expected volatility is 16.745%; risk free interest rate is 1.206%; and expected option life is 3.5 years. All Options to purchase Trust Units awarded by the REIT in 2011 were issued on September 2, 2011, as part of the 2011 Transaction Bonus, at an exercise price equal to \$10.81 and will expire five years after the date of grant and will vest on the basis of: (i) as to the first third, one year from the date of grant; (ii) as to the next third, two years from the date of grant; and (iii) as to the remaining third, three years from the date of grant. For a description of the material terms of the Unit Option Plan, see "Equity Compensation Plan Information – Unit Option Plan". For an explanation of the grant date fair values of Options granted during 2010, see the REIT's management information circular dated April 8, 2011.

(5) None of the Named Executive Officers are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$50,000 or over 10% of their annual base salary.

(6) Mr. Hanczyk's non-equity annual incentive plan compensation is comprised of \$348,400 for his annual cash bonus, \$536,000 for his long-term incentive grant (see Note 3) and \$80,200 for his 2011 Transaction Bonus. Mr. Veiner's non-equity annual incentive plan compensation is comprised of \$118,000 for his annual cash bonus, \$147,500 for his long-term incentive grant (see Note 3) and \$28,467 for his 2011 Transaction Bonus. Ms. Boyce's non-equity annual incentive plan compensation is comprised of \$20,000 for her annual cash bonus and \$27,000 for her long-term incentive grant (see Note 3).

- (7) Prior to completion of the Management Internalization on September 1, 2011, compensation of Mr. Hanczyk and Ms. Boyce was paid by DrimmerCo (with the exception of option-based awards granted to Mr. Hanczyk by the REIT under the Unit Option Plan) and there was no charge back to the REIT for such compensation. These individuals acted in a variety of capacities on behalf of DrimmerCo and the allocation of their total compensation disclosed in this table was determined solely for the purposes of this table, based on time spent by the respective individuals on REIT-related services.
- (8) Mr. Hanczyk, being an officer of the REIT, is not be entitled to any remuneration from the REIT for serving as a Trustee.
- (9) Represents 40% of Mr. Veiner's pro-rated annual salary (see "– Employment Agreements").
- (10) Ms. Boyce commenced employment with DrimmerCo on May 31, 2010.

Incentive Plan Awards – Unit-Based Awards

The following table sets forth for each Named Executive Officer information concerning unit-based awards outstanding as at December 31, 2011:

Name	Option-Based Awards					Unit-Based Awards ⁽¹⁾			
	Number of securities underlying unexercised Options (#)		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽²⁾ (\$)		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 (\$)
	Vested	Unvested			Vested	Unvested ⁽³⁾			
Kelly Hanczyk	33,333	66,667	10.00	May 14, 2015	56,333	112,667			
	–	150,000	10.81	September 2, 2016	Nil	132,000	–	–	–
Leslie Veiner	33,333	66,667	10.00	May 14, 2015	56,333	112,667			
	–	100,000	10.81	September 2, 2016	Nil	88,000	–	–	–
Kristina Boyce	–	–	–	–	–	–	–	–	–

(1) See "– Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives".

(2) Calculated based on the December 31, 2011 closing price on the TSX of \$11.69 per Trust Unit.

(3) These values are related to non-exercisable Options and are therefore not available to the Named Executive Officers.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out for each Named Executive Officer information concerning the value of option-based awards vested, and non-equity incentive plan compensation earned, during the year ended December 31, 2011:

Name	Option-based awards – Value vested during the year ⁽¹⁾	Non-equity incentive plan compensation – Value earned during the year ⁽²⁾
	(\$)	(\$)
Kelly Hanczyk	57,332	964,600
Leslie Veiner	57,332	293,967
Kristina Boyce	Nil	47,000

(1) Summarizes for each of the Named Executive Officers the aggregate value that would have been realized if the Options under the Unit Option Plan had been exercised on the vesting date during the year ended December 31, 2011.

(2) These are the same amounts as disclosed in the column entitled "Non-equity annual incentive plans" at "Summary Compensation Table" above.

Pension Plan Benefits

The REIT does not sponsor any pension plan for its executive officers.

Employment Agreements

Pursuant to the terms of an employment agreement with the REIT, Mr. Kelly Hanczyk serves as the REIT's Chief Executive Officer for an indefinite term. The agreement provides for an annual base salary, which amount was increased, most recently, to \$552,080 commencing January 1, 2012, and an annual incentive of up to 65% of annual base salary or such other amount as may be determined by the REIT. Mr. Hanczyk is also eligible to receive up to 100% of his base salary in long-term incentive grants. Mr. Hanczyk's employment agreement also provides for certain restrictive covenants that continue to apply following the termination of Mr. Hanczyk's employment with the REIT, including a six-month non-compete and 12-month non-solicit with respect to the REIT's customers or employees. Mr. Hanczyk may terminate his employment at any time for "good reason" (including by resignation following a material change in employment conditions or duties or a material reduction in his cash compensation package) by written notice to the REIT, and Mr. Hanczyk will be entitled to base salary and vacation owing at the time of termination and an amount equal to the aggregate of 24 months' "earnings" (calculated as Mr. Hanczyk's target total cash compensation (base salary plus the immediately preceding year's bonus, which shall not include any amounts payable in cash as described at "– Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives")), and benefits. Based on a 2012 annual salary of \$552,080 and a 2011 bonus of \$348,400, the amount of such a payment would be \$1,800,960. Pursuant to his employment agreement, if Mr. Hanczyk's employment is terminated without "cause" by providing him with a written notice, Mr. Hanczyk will be entitled to base salary and vacation owing at the time of termination and an amount equal to the aggregate of 24 months' "earnings", calculated as described above, and benefits. Based on a 2012 annual salary of \$552,080 and a 2011 bonus of \$348,400, the amount of such a payment would be \$1,800,960. If Mr. Hanczyk's employment is terminated with "cause", the REIT will be under no obligation to make any further payments other than compensation owing at the time of termination.

Pursuant to the terms of an employment agreement with the REIT, Mr. Leslie Veiner serves as the REIT's Chief Financial Officer for an indefinite term. The agreement provides for an annual base salary, which amount was increased, most recently, to \$303,850 commencing January 1, 2012, and an annual incentive of up to 40% of annual base salary or such other amount as may be determined by the Board. Mr. Veiner's employment agreement also provides for certain restrictive covenants that continue to apply following the termination of Mr. Veiner's employment with the REIT, including a six-month non-compete and 12-month non-solicit with respect to the REIT's customers or employees. The agreement provides that in the event Mr. Veiner's employment is terminated without "cause" (as such term is defined in the agreement), unrelated to a change of control, he will be entitled to an amount equal to the aggregate of 18 months' "earnings" and 18 months' benefits coverage. For these purposes, "earnings" shall be calculated as the lesser of (i) base salary plus target bonus and (ii) base salary and the average of the immediately preceding three years' annual bonuses (which shall not include any amounts payable in cash as described at "– Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives"). Based on a 2012 annual salary of \$303,850 and an average annualized bonus of \$109,000, the amount of such a payment would be \$619,275. Pursuant to his employment agreement, if within 12 months following a change of control, Mr. Veiner's employment is terminated without "cause" (including by resignation following a material change in employment conditions or duties or a material reduction in his cash compensation package), Mr. Veiner will be entitled to an amount equal to the aggregate of 24 months' "earnings", calculated as described above, and benefits. Based on a 2012 annual salary of \$303,850 and an average annualized bonus of \$109,000, the amount of such a payment would be \$825,700. If Mr. Veiner's employment is terminated with "cause", the REIT will be under no obligation to make any further payments other than compensation owing at the time of termination.

Pursuant to the terms of an employment agreement with the REIT, Ms. Kristina Boyce serves as the REIT's Senior Vice-President Residential Operations for an indefinite term. The agreement provides for an annual base salary, which amount was increased, most recently, to \$206,000 commencing January 1, 2012, and an annual incentive of up to 35% of annual base salary or such other amount as may be determined by the REIT. Ms. Boyce is also eligible to receive up to 40% of her base salary in long-term incentive grants. Ms. Boyce's employment agreement also provides for certain restrictive covenants that continue to apply following the termination of Ms. Boyce's employment with the REIT, including a six-month non-compete and 12-month non-solicit with respect to the REIT's customers or employees. Ms. Boyce may terminate her employment at any time for "good reason"

(including by resignation following a material change in employment conditions or duties or a material reduction in her cash compensation package) by written notice to the REIT, and Ms. Boyce will be entitled to base salary and vacation owing at the time of termination and an amount equal to the aggregate of 12 months' "earnings" (calculated as Ms. Boyce's target total cash compensation (base salary plus the immediately preceding year's bonus, which shall not include any amounts payable in cash as described at "– Compensation Discussion and Analysis – Compensation Components – Long-Term Equity Incentives")), and benefits. Based on a 2012 annual salary of \$206,000 and an annualized 2011 bonus of \$70,000, the amount of such a payment would be \$276,000. Pursuant to her employment agreement, if Ms. Boyce's employment is terminated without "cause" by providing her with a written notice, Ms. Boyce will be entitled to base salary and vacation owing at the time of termination and an amount equal to the aggregate of 12 months' "earnings", calculated as described above, and benefits. Based on a 2012 annual salary of \$206,000 and an annualized 2011 bonus of \$70,000, the amount of such a payment would be \$276,000. If Ms. Boyce's employment is terminated with "cause", the REIT will be under no obligation to make any further payments other than compensation owing at the time of termination.

Effective as at April 11, 2012, the employment agreements of all Named Executive Officers were amended. See "Transaction Resolution – Interest of Insiders in the Transaction – Retention Agreements with Named Executive Officers".

Mandatory Trust Unit Ownership Policy

The REIT's Chief Executive Officer is required to hold Trust Units, securities convertible into Trust Units and/or Options having a value equal to at least his salary during the prior year, which requirement will need to be achieved within three years following his initial appointment as the REIT's Chief Executive Officer. The REIT's Chief Financial Officer is required to hold Trust Units, securities convertible into Trust Units and/or Options having a value equal to at least his salary during the prior year, which requirement will need to be achieved within three years following his initial appointment as the REIT's Chief Financial Officer. For these purposes, the value of Trust Units and securities convertible into Trust Units will be calculated as the greater of book and current market value and the value of Options will be calculated as the greater of initial and current economic value.

Hedging of Equity-Based Compensation

The REIT's policy is that employees, including the Named Executive Officers, are prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of securities of the REIT held, directly or indirectly, by such employees, including equity securities granted as compensation. In addition, under the REIT's policies, employees may not sell "calls", buy "puts" or make "short sales" in respect of the securities of the REIT.

REMUNERATION OF TRUSTEES OF THE REIT

Remuneration of Trustees

Since October 1, 2011, each Trustee has received from the REIT an annualized base retainer in the amount of \$32,500 (previously \$25,000), plus a fee of \$1,500 for each day on which the Trustee attended a meeting of the Board in person, and \$1,000 (previously \$750) for attendance by telephone, except that any Trustee who is an officer of, or is otherwise employed by, the REIT is not entitled to any remuneration from the REIT for serving as a Trustee (including as the Chair of the Board or a committee). Accordingly, Mr. Hanczyk did not receive annual retainers or attendance fees. Since October 1, 2011, members of the Audit Committee, the GC&N Committee and the Investment Committee have received a fee of \$1,500 for each committee meeting attended in person and \$1,000 (previously \$750) for attendance by telephone. Since October 1, 2011, the Chair of the Board (or previously as the Lead Trustee) has received an additional annualized retainer of \$25,000 (previously \$15,000), the Chair of the Audit Committee has received an additional annualized retainer of \$15,000 and the Chairs of the GC&N Committee and the Investment Committee have each received an additional annualized retainer of \$7,500 (previously \$5,000). Each Trustee is also entitled to be reimbursed for reasonable travel and other expenses properly incurred for attending meetings of the Board or any committee meeting.

Trustee Compensation Table

The following table sets out information concerning the 2011 compensation earned by, paid to, or awarded to each current Trustee who is not a Named Executive Officer:

Name	Fees earned (\$)	Unit-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	All other compensation ⁽³⁾ (\$)	Total compensation (\$)
Graham L. Rosenberg	51,986	11,550	6,975	Nil	70,511
John A. Brough	44,964	8,947	6,975	Nil	60,886
J. Michael Knowlton ⁽⁴⁾	23,838	5,621	6,975	Nil	36,434
David G. Leith	33,059	7,727	6,975	Nil	47,761
Eric W. Slavens	55,835	11,201	6,975	Nil	74,011

(1) Pursuant to the REIT's Trustee Unit Issuance Plan, 50% of each non-executive Trustee's base annual retainer (after deducting applicable withholding taxes, if any) is payable in Trust Units based on the five-day volume weighted average trading price of a Trust Unit on the TSX prior to issue. See "Equity Compensation Plan Information – Non-Executive Trustee Unit Issuance Plan".

(2) The amount is the estimated fair value of each Option grant on the grant date. This fair value was calculated using the Black-Scholes option pricing model, as this is a widely used methodology that satisfies IFRS and corresponds to the compensation value intended to be provided to each Named Executive Officer, within the REIT's total compensation policy, and the fair value determined for accounting purposes. The following weighted average assumptions were used: expected distribution yield is 6.94%; expected volatility is 16.745%; risk free interest rate is 1.206%; and expected option life is 3.5 years. All Options to purchase Trust Units awarded by the REIT in 2011 were issued on September 2, 2011, at an exercise price equal to \$10.81 and will expire five years after the date of grant and will vest on the basis of: (i) as to the first third, one year from the date of grant; (ii) as to the next third, two years from the date of grant; and (iii) as to the remaining third, three years from the date of grant. For a description of the material terms of the Unit Option Plan, see "Equity Compensation Plan Information – Unit Option Plan".

(3) Table does not include any amounts paid as reimbursement for expenses.

(4) Mr. Knowlton was elected to the Board of Trustees on May 17, 2011.

Incentive Plan Awards – Outstanding Option-Based Awards

The following table sets forth for each current Trustee who is not a Named Executive Officer information concerning Options outstanding as at December 31, 2011:

Name	Number of securities underlying unexercised Options (#)		Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽¹⁾ (\$)	
	Vested	Unvested			Vested	Unvested ⁽²⁾
Graham L. Rosenberg	1,667	3,333	10.00	May 14, 2015	2,817.23	5,632.77
	–	15,000	10.81	September 2, 2016	Nil	13,200.00
John A. Brough	1,667	3,333	10.00	May 14, 2015	2,817.23	5,632.77
	–	15,000	10.81	September 2, 2016	Nil	13,200.00
J. Michael Knowlton	–	15,000	10.81	September 2, 2016	Nil	13,200.00
David G. Leith	1,667	3,333	10.00	May 14, 2015	2,817.23	5,632.77
	–	15,000	10.81	September 2, 2016	Nil	13,200.00
Eric W. Slavens	1,667	3,333	10.00	May 14, 2015	2,817.23	5,632.77
	–	15,000	10.81	September 2, 2016	Nil	13,200.00

(1) Calculated based on the December 31, 2011 closing price on the TSX of \$11.69 per Trust Unit.

(2) These values are related to non-exercisable Options and are therefore not available to the Trustees.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out for each current Trustee who is not a Named Executive Officer information concerning the value of option-based awards vested during the year ended December 31, 2011:

Name	Option-based awards – Value vested during the year⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Graham L. Rosenberg	2,867	Nil
John A. Brough	2,867	Nil
J. Michael Knowlton	Nil	Nil
David G. Leith	2,867	Nil
Eric W. Slavens	2,867	Nil

(1) Summarizes for each of such Trustees the aggregate value that would have been realized if the Options under the Unit Option Plan had been exercised on the vesting date during the year ended December 31, 2011.

Mandatory Trust Unit Ownership Policy

Each Trustee is required to hold Trust Units, securities convertible into Trust Units and/or Options having a value equal to at least two times his annual retainer, which requirement will need to be achieved within three years following his or her initial election or appointment as a Trustee. For these purposes, the value of Trust Units and securities convertible into Trust Units are calculated as the greater of book and current market value and the value of Options will be calculated as the greater of initial and current economic value. To assist the Trustees in meeting this ownership requirement, 50% of the Trustees' base annual retainer is paid in Trust Units (see "Equity Compensation Plan Information – Non-Executive Trustee Unit Issuance Plan").

Hedging of Equity-Based Compensation

The REIT's policy is that Trustees are prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of securities of the REIT held, directly or indirectly, by such Trustees, including equity securities granted as compensation. In addition, under the REIT's policies, Trustees may not sell "calls", buy "puts" or make "short sales" in respect of the securities of the REIT.

EQUITY COMPENSATION PLAN INFORMATION

Overview

The following table sets forth details of the REIT's equity compensation plans as at December 31, 2011:

Plan Category	Number of Trust Units to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Trust Units Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Trust Units Reflected in the First Column)
Equity Compensation Plans			
Approved by Securityholders	–	–	–
Equity Compensation Plans not Approved by Securityholders ⁽¹⁾	571,490	\$10.49	2,425,127 ⁽²⁾
Total:	571,490	\$10.49	2,425,127

(1) In connection with the REIT's initial public offering, the REIT implemented the Unit Option Plan (see "– Unit Option Plan") and the Trustee Unit Issuance Plan (see "– Non-Executive Trustee Unit Issuance Plan").

- (2) The number of Trust Units remaining available for future issuance under equity compensation plans as at December 31, 2011 was comprised of 2,407,559 Trust Units available for issuance pursuant to the Unit Option Plan and 17,568 Trust Units available for issuance pursuant to the Trustee Unit Issuance Plan. Since December 31, 2011, no further Options have been issued pursuant to the Unit Option Plan and a further 1,519 Trust Units have been issued pursuant to the Trustee Unit Issuance Plan.

See also “Annual and Other Special Business to be Acted Upon at the Meeting – Approval of Restricted Trust Unit Plan”.

Unit Option Plan

The REIT has established the Unit Option Plan for the benefit of employees, officers, trustees and directors of the REIT and its subsidiaries, as well as certain eligible service providers.

The Options granted under the Unit Option Plan permit Option holders to purchase Trust Units on payment of the subscription price. The subscription price is established by the Board and is not less than the market price of Trust Units on the date of the grant. The Board determines the number of Trust Units to be covered by each such Option and determines, subject to the Unit Option Plan, the terms of each such Option. The Options are granted for a period of not more than five years, although a shorter option period may be established by the Board. Generally, Options granted vest on the basis of: (i) as to the first third, one year from the date of grant; (ii) as to the next third, two years from the date of grant; and (iii) as to the remaining third, three years from the date of grant.

Unless the Board determines otherwise, an optionee’s Options granted under the Unit Option Plan will terminate and may not be exercised after the earliest of: (i) one year after the optionee’s termination of employment with the REIT by reason of death, permanent disability or retirement; (ii) the optionee’s termination of employment with the REIT, for “cause”; (iii) 90 days after the optionee’s termination of employment with the REIT, in any manner or for any reason, other than death, permanent disability, retirement or termination of employment for “cause”; and (iv) the expiry date of the optionee’s Option; provided that, subject to the foregoing, unvested Options will continue to vest according to their terms of grant.

The number of Trust Units issuable to insiders at any time under Options issued and outstanding pursuant to the Unit Option Plan and under any other security-based compensation arrangements of the REIT shall not exceed in the aggregate 10 per cent of the REIT’s total issued and outstanding Trust Units (on a non-diluted basis, but including the number of Class B LP Units issued and outstanding), and the number of Trust Units issued to insiders within any one year period under Options issued and outstanding pursuant to the Unit Option Plan and under any other security-based compensation arrangements of the REIT shall not exceed in the aggregate 10 per cent of the REIT’s total issued and outstanding Trust Units (on a non-diluted basis, but including the number of Class B LP Units issued and outstanding). The number of Trust Units covered by Options held by any one optionee shall not exceed 5 per cent of the outstanding Trust Units (on a non-diluted basis, but including the number of Class B LP Units issued and outstanding) at any time.

As at the date hereof, Options outstanding and Options available for issuance under the Unit Option Plan represent approximately 0.79% and 3.32%, respectively, of the aggregate outstanding Trust Units (on a non-diluted basis, but including the number of Class B LP Units issued and outstanding) and there are 2,979,049 Trust Units reserved for issuance under the Unit Option Plan, representing approximately 4.11% of the aggregate outstanding Trust Units (on a non-diluted basis, but including the number of Class B LP Units issued and outstanding) as at May 28, 2012.

If Options granted under the Unit Option Plan would otherwise expire during a blackout period or within 10 business days of the end of such period, the expiry date of the Option will be extended to the tenth business day following the end of the blackout period.

The Board may at any time and for any reason amend, suspend or terminate the Unit Option Plan, in whole or in part, and the Unit Option Plan shall govern the rights and obligations of the REIT and the optionees, as applicable, with respect to all then-outstanding Options, provided that no such amendment, suspension or termination of the Unit Option Plan may, without the consent of an optionee to whom Options shall theretofore have been granted, adversely affect the rights of such optionee. Notwithstanding the foregoing, except for certain anti-dilution adjustments permitted by the Unit Option Plan, the Board may not without approval by a majority of the votes cast by Unitholders present and voting in person or by proxy at a meeting of Unitholders: (i) increase the

number of Trust Units issuable pursuant to the Plan; (ii) make any amendment that would reduce the exercise price of an outstanding Option, including a cancellation of an Option and re-grant of an Option in conjunction therewith, constituting a reduction of the exercise price of the Option; (iii) extend the term of any outstanding Option; (iv) permit the grant of an Option with an expiry date of more than five years from the grant date; (v) expand the authority of the Board to permit assignability of Options beyond that currently contemplated by the Unit Option Plan; (vi) add to the categories of participants eligible to participate in the Unit Option Plan; (vii) amend the Unit Option Plan to provide for other types of compensation through equity issuance; (viii) increase or delete the percentage limit relating to Trust Units issuable or issued to insiders in the Unit Option Plan; (ix) increase or delete the percentage limit on Trust Units reserved for issuance to any one person under the Unit Option Plan; and (x) amend the amendment provisions other than as permitted under the rules or the applicable stock exchange or marketplace.

Subject to foregoing, the Board will have the authority, at any time and from time to time, to amend the terms and conditions of any Option award; provided, however, that unless an optionee otherwise agrees, such amendment shall apply only in respect of Options granted on or after the date of such amendment.

The Board may delegate to the GC&N Committee or any other committee of the Board as specified by the Board or to any officer or employee of the REIT such administrative duties or powers as it may deem advisable; provided that no such officer or employee shall have or obtain the authority to grant awards to himself/herself.

On May 24, 2012, the Board of Trustees approved the following amendments to the Unit Option Plan to facilitate the payment to Option holders of the REIT the in-the-money amount of the outstanding Options at the Time of Closing (see “The Transaction – The Transaction and Transaction Mechanics – Treatment of Options”). The amended and restated Unit Option Plan amended the Sale Transaction and the Change of Control definitions to ensure that the Transaction constitutes a Control Transaction under the Unit Option Plan, such that the redemption provisions of section 8.5 of the Unit Option Plan may be relied on in the context of the Transaction. These amendments do not require unitholder approval as provided in section 9.2 of the Unit Option Plan.

Non-Executive Trustee Unit Issuance Plan

Pursuant to the REIT’s non-executive Trustee unit issuance plan (the “**Trustee Unit Issuance Plan**”), 50% of each non-executive Trustee’s base annual retainer (after deducting applicable withholding taxes, if any) is payable in Trust Units issued from the REIT’s treasury on the last business day of March, June, September and December of each fiscal year of the REIT. The number of Trust Units issuable is calculated based on the five-day volume weighted average trading price of a Trust Unit on the TSX. During the year ended December 31, 2011, the REIT issued 4,324 Trust Units under the Trustee Unit Issuance Plan.

The Trustee Unit Issuance Plan will be suspended following the approval of the Transaction.

INDEBTEDNESS OF TRUSTEES AND EXECUTIVE OFFICERS

No current or former Trustee, executive officer or employee (or any associates thereof) is, or has at any time since January 1, 2011 been, indebted to the REIT or its subsidiaries and neither the REIT nor any of its subsidiaries have guaranteed or otherwise agreed to provide assistance in the maintenance or servicing of any indebtedness of any Trustee, executive officer or employee (or any associates thereof) except as otherwise disclosed in this Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as noted in the following paragraphs or otherwise disclosed in this Circular, there are no material interests, direct or indirect, of any Trustee, executive officer of the REIT or Unitholder that beneficially owns, or controls or directs, (directly or indirectly) more than 10% of the Trust Units or Special Voting Units of the REIT, or any associate or affiliate of any of the foregoing persons, in any completed transaction since the commencement of the REIT’s most recently completed financial year or proposed transaction of the REIT that has materially affected or would materially affect the REIT or any of its subsidiaries.

DrimmerCo

As at the date hereof, DrimmerCo beneficially owned, or controlled or directed, directly or indirectly, 353,414 Trust Units (or 0.6% of the outstanding Trust Units) and 14,450,462 Special Voting Units (or 100% of the outstanding Special Voting Units), representing approximately 20.4% of the outstanding Voting Units, and 14,450,462 Class B LP Units (or 100% of the outstanding Class B LP Units). DrimmerCo does not hold any Class B LP Units of TransGlobe Apartment Master LP. Each of the currently outstanding Class B LP Units was issued by a Partnership in connection with the completion of the acquisition of properties from DrimmerCo or DrimmerCo and its third party co-owners. Each Class B LP Unit of a Partnership is exchangeable at the option of the holder for one Trust Unit of the REIT (subject to customary anti-dilution adjustments), is accompanied by one Special Voting Unit of the REIT (which provides for the same voting rights in the REIT as a Unit) and is entitled to receive distributions of cash from such Partnership equal to the distributions that the holder of the Class B LP Unit would have received if it was holding one Trust Unit (subject to customary anti-dilution adjustments) instead of the Class B LP Unit.

Prior to completion of the Management Internalization on September, certain executive officers and employees of the REIT, including the REIT's Chief Executive Officer, were employees of DrimmerCo. DrimmerCo's head office is located at 401 The West Mall, Suite 1100, Toronto, Ontario.

Acquisitions and Dispositions

On January 28, 2011, the REIT indirectly acquired, through five of the Partnerships, a portfolio of 20 residential properties operated and owned or co-owned by DrimmerCo in the Provinces of Ontario and Québec, and related instalment notes (collectively with other such instalment notes and certain interest rate subsidy agreements "**Instalment Notes**") for an aggregate purchase price of approximately \$277.0 million. Three of such properties had been acquired by DrimmerCo within the two years prior to January 28, 2011 for an aggregate purchase price of approximately \$46.7 million.

On September 1, 2011, the REIT indirectly acquired, through nine of the Partnerships, a portfolio of 57 properties operated and owned or co-owned by DrimmerCo, comprising approximately 7,500 residential suites in an aggregate of 94 residential buildings and three townhouse complexes located in the Provinces of Alberta, Ontario, Québec and Nova Scotia, as well as approximately 13,000 square feet of commercial space in London, Ontario, and related Instalment Notes for an aggregate purchase price of approximately \$740.4 million. Two of such properties had been acquired by DrimmerCo within the two years prior to September 1, 2011 for an aggregate purchase price of approximately \$21.7 million. As part of the purchase price for the September 2011 Acquisition, the REIT transferred to DrimmerCo 100 Rideau Street, Oshawa, Ontario and 411 Ellerdale Street, Saint John, New Brunswick for approximately \$24.4 million. Such properties had been acquired by the REIT within the two years prior to September 1, 2011 for an estimated aggregate purchase price of approximately \$24.7 million, based on prior formal valuations as at April 1, 2010.

Limited Partnership Agreements

Prior to the Management Internalization, a DrimmerCo entity, in its capacity as a general partner of each then-existing Partnership, was responsible for the day-to-day administration and operation of the properties held through such Partnerships and for providing strategic advisory services to such Partnerships. Pursuant to the applicable Limited Partnership Agreements, DrimmerCo was entitled to receive a base annual distribution, payable monthly, from each such Partnership in respect of its performance of such duties and responsibilities, calculated as (a) 0.15% of the gross book value of such Partnership, and (b) 3.00% of the gross property revenue of such Partnership. In addition, each such Partnership was responsible for reimbursing DrimmerCo for certain out-of-pocket costs and expenses incurred by DrimmerCo on behalf of such Partnership in connection with carrying out its duties and obligations as a general partner. Pursuant to the foregoing, DrimmerCo received an aggregate distribution of approximately \$3.6 million from such Partnerships for the year ended December 31, 2011 and no amounts were reimbursed as out-of-pocket costs and expenses during the year ended December 31, 2011. Following September 1, 2011, DrimmerCo was no longer the general partner of any of the Partnerships.

Services Agreement

Prior to the Management Internalization, a DrimmerCo entity provided certain services to the REIT and its subsidiary entities pursuant to the Services Agreement. DrimmerCo was entitled to the following fees for its services in respect of properties acquired, directly or indirectly, by the REIT, to be paid upon the closing of the purchase of each such property: 0.75% of the purchase price paid for the first \$200 million of properties acquired in each fiscal year of the REIT from parties that are not DrimmerCo; and 0.50% of the purchase price paid for properties acquired in excess of \$200 million in each fiscal year of the REIT from parties that are not DrimmerCo. In addition, the REIT was responsible for reimbursing DrimmerCo for certain out-of-pocket costs and expenses incurred by DrimmerCo in connection with carrying out its duties and obligations under the Services Agreement. Pursuant to the foregoing, DrimmerCo received approximately \$1.4 million in fees during the year ended December 31, 2011 and no amounts were reimbursed as out-of-pocket costs and expenses during the year ended December 31, 2011. The Services Agreement was terminated on September 1, 2011.

Acquisition Fee

The agreement governing the Management Internalization provides that following completion of the Management Internalization and the September 2011 Acquisition, in respect of any property that the REIT acquires as a result of the opportunity to acquire such property having been presented to the REIT by DrimmerCo, the REIT will pay to DrimmerCo an acquisition fee equal to (a) 0.75% of the purchase price paid by the REIT for such property in respect of the first \$200 million of the aggregate purchase price paid for such properties acquired by the REIT in each fiscal year of the REIT, and (b) 0.50% of the purchase price paid by the REIT for the purchase of such property in respect of any amount in excess of \$200 million of the aggregate purchase price paid for such properties acquired by the REIT in each fiscal year of the REIT. DrimmerCo, however, does not have an obligation to present any properties to the REIT as a potential acquisition and the REIT has the option, but not the obligation, to purchase any properties presented by DrimmerCo. Pursuant to the foregoing, DrimmerCo received approximately \$0.6 million in fees during the period from September 1, 2011 to December 31, 2011.

Instalment Notes

In consideration for the REIT assuming certain mortgages in connection with the REIT acquisition of properties from DrimmerCo, DrimmerCo makes monthly instalment payments to the REIT pursuant to the Instalment Notes. The Instalment Notes were issued in order for the REIT to achieve specified effective interest rates on the applicable mortgages. The aggregate amount outstanding under the notes was approximately \$26.4 million at the time of their respective issue to the REIT and, as at May 16, 2012, the aggregate amount outstanding under the Instalment Notes was approximately \$16.5 million. Pursuant to the amended and restated pledge agreement between the REIT, certain Partnerships and DrimmerCo dated November 23, 2011, DrimmerCo has pledged Class B LP Units as security for its obligations under the Instalment Notes. Certain of this collateral security (or any permitted substitutions therefor) will be reduced, subject to certain conditions, quarterly on a straight-line basis as payments are made by DrimmerCo to the REIT.

Indebtedness

As at May 16, 2012, DrimmerCo was indebted to TransGlobe Apartment Master LP in the amount of approximately \$101,355 pursuant to a demand promissory note, which indebtedness was provided in connection with the REIT's indirect acquisition, through a Partnership, of one property, on June 6, 2011, owned and operated by a third party in the City of Québec, Québec. The promissory note bears an interest rate of 4.0% per annum, calculated monthly not in advance.

Indemnification

On September 1, 2011, the REIT and DrimmerCo entered into a consolidated indemnification and post-closing obligations agreement, which consolidated certain outstanding indemnification obligations among the parties. See the REIT's current annual information form for additional information relating to such agreement, which additional information is incorporated by reference herein.

Rights Plan Commitment

Pursuant to the agreement governing the Management Internalization, on September 1, 2011, the REIT entered into an agreement that provides that the REIT will refrain from (a) amending the Rights Plan in a manner that materially adversely affects Mr. Daniel Drimmer and the DrimmerCo entities holding Special Voting Units and (b) including terms in any successor plan to the Rights Plan that materially adversely affects Mr. Drimmer and the DrimmerCo entities holding Special Voting Units and are not in the Rights Plan, which agreement will terminate upon the Rights Plan (or any successor thereto) being amended such that Mr. Drimmer together with the DrimmerCo entities holding Special Voting Units qualify as “Independent Unitholders” (as defined under the Rights Plan) with all voting rights on plan amendments, provided that (a) any renewal of the Rights Plan on its existing terms, (b) any adoption or renewal of a successor plan having substantially the same terms as the Rights Plan, or (c) any redemption of rights or waiver of a “Flip-in Event” (as defined under the Rights Plan) pursuant to the Rights Plan, or a successor plan, shall not constitute an amendment of the Rights Plan that materially adversely affects Mr. Drimmer and the DrimmerCo entities holding Special Voting Units.

Leases

The following REIT properties are currently subject to leases with DrimmerCo: (a) 250 Sandringham Crescent, London, Ontario; (b) 4-16 Cartier Court and 1390-1410 Kensington Parkway, Brockville, Ontario; (c) 335 Boulevard Deguire, Montréal, Québec; and (d) 2309 - 2334 Brunswick Street and 5214 Gerrish Street, Halifax, Nova Scotia.

Additional Rights

In addition, pursuant to the amended and restated exchange agreement dated September 1, 2011 (the “**Exchange Agreement**”), DrimmerCo is entitled to certain pre-emptive rights to maintain its *pro rata* ownership interest in the REIT and its subsidiaries, “demand” and “piggyback” registration rights with respect to public offerings by the REIT, and “drag” and “tag” rights with respect to purchases of securities of subsidiaries of the REIT. See the REIT’s current annual information form for additional information relating to such rights, which additional information is incorporated by reference herein.

UNITHOLDER PROPOSALS

The final date by which the REIT must receive a proposal for any matter that a Unitholder proposes to raise at the annual meeting of Unitholders to be held in 2013 is February 27, 2013.

ADDITIONAL INFORMATION

Additional information relating to the REIT (including, without limitation, the current annual information form) can be found on SEDAR at www.sedar.com. Additional financial information is provided in the REIT’s audited consolidated financial statements and management’s discussion and analysis for the REIT’s most recently completed financial year. Copies of this Circular, the REIT’s current annual information form and audited consolidated annual financial statements of the REIT as at and for the year ended December 31, 2011, and related management’s discussion and analysis, may be obtained without charge by writing to the Chief Financial Officer of the REIT at 5935 Airport Road, Suite 600, Mississauga, Ontario, L4V 1W5.

APPROVAL OF THE TRUSTEES

The contents and the sending of this Circular have been approved by the Board of Trustees of the REIT.

DATED as of May 28, 2012

BY ORDER OF THE BOARD OF TRUSTEES

(signed) Kelly C. Hanczyk

Chief Executive Officer

GLOSSARY OF TERMS

The following glossary of terms, used in this Circular, including the Summary, but not including the Appendices, is provided for ease of reference.

“2011 Transaction Bonus” has the meaning ascribed thereto under “Remuneration of Management of the REIT – Compensation Discussion and Analysis – 2011 Transaction Bonus”;

“Acquisition Agreement” means the agreement dated April 26, 2012 among PDK, Starlight and the REIT pursuant to which holders of Trust Units will receive an aggregate of \$14.25 in cash for each Trust Unit held by way of the Special Distribution and the Redemption, and CAPREIT, Timbercreek, PSP Holdco and Bidco will each acquire certain of the REIT’s Properties, as further described under “Transaction Agreements – The Acquisition Agreement”;

“Acceptable Confidentiality Agreement” means a confidentiality and standstill agreement that contains confidentiality and standstill provisions that are no less favourable to the REIT than those contained in the Confidentiality Agreement;

“Acceptable Superior Proposal” has the meaning ascribed thereto in the Voting and Support Agreements;

“Acquisition Proposal” means any proposal or offer made by any person other than any Transaction Participant or any of their respective affiliates (or any person acting jointly and/or in concert with any such person) with respect to the acquisition, directly or indirectly, of assets, securities or ownership interests of or in the REIT or any of its subsidiaries representing 20% or more of the consolidated assets of the REIT and its subsidiaries taken as a whole, in a single transaction or a series of transactions, or of equity interests representing a 20% or greater economic interest in the REIT or such subsidiaries taken as a whole, in a single transaction or a series of transactions, pursuant to any merger, amalgamation, plan of arrangement, tender offer, share exchange, business combination, liquidation, dissolution, recapitalization, take-over or non-exempt issuer bid, amendment to the Declaration of Trust, redemption of Trust Units, extraordinary distribution, sale, lease, exchange, transfer, purchase or issuance as consideration or similar transaction or series of transactions involving the REIT or any of such subsidiaries or any public announcement of an intention to do any of the foregoing or any modification or proposed modification of any of the foregoing;

“Asset Purchasers” means, collectively, CAPREIT and Timbercreek and **“Asset Purchaser”** means any one of them;

“Asset Purchase Agreements” means, collectively, the CAPREIT APA and the Timbercreek APA;

“Assumed Debt” means the mortgages and indebtedness to which the nominees and/or the beneficial owners of the REIT’s Properties are subject whose assumption is to be arranged by Bidco pursuant to the Acquisition Agreement or, if PDK has directed title of the Trust Units or the REIT’s Properties to be transferred to an Asset Purchaser in accordance with the Acquisition Agreement, by such Asset Purchaser, as more particularly set forth in the Disclosure Letter, which for greater certainty includes all registered mortgages and hypothecs encumbering the REIT’s Properties other than the Discharged Mortgages;

“Bidco” means collectively, PDK and Starlight, acting jointly as required together with their respective affiliates;

“Bidco Termination Payment” means the sum of \$25,000,000;

“Bidco Termination Payment Event” has the meaning ascribed thereto under “Transaction Agreements – Guarantee and Agreements”;

“Board” or **“Board of Trustees”** means the board of Trustees of the REIT;

“business day” means any day of the week, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario;

“**CAPREIT**” means CAPREIT Limited Partnership, a subsidiary of Canadian Apartment Properties Real Estate Investment Trust;

“**CAPREIT APA**” means the agreement dated April 26, 2012 between CAPREIT and Bidco providing for the acquisition by CAPREIT of the CAPREIT Pool Assets, as further described under “Transaction Agreements – Asset Purchase Agreements”;

“**CAPREIT Pool Assets**” means the CAPREIT Property Pool and associated assets and liabilities, as described under the Acquisition Agreement;

“**CAPREIT Pool Assets LP**” means a new limited partnership formed by the applicable Partnerships and CAPREIT, the general partner of which will be owned by CAPREIT, as further described under “The Transaction – The Transaction and Transaction Mechanics – Transaction Steps”;

“**CAPREIT Property Pool**” means the 14 REIT properties located in Ontario, Québec and Nova Scotia to be acquired by CAPREIT pursuant to the Transaction;

“**Change in Recommendation**” has the meaning ascribed thereto in the Acquisition Agreement;

“**Circular**” means the management information circular of the REIT dated May 28, 2012;

“**Class B LP Units**” means the Class B limited partnership units in the capital of the Partnerships;

“**Closing**” means the completion of the Transaction pursuant to the Acquisition Agreement at the Time of Closing;

“**Closing Date**” means the second business day after the satisfaction or waiver of the conditions set forth in the Acquisition Agreement or such later date as agreed between the parties;

“**CMBS Debt**” means that portion of the Assumed Debt in favour of Computershare Trust Company of Canada (loan numbers 030255877, 030253554 and 030253555);

“**Competition Act**” means the *Competition Act* (Canada);

“**Confidentiality Agreement**” means the confidentiality and standstill agreement between the REIT, the Transaction Participants and certain of their respective affiliates and co-investors, dated March 21, 2012;

“**Consideration**” means the aggregate cash consideration of \$14.25 per Trust Unit to be paid to holders of Trust Units pursuant the Transaction through a combination of the Special Distribution and the Redemption;

“**Convertible Debentures**” means the aggregate \$50,000,000 initial principal amount of 5.4% convertible unsecured subordinated debentures due September 30, 2018 issued pursuant to the Trust Indenture;

“**Debt Consent Adjustment**” means the adjustment of the amounts set forth in the Acquisition Agreement to reflect (a) new second mortgages entered into, (b) the repayment of mortgages existing on the date hereof, and (c) regular monthly repayment of mortgages, in each case relating to the applicable Properties after the date hereof and prior to the second business day preceding the Closing Date;

“**Declaration of Trust**” means the amended and restated declaration of trust of the REIT made as of May 24, 2012, as it may be further amended, supplemented or amended and restated from time to time;

“**Declaration of Trust Amendments**” has the meaning ascribed thereto at “The Transaction – Declaration of Trust Amendments”;

“**Depository**” means CIBC Mellon Trust Company, as depository, or any other bank, trust company or financial institution, as may be agreed to by the REIT and Bidco;

“**Discharged Mortgages**” means collectively, all mortgages and hypothecs and other security agreements being discharged by Bidco pursuant to the Acquisition Agreement as set forth in the Disclosure Letter;

“Disclosure Letter” means the disclosure letter dated April 26, 2012 delivered by the REIT to Bidco, in a form and with content acceptable to Bidco, with respect to certain matters referred to in the Acquisition Agreement;

“DrimmerCo” collectively, means entities directly or indirectly beneficially owned or controlled by Mr. Daniel Drimmer and any such entities established prior to Closing, and, for greater clarity, includes PDK;

“DrimmerCo Proposal” has the meaning ascribed thereto under “The Transaction – Background to the Transaction”;

“Exchange Agreement” has the meaning ascribed thereto under “Interest of Informed Persons in Material Transactions – Additional Rights”;

“Fairness Opinions” means, collectively, the NBF Valuation and Fairness Opinion and the TD Securities Fairness Opinion and **“Fairness Opinion”** means any one of them;

“Financial Statements” has the meaning ascribed thereto in the Acquisition Agreement;

“GAAP” means generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time, consistently applied, or IFRS, as applicable, consistently applied;

“GC&N Committee” means the Governance, Compensation and Nominating Committee of the Board;

“Go-Shop Expiry Time” means: (i) 11:59 p.m. (Toronto time) on June 9, 2012; or (ii) if the REIT has exercised its one-time option to extend the Go-Shop Period pursuant to the Acquisition Agreement, 11:59 p.m. (Toronto time) on June 24, 2012;

“Go-Shop Period” means the period between April 26, 2012 and the Go-Shop Expiry Time, as further described under “Transaction Agreements – The Acquisition Agreement – Acquisition Proposals”;

“Guarantee and Agreements” means the guarantees and agreements dated April 26, 2012 between each of CAPREIT, Timbercreek and PSP Holdco, respectively, and the REIT and PDK, as described under “Transaction Agreements – Guarantee and Agreements”;

“Guarantor” means one of CAPREIT, Timbercreek and PSP Holdco with regards to the Guarantee and Agreements to which each is a party, as further described under “Transaction Agreements – Guarantee and Agreements”;

“IFRS” means International Financial Reporting Standards;

“IMH Pool VI LP” means a limited partnership in which PSP Holdco holds a 82.5% interest and an affiliate of Starlight holds a 17.5% interest;

“IMH Pool VII LP” means a limited partnership in which PSP Holdco holds a 82.5% interest and an affiliate of Starlight holds a 17.5% interest;

“Independent Trustee” means a Trustee who is “independent” within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“Instalment Notes” has the meaning ascribed thereto under “Interest of Informed Persons in Material Transactions – Acquisitions and Dispositions”;

“January 2011 Acquisition” has the meaning ascribed thereto under “The Transaction – Background to the Transaction”;

“January 2011 Acquisition Properties” has the meaning ascribed thereto under “Principal Legal Matters Related to the Transaction – Canadian Securities Law Matters – Prior Valuations”;

“Limited Partnership Agreements” means, collectively, the limited partnership agreements of the Partnerships and **“Limited Partnership Agreement”** means any one of the foregoing;

“Management Internalization” has the meaning ascribed thereto under “The Transaction – Background to the Transaction”;

“Match Period” has the meaning ascribed thereto under “Transaction Agreements – The Acquisition Agreement – Acquisition Proposals”;

“Material Adverse Effect” has the meaning ascribed thereto under “Transaction Agreements – The Acquisition Agreement – Material Adverse Effect Definition”;

“Material Contract” means all contracts to which the REIT or any of its subsidiaries is a party or by which any of them is bound: (i) which involve aggregate future payments by or to any of them in excess of \$100,000 in any 12-month period; (ii) which, if terminated without the consent of the REIT or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect; (iii) which include any earn-out or similar provisions, or indemnification obligations, in each case that remain in effect, under which the REIT or any of its subsidiaries could be liable in respect of any sale of assets of the REIT, or of assets or securities of any of its subsidiaries, or in respect of any acquisition of securities, assets or businesses of others (by merger, amalgamation, reorganization, arrangement or otherwise); (iv) which relate to licenses to or from any third parties or any REIT intellectual property or REIT technology that is material to the business of the REIT or any of its subsidiaries; (v) which are indentures, credit agreements, security agreements, mortgages, hypothecs, guarantees, promissory notes and other contracts relating to the borrowing of money in each case in excess of \$100,000; (vi) which constitute or relate to related party transactions; (vii) which provide for change in control, severance, retention or related payments and/or benefits to Trustees, directors, officers or employees of the REIT or any of its subsidiaries; (viii) which are assumed contracts; and (ix) which are otherwise material to the REIT and its subsidiaries on a consolidated basis and outside the ordinary and regular course;

“Meeting” means the annual and special meeting of Unitholders, including any adjournment or postponement thereof, to be held on June 27, 2012 in accordance with the Declaration of Trust;

“Mercer” means Mercer (Canada) Limited;

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

“Minority Unitholders” means Unitholders other than: (i) DrimmerCo; (ii) any other party that is an “interested party” in respect of the Transaction; (iii) any party that is a “related party” of (i) or (ii); and (iv) any other party that is a “joint actor” with any of (i), (ii) or (iii) in respect of the Transaction (including any Transaction Participant holding Trust Units), as determined pursuant to MI 61-101 and subject to the exceptions noted therein;

“Named Executive Officers” has the meaning ascribed thereto under “Remuneration of Management of the REIT – Summary Compensation Table”;

“NBF” means National Bank Financial Inc.;

“NBF Valuation and Fairness Opinion” means the valuation in respect of the Trust Units and fairness opinion of NBF dated April 25, 2012, as further described under “The Transaction – NBF Independent Valuation and Fairness Opinion”;

“New Holdings LP” has the meaning ascribed thereto under “The Transaction – The Transaction and Transaction Mechanics – Transaction Steps”;

“Nominees” has the meaning ascribed thereto under “Annual and Other Special Business to be Acted Upon at the Meeting – Election of Trustees”;

“Notice” means the Notice of Annual and Special Meeting of Unitholders of the REIT dated May 28, 2012;

“Options” means those unit purchase options granted pursuant to the Unit Option Plan;

“parties” means parties to the applicable agreement;

“Partnerships” means the twenty six existing limited partnerships formed under the laws of the Province of Ontario to own the REIT’s properties and, for greater certainty, excluding TGA Holdings LP and New Holdings LP, and **“Partnership”** means any one of the foregoing;

“PDK” means PD Kanco LP;

“Pre-Closing Reorganization” has the meaning ascribed thereto under “Transaction Agreements - The Acquisition Agreement – Covenants of the REIT Regarding the Conduct of its Activities”; see also “Transaction Agreements - The Acquisition Agreement – Pre-Closing Reorganization”;

“Properties” means has the meaning ascribed thereto under the Acquisition Agreement;

“Proposed Agreement” means a written agreement between the REIT and any person providing for or to facilitate an Acquisition Proposal other than an Acceptable Confidentiality Agreement, as described under “Transaction Agreements – The Acquisition Agreement – Acquisition Proposals”;

“PSP” means Public Sector Pension Investment Board;

“PSP Holdco” means PSPIB-RE Partners Inc.;

“PSP Property Pool” means the 72 REIT properties located in Ontario, Nova Scotia and New Brunswick to be acquired by PSP Holdco pursuant to the Transaction;

“Record Date” means May 28, 2012;

“Redemption” means the redemption of all Trust Units by the REIT (other than those Trust Units held by PSP Holdco (and its affiliates, if any) and one Trust Unit held by DrimmerCo) for the Trust Unit Redemption Price pursuant to the Transaction Steps;

“Regulations” means the regulations under the Tax Act;

“REIT” means, unless the context otherwise requires, TransGlobe Apartment Real Estate Investment Trust and its subsidiary entities, including the Partnerships, on a consolidated basis;

“Relevant Agreement” has the meaning ascribed thereto under “Transaction Agreements – Guarantee and Agreements”;

“Retention Payments” has the meaning ascribed thereto under “Transaction Resolution – Interest of Insiders in the Transaction – Retention Agreements with Named Executive Officers”;

“Revised DrimmerCo Proposal” has the meaning ascribed thereto under “The Transaction – Background to the Transaction”;

“Rights Plan” means the unitholder rights plan agreement between the REIT and CIBC Mellon Trust Company dated as of May 14, 2010;

“RTU” means a restricted trust unit issued under the RTU Plan, as further described under “Annual and Other Special Business to be Acted Upon at the Meeting – Approval of Restricted Trust Unit Plan – Summary of the RTU Plan”;

“RTU Participants” means participants in the RTU Plan, as further described under “Annual and Other Special Business to be Acted Upon at the Meeting – Approval of Restricted Trust Unit Plan – Summary of the RTU Plan”;

“RTU Plan” means the restricted trust unit plan, as further described under “Annual and Other Special Business to be Acted Upon at the Meeting – Approval of Restricted Trust Unit Plan – Summary of the RTU Plan”;

“RTU Plan Resolution” has the meaning ascribed thereto under “Annual and Other Special Business to be Acted Upon at the Meeting – Approval of Restricted Trust Unit Plan – Resolution”;

“SEDAR” means the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval;

“Services Agreement” means the services agreement dated May 14, 2010 between the REIT and DrimmerCo, and terminated in connection with the Management Internalization, as described at “Interest of Informed Persons in Material Transactions – Services Agreement”;

“September 2011 Acquisition” has the meaning ascribed thereto under “The Transaction – Background to the Transaction”;

“September 2011 Acquisition Properties” has the meaning ascribed thereto under “Principal Legal Matters Related to the Transaction – Canadian Securities Law Matters – Prior Valuations”;

“September 2011 Acquisition Properties Valuation” has the meaning ascribed thereto under “Principal Legal Matters Related to the Transaction – Canadian Securities Law Matters – Prior Valuations”;

“Special Committee” means the special committee of Trustees formed to consider the Transaction, as described under “The Transaction – Background to the Transaction”;

“Special Distribution” means the \$4.82 per Trust Unit special distribution to be paid by the REIT to all holders of Trust Units pursuant the Transaction Steps;

“Special Voting Units” means a special voting unit in the capital of the REIT;

“Starlight” means Starlight Investments Ltd.;

“Starlight Property Pool” means the REIT properties located in Ontario, Alberta, New Brunswick and Nova Scotia to be acquired by Starlight pursuant to the Transaction;

“Subscription Agreement” means the subscription agreement between PSP Holdco and the REIT, as described at “Transaction Agreements – Subscription Agreement”;

“Superior Proposal” means any *bona fide* written Acquisition Proposal: (a) that was not solicited in contravention of the Acquisition Agreement; (b) that involves not less than (i) all of the outstanding Trust Units or (ii) assets of the REIT or any of the subsidiaries representing not less than substantially all of the consolidated assets of the REIT and the subsidiaries; (c) which the Board determines in good faith (after receiving advice from its financial adviser and the REIT’s outside legal counsel) and after taking into account the terms and conditions of the Acquisition Proposal (but not assuming away any risk of non-completion) would, if consummated in accordance with its terms, result in a transaction more favourable to Unitholders (other than the Transaction Participants and their respective affiliates) from a financial point of view than the Transaction; (d) in respect of which the Board determines in good faith (after receipt of advice from its outside legal counsel) that failure to recommend such proposal to Unitholders would be inconsistent with its fiduciary duties; (e) in respect of which the Board determines in good faith (after receipt of advice from its financial adviser and outside legal counsel) (i) is not subject to any financing condition and (ii) any required financing to complete such Superior Proposal is reasonably likely to be obtained; (f) is not subject to a due diligence condition; and (g) is otherwise reasonably capable of completion without undue delay in accordance with its terms, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal (including the conditions to such Acquisition Proposal);

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

“Termination Payment” means \$25,000,000, except in the event that the Acquisition Agreement is terminated by the REIT prior to the Go-Shop Expiry Time, in which case it means \$21,100,000;

“Termination Expense Payment” has the meaning ascribed thereto under “Transaction Agreements – The Acquisition Agreement – Termination Expenses”;

“TD Securities Fairness Opinion” means the fairness opinion of TD Securities dated April 25, 2012, as described under “The Transaction – Fairness Opinion of TD Securities”;

“TD Securities” means TD Securities Inc.;

“Time of Closing” means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as may be agreed upon in writing by Bidco and the REIT;

“Timbercreek” means Timbercreek Asset Management Inc., together with one or more of its affiliates, funds or co-investors;

“Timbercreek APA” means the agreement dated April 26, 2012 between Timbercreek and Bidco providing for the acquisition by Timbercreek of the Timbercreek Pool Assets, as described under “Transaction Agreements – Asset Purchase Agreements”;

“Timbercreek Pool Assets” means the Timbercreek Property Pool and associated assets and liabilities, as described under the Acquisition Agreement;

“Timbercreek Property Pool” means the 26 REIT properties located in Ontario, Québec and Alberta to be acquired by Timbercreek pursuant to the Transaction;

“Transaction” has the meaning ascribed thereto under “The Transaction – The Transaction and Transaction Mechanics – Transaction Steps”;

“Transaction Agreements” means the Acquisition Agreement, each Guarantee and Agreement, the Disclosure Letter, each Asset Purchase Agreement, each Voting and Support Agreement, the Subscription Agreement and the Confidentiality Agreement;

“Transaction Participants” means, collectively, PDK, Starlight, PSP Holdco, CAPREIT and Timbercreek, and **“Transaction Participant”** means any one of them;

“Transaction Resolution” means the special and ordinary resolutions of the Unitholders approving the Transaction, to be considered at the Meeting and any amendments or variations thereto;

“Transaction Steps” has the meaning ascribed thereto under “The Transaction – The Transaction and Transaction Mechanics – Transaction Steps”;

“Transaction Steps Memorandum” means the steps memorandum prepared by KPMG LLP dated April 26, 2012, as initialled by the REIT and Bidco, as amended from time to time prior to Closing;

“Trust Indenture” means the trust indenture between the REIT and BNY Trust Company of Canada dated July 29, 2011 governing the Convertible Debentures;

“Trust Unit” means a trust unit in the capital of the REIT designated as a “Trust Unit” under the Declaration of Trust, but, for greater certainty, excludes a Special Voting Unit;

“Trust Unit Redemption Price” means \$9.43, as further described under “Transaction – The Transaction and Transaction Mechanics – Transaction Steps”;

“Trustees” means trustees of the REIT and **“Trustee”** means a trustee of the REIT;

“Trustee Unit Issuance Plan” has the meaning ascribed thereto at “Equity Compensation Plan Information – Non Executive Trustee Unit Issuance Plan”;

“TSX” means the Toronto Stock Exchange;

“Unit Option Plan” means the unit option plan of the REIT adopted with effect from May 14, 2010;

“Unitholder” means a holder of Voting Units;

“Valuator” means CB Richard Ellis, Limited;

“Voting and Support Agreements” means the agreements dated April 26, 2012 between the REIT and each of DrimmerCo and PSP (along with PSP Holdco), as they may be amended, supplemented, restated or otherwise modified from time to time in accordance with their respective terms; and

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

CONSENT OF NATIONAL BANK FINANCIAL INC.

To: The Board of Trustees of TransGlobe Apartment Real Estate Investment Trust (the “REIT”):

We refer to the formal valuation and fairness opinion of our firm dated April 25, 2012 (the “Valuation and Fairness Opinion”) attached as Appendix C to the management information circular dated May 28, 2012 (the “Circular”) of the REIT, which we prepared for the special committee of the Board of Trustees of the REIT in connection with the Transaction (as defined in the Circular).

We hereby consent to the filing of the Valuation and Fairness Opinion with the securities commissions (and other applicable securities regulatory authorities) in each of the Provinces of Canada, the inclusion of the Valuation and Fairness Opinion as Appendix C to the Circular.

Toronto, Ontario

May 28, 2012

(signed) NATIONAL BANK FINANCIAL INC.

CONSENT OF TD SECURITIES INC.

To: The Board of Trustees of TransGlobe Apartment Real Estate Investment Trust (the “REIT”):

We refer to the fairness opinion of our firm dated April 25, 2012 (the “Fairness Opinion”) attached as Appendix D to the management information circular dated May 28, 2012 (the “Circular”) of the REIT, which we prepared for the special committee (the “Special Committee”) of the Board of Trustees of the REIT in connection with the Transaction (as defined in the Circular).

We hereby consent to the references in the Circular to our firm name and to the Fairness Opinion, and to the inclusion of the text of the Fairness Opinion therein. In providing our consent, we do not permit any person other than the Special Committee and the Board of Trustees of the REIT to rely upon our opinion.

Toronto, Ontario

May 28, 2012

(signed) TD SECURITIES INC.

APPENDIX A - TRANSACTION RESOLUTION

RESOLUTION OF THE UNITHOLDERS OF TRANSGLOBE APARTMENT REAL ESTATE INVESTMENT TRUST

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE UNITHOLDERS THAT (with all capital terms having the meanings ascribed thereto in the accompanying management information circular dated May 28, 2012 (the "Circular")):

1. (A) the Transaction, including, without limitation, the transactions set out in the Acquisition Agreement and the completion of the Transaction Steps resulting in the payment of cash consideration to holders of Trust Units equivalent to \$14.25 per Trust Unit all as more particularly described or otherwise set forth in the Circular, as such steps may be modified or supplemented in accordance with the Acquisition Agreement and the Transaction Agreements as the Board determines are in the best interests of the REIT and the Unitholders and are not prejudicial to Unitholders and are necessary to implement the Transaction; (B) amendments to the Declaration of Trust in order to (i) permit the special distribution of cash, Trust Units or property of the Trust *in specie* at any time; (ii) permit the redemption and/or retraction of all or part of the outstanding Trust Units at a fixed redemption price, which may include a distribution in specie of any Trust property and permit the REIT to specify those Unitholders entitled to redemption; (iii) permit a person other than an individual to constitute the sole trustee of the Trust; (iv) authorize the Special Distribution and irrevocably specify (A) the portion of the Special Distribution to be characterized as a return of capital and (B) the taxable capital gains designation to be made with respect thereto (and provide that in the event the REIT does not have sufficient capital gains in the taxation year in which the Transaction occurs to support such designation, the amount of such capital gains shortfall shall also be characterized in respect of the Special Distribution as a return of capital); (v) separate the Special Voting Units from the Class B LP Units and permit the redemption or cancellation, for nominal or nil consideration, of the Special Voting Units; and amendments to the Declaration of Trust as otherwise may be necessary in order to give effect to the Transaction; (C) amendments to, or termination of, the Exchange Agreement and/or Rights Plan and/or the rights issued under the Rights Plan, to the extent determined necessary or desirable in order to give effect to the Transaction; all as more particularly described or otherwise set forth in the Circular, as well as all matters related to the Transaction or as otherwise agreed to by the REIT in order to carry out the intent of the foregoing and the matters authorized hereby, are hereby approved;
2. notwithstanding that the foregoing resolution has been passed by the Unitholders, the trustees are authorized without further notice to or approval of the Unitholders: (A) to amend the Acquisition Agreement and, to the extent that the REIT is a party thereto or has rights of approval with respect to any amendment thereto, the Transaction Agreements, in each case to the extent permitted thereby; and (B) not to proceed with the transactions contemplated in the Acquisition Agreement and the Transaction Agreements in accordance with the terms and conditions thereof; and
3. any one trustee or officer of the REIT is hereby authorized to enter into, execute or cause to be executed on behalf of the REIT, and to prepare and deliver or cause to be prepared and delivered, all such other 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 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 B - ACQUISITION AGREEMENT

PD KANCO LP

- and -

STARLIGHT INVESTMENTS LTD.

- and -

TRANSGLOBE APARTMENT REAL ESTATE INVESTMENT TRUST

ACQUISITION AGREEMENT

April 26, 2012

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THIS ACQUISITION AGREEMENT made the 26th day of April, 2012

AMONG:

PD KANCO LP

a limited partnership formed under the laws of Ontario (“**PDK**”)

- and –

STARLIGHT INVESTMENTS LTD.,

a corporation incorporated under the laws of Ontario (together with PDK, the “**Bidco**”)

- and –

THE TRUSTEES OF TRANSGLOBE APARTMENT REAL ESTATE INVESTMENT TRUST,

a trust existing under the laws of the Province of Ontario (the “**REIT**”)

NOW THEREFORE THIS AGREEMENT WITNESSESS THAT in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this Agreement, unless the context otherwise requires:

“**Acceptable Confidentiality Agreement**” means a confidentiality and standstill agreement that contains confidentiality and standstill provisions that are no less favourable to the REIT than those contained in the Confidentiality Agreement;

“**Acceptable Superior Proposal**” has the meaning ascribed to such term in the Voting Agreements;

“**Acquisition Proposal**” means any proposal or offer made by any Person other than any Transaction Participant or any of their respective affiliates (or any Person acting jointly and/or in concert with any such Person) with respect to the acquisition, directly or indirectly, of assets, securities or ownership interests of or in the REIT or any of its Subsidiaries representing 20% or more of the consolidated assets of the REIT and its Subsidiaries taken as a whole, in a single transaction or a series of transactions, or of equity interests representing a 20% or greater economic interest in the REIT or such Subsidiaries taken as a whole, in a single transaction or a series of transactions, pursuant to any merger, amalgamation, plan of arrangement, tender offer, share exchange, business combination, liquidation, dissolution, recapitalization, take-over or non-exempt issuer bid, amendment to the Declaration of Trust, redemption of Units, extraordinary distribution, sale, lease, exchange, transfer, purchase or issuance as consideration or similar transaction or series of transactions involving the REIT or any of such Subsidiaries or any

public announcement of an intention to do any of the foregoing or any modification or proposed modification of any of the foregoing;

“**affiliate**” means an affiliate for the purposes of National Instrument 45-106 — *Prospectus and Registration Exemptions*;

“**Agreement**” or “**Acquisition Agreement**” means this acquisition agreement as it may be amended, supplemented, restated or otherwise modified from time to time in accordance with its terms;

“**Asset Purchase Agreements**” means the agreements, dated as of the date hereof, between each of Timbercreek and CAPREIT with Bidco providing for the acquisition by the applicable Asset Purchaser of the Purchased Assets described therein;

“**Asset Purchasers**” means, collectively, each of CAPREIT and Timbercreek and “**Asset Purchaser**” means any one of them;

“**associate**” has the meaning ascribed thereto in the Securities Act;

“**Assumed Contracts**” means all Property level contracts to which the REIT or any of its Subsidiaries is a party or by which any of them are bound for the provision of elevator maintenance and services, laundry services, Stratacon submetering utility services, all utility contracts including with Direct Energy, Planet Energy or Altagas, ancillary revenue contracts (such as Bell/Rogers/Cogeco promotion and revenue sharing contracts), phone line and intercom contracts and the contracts or arrangements relating to building superintendants at the Properties, as more particularly set forth in the Disclosure Letter, being the Property level contracts that Bidco has advised the REIT are being assumed by the applicable Asset Purchasers;

“**Assumed Debt**” means those mortgages and indebtedness to which the Nominees and/or the Beneficial Owners of the Owned Real Property are subject whose assumption is to be arranged by Bidco pursuant to this Agreement or, if PDK has directed title of the Units or the Owned Real Property to be transferred to an Asset Purchaser in accordance with Section 2.2 hereof, by such Asset Purchaser, as more particularly set forth in the Disclosure Letter, which for greater certainty includes all registered mortgages and hypothecs encumbering the Owned Real Property other than the Discharged Mortgages;

“**Assumed Liabilities**” means collectively, Assumed Debt and Assumed Contracts;

“**Authorization**” means, with respect to any Person, any order, permit, approval, consent, waiver, clearance, licence, certificate, qualification, registration or similar authorization of any Governmental Authority having jurisdiction over the Person;

“**Beneficial Owners**” means those entities listed in the Disclosure Letter as being the beneficial owners of the Properties;

“**Benefit Plans**” means all bonus, deferred compensation, incentive compensation, share or Unit purchase, share or Unit option, share or Unit appreciation, phantom share, change of control, savings, profit sharing, severance or termination pay, employee benefit, fringe benefit, health, dental or other medical, life, disability or other insurance (whether insured or self-insured), mortgage insurance, employee loan, employee assistance, supplementary unemployment benefit, pension, retirement, supplementary retirement and every other similar benefit plan, program, agreement, arrangement or practice (whether written or unwritten), insured or self insured, registered or unregistered, in each case, under which the REIT or its Subsidiaries may have any liability, but excluding any plan or programme

established pursuant to provincial, state or federal Law, including a comparable plan or program established and administered outside Canada;

“**Bidco**” means collectively, PDK and Starlight, acting jointly as required together with their respective affiliates;

“**Bidco Financing**” has the meaning set forth in Section 3.6;

“**Bidco Pre-Emptive Rights**” means the pre-emptive rights granted by the REIT to Bidco and/or certain of its affiliates pursuant to the Exchange Agreement;

“**Bidco Termination Payment**” means the sum of \$25,000,000;

“**Books and Records**” means all books and records of the REIT and its Subsidiaries, including financial, personnel, corporate, operations and sales books, books of account, sales and purchase records, lists of suppliers and customers, formulae, business reports, plans and projections and all other documents, surveys, plans, files, records, correspondence, and other data and information, financial or otherwise including all data and information stored on computer-related or other electronic media;

“**business day**” means any day of the week, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario;

“**CAPREIT**” means CAPREIT Limited Partnership and/or one or more of its affiliates;

“**CAPREIT Pool Assets**” means the CAPREIT Property Pool, any realty tax refunds to which the REIT or any of its Subsidiaries is entitled in respect of any Property comprising the CAPREIT Property Pool, Books and Records, Chattels, Assumed Contracts, Leases, units of the Limited Partnerships, Assumed Liabilities, shares of Nominees and all other assets, or, all limited partnership interests in any limited partnership that beneficially own all such assets related to and including the CAPREIT Property Pool, that: (i) Bidco is arranging for the purchase of pursuant to Section 2.2 and (ii) in respect of which title and interests are being directed to CAPREIT pursuant to the Transaction Steps;

“**CAPREIT Property Pool**” means the properties set forth in Appendix E to the Transaction Steps Memorandum;

“**Change in Recommendation**” has the meaning set forth in Section 5.6(b);

“**Chattels**” mean the equipment and chattels owned by the REIT or any of its Subsidiaries and used exclusively in the operation of the Properties, but excluding any equipment and personal property used in connection with the management of the Properties not owned by the REIT or any of its Subsidiaries;

“**Class B LP Units**” means the Class B limited partnership units in the capital of the Limited Partnerships;

“**Closing**” means the completion of the Transaction pursuant to this Agreement at the Time of Closing;

“**Closing Date**” means the second Business Day after the satisfaction or waiver of the conditions set forth in Article 6 or such later date as agreed between the Parties;

“**CMBS Debt**” means that portion of the Assumed Debt in favour of Computershare Trust Company of Canada (loan numbers 030255877, 030253554 and 030253555);

“Collective Agreements” means collective bargaining agreements and related documents including benefit agreements, letters of understanding, letters of intent and other written communications (including arbitration awards) by which the REIT or any of its Subsidiaries is bound or which impose obligations upon the REIT or any of its Subsidiaries or set out the understanding of the parties or an interpretation with respect to the meaning of any provisions of such collective bargaining agreements;

“Competition Act” means the *Competition Act* (Canada), as amended from time to time;

“Competition Act Approval” means either: (i) the Commissioner of Competition appointed under the Competition Act shall have issued an advance ruling certificate under section 102 of the Competition Act; or (ii) (A) the Commissioner shall have advised Bidco, in writing, that she has no intention to file an application under Part VIII of the Competition Act in connection with the transactions contemplated by this Agreement (a “no action letter”) and (B) the waiting period under section 114 of the Competition Act shall have expired, been terminated or waived, pursuant to section 113(c) of the Competition Act, the Parties’ obligations under section 114 of the Competition Act;

“Confidential Information” has the meaning set forth in Section 5.4(b);

“Confidentiality Agreement” means the confidentiality and standstill agreement between the REIT, the Transaction Participants, and Greystone Real Estate Fund Inc., dated March 21, 2012;

“Contract” means a contract, licence, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement, commitment, property level service or other contract, entitlement or understanding to which a Party or any of its Subsidiaries is a party or under which the REIT or any of its Subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether written or oral;

“Data Room” means the virtual database accessed over the world wide web at <https://services.interlinks.com/ui/flex/CIX.html>;

“Data Room Information” means the documents and other information made available to the Transaction Participants and their Representatives in the Data Room;

“Debentures” means the aggregate of \$50,000,000 initial principal amount of 5.4% convertible unsecured subordinated debentures due September 30, 2018 issued pursuant to the Trust Indenture;

“Declaration of Trust” means the amended and restated declaration of trust of the REIT dated September 1, 2011, as further amended, supplemented or restated from time to time;

“Declaration of Trust Amendments” mean, collectively, the proposed amendments to the Declaration of Trust in order to: (i) permit the extraordinary distribution of cash, Units or property of the REIT in specie at any time; (ii) permit the redemption and/or retraction of all or part of the outstanding Units at a fixed redemption price which may include a distribution *in specie* of any REIT property; (iii) permit a body corporate, partnership or trust to constitute the sole trustee of the REIT; and (iv) authorize the Special Distribution and irrevocably specify the capital gains designation to be made with respect thereto; and as otherwise may be necessary in order to give effect to the Transaction and the transactions contemplated by the Acquisition Agreement as the Parties shall agree;

“Debt Consent Adjustment” means the adjustment of the amounts set forth in Section 6.2(f) and Section 6.2(h) to reflect (a) new second mortgages entered into, (b) the repayment of mortgages existing on the

date hereof, and (c) regular monthly repayment of mortgages, in each case relating to the applicable Properties after the date hereof and prior to the second business day preceding the Closing Date;

“Depository” means CIBC Mellon Trust Company;

“Discharged Mortgages” means collectively, all mortgages and hypothecs and other security agreements being discharged by Bidco pursuant to this Agreement as set forth in the Disclosure Letter;

“Disclosure Letter” means the disclosure letter dated the date hereof delivered by the REIT to Bidco, in a form and with content acceptable to Bidco, with respect to certain matters in this Agreement;

“Employee” means an individual employed by the REIT or any of its Subsidiaries or Nominees on a full-time, part-time or temporary basis (including, for greater certainty, any property level employees), including those employees on disability leave, parental leave or other absence;

“Employment Contracts” means Contracts relating to an Employee which impose any obligation on the REIT or any of its Subsidiaries;

“Encumbrances” means, in the case of any of the Properties, all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, such Properties or any part thereof or interest therein, and any agreements, Leases, options, easements, rights of way, restrictions, executions or other encumbrances (including notices or other registrations in respect of any of the foregoing) adversely affecting title to the Properties or any part thereof or interest therein;

“Environment” means the environment or natural environment as defined in any Environmental Law and includes, air, land, surface water, wetlands, ground water or other water, land surface, soil, subsurface strata, any other environmental medium or natural resource, any sewer or water system, air enclosed in a building, and the environment in the workplace;

“Environmental Laws” means any applicable Law pertaining to the Environment, including those pertaining to: (a) the existence, cleanup and/or remedy of contamination on property; (b) the Release of any Hazardous Material into the Environment; (c) the control of hazardous wastes; and (d) the use, generation, transport, treatment, collection, handling, manufacture, labelling, sale, display, transfer, storage, disposal, removal, or recovery of Hazardous Materials;

“Estoppel Certificates” mean certificates signed by any commercial Tenants in a form acceptable to Bidco, acting reasonably, or otherwise in such form as may be contemplated in the applicable lease with such commercial Tenant, addressed to Bidco and to the relevant Asset Purchaser identified by Bidco, setting out the terms of their tenancy and confirming the status of their lease;

“Exchange Act” means the *United States Securities Exchange Act of 1934*, including the rules and regulations adopted thereunder;

“Exchange Agreement” means the amended and restated exchange agreement dated September 1, 2011, among, *inter alia*, TransGlobe Investment Management Ltd. and the REIT;

“Fairness Opinions” mean, collectively, the NBF Valuation and Fairness Opinion and the TD Fairness Opinion;

“Financial Statements” means the audited consolidated financial statements of the REIT as at and for the year ended December 31, 2011 and for the period from May 14, 2010 to December 31, 2010, in each case including the notes thereto;

“GAAP” means generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time, consistently applied, or International Financial Reporting Standards, as applicable, consistently applied;

“Go-Shop Expiry Time” means: (i) 11:59 p.m. (Toronto time) on June 9, 2012; or (ii) if the REIT has exercised its one-time option to extend the Go-Shop Period pursuant to Section 5.8(b), 11:59 p.m. (Toronto time) on June 24, 2012;

“Governmental Authority” means: (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, commissioner, board, or authority of any of the foregoing; (c) any self-regulatory authority, including the TSX; or (d) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing but excludes PSP and its affiliates;

“Guarantee and Agreement” means the agreements, dated the date hereof, between the REIT, Bidco and each of PSP Holdco, Timbercreek Asset Management Inc. and CAPREIT Limited Partnership providing, *inter alia*, for guarantees of certain of Bidco’s obligations under this Agreement to pay the Bidco Termination Payment in certain instances and to contribute a portion of the reimbursement of those fees and expenses specified in Section 7.6(a) in certain instances;

“Hazardous Material” means any substance, material, energy or waste which is regulated by, or forms the basis of liability under, any Environmental Laws, including any material or substance which is defined as a “solid waste”, “hazardous waste”, “hazardous material”, “residual hazardous material”, “hazardous substance”, “dangerous good”, “extremely hazardous waste”, “restricted hazardous waste”, “pollutant”, “contaminant”, “hazardous constituent”, “special waste”, “toxic substance” or other similar term or phrase under any Environmental Laws (or could otherwise result in a liability thereunder), or petroleum or any fraction or by-product thereof, asbestos, asbestos containing materials, substances used for dry-cleaning and the waste and breakdown products thereof, polychlorinated biphenyls (PCBs) or any radioactive substance;

“Information Technology” means all computer hardware, software in source code and object code form (including documentation, interfaces and development tools for current and past versions), test macros, build scripts, websites (including domain names, applications and registrations), databases, telecommunications equipment and facilities and other information technology systems;

“Intellectual Property” means all: (a) copyrights, including copyright registrations and applications and unregistered copyrights; (b) Trade-marks; (c) patents and inventions and applications therefor and patents which may be issued from current applications (including divisions, reissues, renewals, re-examinations, continuations, continuations-in-part and extensions) applied for or registered; (d) trade secrets and confidential information; (e) industrial designs; (f) other rights relating to intellectual or industrial property, whether arising under statute, common law, civil law or otherwise; and (g) rights or interests in or relating to any of the foregoing under licenses, waivers or agreements;

“**ITA**” means the *Income Tax Act* (Canada), as amended from time to time, including regulations thereunder;

“**Laws**” means all laws (including common law), by-laws, statutes, rules, regulations, principles of law, Orders, ordinances, judgments, decrees or other requirements, whether domestic or foreign, and the terms and conditions of any grant of approval, permission, authority or license of or from any Governmental Authority, and the term “**applicable**” with respect to such Laws and in a context that refers to one or more Parties, means such Laws as are applicable to such Party or its business, undertaking, property or securities and emanate from a Person having jurisdiction over the Party or Parties or its or their business, undertaking, property or securities;

“**Leased Real Property**” means all real property leased, subleased or licensed to the REIT or its Subsidiaries;

“**Leased Vehicles**” means those vehicles leased by the REIT or its Subsidiaries as set forth in the Disclosure Letter;

“**Leases**” means Contracts pursuant to which the REIT or any Subsidiary leases or subleases any Owned Real Property or Leased Real Property to any other Person;

“**Lender Consents**” means the consent or approval of the holders of the Assumed Debt to the assumption thereof as contemplated by this Agreement;

“**Lender Undertakings**” means outstanding undertakings delivered by the REIT or any of its Subsidiaries to a lender of a Property in respect of work to be completed in respect of such Property including those as more particularly set out in the Disclosure Letter;

“**Limited Partnership Agreements**” means the agreements governing the Limited Partnerships;

“**Limited Partnerships**” means the limited partnership Subsidiaries listed in the Disclosure Letter;

“**Match Period**” has the meaning set forth in Section 5.8(g)(ii);

“**Material Contracts**” means all Contracts to which the REIT or any of its Subsidiaries is a party or by which any of them is bound: (i) which involve aggregate future payments by or to any of them in excess of \$100,000 in any 12-month period; (ii) which, if terminated without the consent of the REIT or any of its Subsidiaries, would reasonably be expected to have a REIT Material Adverse Effect; (iii) which include any earn-out or similar provisions, or indemnification obligations, in each case that remain in effect, under which the REIT or any of its Subsidiaries could be liable in respect of any sale of assets of the REIT, or of assets or securities of any of its Subsidiaries, or in respect of any acquisition of securities, assets or businesses of others (by merger, amalgamation, reorganization, arrangement or otherwise); (iv) which relate to licenses to or from any third parties or any REIT Intellectual Property or REIT Technology that is material to the business of the REIT or any of its Subsidiaries; (v) which are indentures, credit agreements, security agreements, mortgages, hypothecs, guarantees, promissory notes and other Contracts relating to the borrowing of money in each case in excess of \$100,000; (vi) which constitute or relate to Related Party Transactions; (vii) which provide for change in control, severance, retention or related payments and/or benefits to Trustees, directors, officers or Employees of the REIT or any of its Subsidiaries; (viii) Assumed Contracts; and (ix) which are otherwise material to the REIT and its Subsidiaries on a consolidated basis and outside the ordinary and regular course;

“**Meeting Materials**” has the meaning set forth in Section 5.6(b);

“**MI 61-101**” means Multilateral Instrument 61-101 — *Protection of Minority Shareholders in Special Transactions*;

“**Misrepresentation**” has the meaning ascribed thereto in the Securities Act;

“**NBF**” means National Bank Financial Inc.;

“**NBF Valuation and Fairness Opinion**” means the valuation in respect of the Units and fairness opinion of NBF dated April 25, 2012;

“**Nominees**” mean the Persons listed in the Disclosure Letter as holding legal title to the Properties;

“**Notice**” has the meaning set forth in Section 5.8(g)(ii);

“**Options**” means those unit purchase options granted pursuant to the Unit Option Plan;

“**Order**” means any order, judgment, injunction, award, decree or writ of any Governmental Authority;

“**Outside Date**” has the meaning set forth in Section 7.2(d);

“**Owned Real Property**” means all real property owned by the REIT or its Subsidiaries;

“**Parties**” means PDK, Starlight and the REIT, and “**Party**” means any one of them;

“**PDK**” has the meaning set forth in the Preamble;

“**Permitted Encumbrances**” means, with respect to any Property:

- (a) liens, hypothecs or priorities for taxes, assessments or governmental charges not at the time due or delinquent or the validity of which are being contested at the time in good faith by the registered owner by proceedings diligently conducted;
- (b) undetermined or inchoate liens, legal hypothecs, priorities and charges incidental to construction or to current operations which have not at such time been filed pursuant to law against the registered owner or which relate to obligations not due or delinquent;
- (c) all Encumbrances securing the Assumed Liabilities;
- (d) the reservation in any original grants from the Crown of any land or interests therein and statutory exceptions to title; and
- (e) those Encumbrances set out in the Disclosure Letter.

“**Person**” includes any individual, sole proprietorship, partnership, firm, joint venture, limited partnership, limited liability company, unlimited liability company, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body, corporation, or Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representatives or any other entity, whether or not having legal status;

“**Personal Information**” has the meaning set forth in Section 4.14;

“Pre-Closing Reorganization” has the meaning set forth in Section 5.2(gg);

“Property” means the Owned Real Property and Leased Real Property;

“Proposed Agreement” has the meaning set forth in Section 5.8(g);

“PSP Holdco” means PSPIB-RE Partners Inc.;

“PSP” means Public Sector Pension Investment Board;

“PSP Property Pool” means the properties set forth in Appendix H to the Transaction Steps Memorandum;

“Purchased Assets” means collectively, the Timbercreek Pool Assets and the CAPREIT Pool Assets;

“Purchase Orders” means, collectively, any order for which the REIT has already contracted to do the work to the Properties set out therein and which are more particularly set forth in the Disclosure Letter and any new purchase orders issued before Closing;

“Recommendation” has the meaning set forth in Section 5.6(b);

“Regulatory Approvals” means Competition Act Approval and approval by the TSX of the Transaction, or any part thereof, to the extent required by applicable Law;

“REIT” has the meaning set forth in the Preamble;

“REIT Annual Business” means the election of the Trustees, the re-appointment of the REIT’s auditors and authorization of the Trustees to fix such auditors’ remuneration, the presentation of the REIT’s audited consolidated annual financial statements as at and for the year ended December 31, 2011, and, in the event the Transaction is not approved, the approval of a restricted trust unit plan;

“REIT Board” means the board of trustees of the REIT;

“REIT Circular” means the notice of the REIT Meeting and accompanying REIT information circular, including all schedules, appendices and exhibits thereto, to be sent to the Unitholders in connection with the REIT Meeting, as it may be amended, supplemented or otherwise modified;

“REIT Exception” has the meaning set forth in Section 4.23(n);

“REIT Intellectual Property” has the meaning set forth in Section 4.17(a);

“REIT Material Adverse Effect” means any one or more actions, changes, effects, events, developments, occurrences or sets of circumstances or facts, individually or in the aggregate, that:

- (a) has been or would reasonably be expected to be materially adverse to the assets, liabilities, business, affairs, results of operations or financial condition of the REIT and its Subsidiaries, as applicable, taken as a whole; or
- (b) materially adversely affects the REIT’s ability to consummate the Transaction,

in each case, other than any action, change, effect, event, development, occurrence or set of circumstances or facts relating to or resulting from: (i) the announcement of the execution of this Agreement or the Transaction, the performance of the covenants and obligations herein, the completion of any of the transactions contemplated hereby or the identity of or any act or failure to act by any of Bidco, the Transaction Participants or any of their respective affiliates as the acquirors of the REIT or the Properties (including (a) any delay in or disruption to the conduct of the business or operations of the REIT and its Subsidiaries, including obtaining financing therefor; (b) any direct or indirect impact on, including any threatened adverse change in, the relationship of the REIT or any of its Subsidiaries with any employees, customers, suppliers, partners, service providers, financing sources or creditors or any communities, districts or regions in which the REIT or any of its Subsidiaries operate; and (c) the acceleration of any indebtedness of the REIT or any of its Subsidiaries as a result of the completion of any of the transactions or performance of any of its obligations contemplated hereby); (ii) any action taken by the REIT or its Subsidiaries at the request of any Transaction Participant or as required under any Transaction Agreement, or the failure to take any action prohibited by this Agreement, or any breach by any Transaction Participant of any Transaction Agreement to which it is a party; (iii) any decrease in the market price or any decline in the trading volume of the Units on the TSX (it being understood, however, that any action, change, effect, event, development, occurrence or set of circumstances causing or contributing to any such decreases in market price may constitute a REIT Material Adverse Effect and may be taken into account in determining whether a REIT Material Adverse Effect has occurred); (iv) any changes, developments, or events affecting the real estate industry, to the extent that they do not materially disproportionately affect the REIT and its Subsidiaries, taken as a whole, in relation to other Persons in the real estate industry; (v) the economy in general, or financial, credit, currency or capital markets in general, in Canada or elsewhere in the world, to the extent that they do not materially disproportionately affect the REIT and its Subsidiaries, taken as a whole, in relation to other Persons in the real estate industry; (vi) changes (after the date of this Agreement) in Law or in GAAP or in accounting standards affecting the real estate industry in general (to the extent that they do not materially disproportionately affect the REIT and its Subsidiaries taken as a whole); (vii) any political conditions or developments, or any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of this Agreement to the extent that they do not materially disproportionately affect the REIT and its Subsidiaries, taken as a whole, in relation to other Persons in the real estate industry; and (viii) earthquakes, hurricanes, tornados or other natural disasters to the extent that they do not materially disproportionately affect the REIT and its Subsidiaries, taken as a whole, in relation to other companies in the real estate industry; and it being further understood that references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a REIT Material Adverse Effect has occurred;

“REIT Meeting” means the annual and special meeting of Unitholders, including any adjournment or postponement thereof, to be called and held to approve the Transaction Resolution, the REIT Annual Business and the REIT Special Business, and to be called and held in accordance with the Declaration of Trust;

“REIT Public Documents” means all certifications, press releases and other documents (including financial statements, annual information forms, material change reports and management proxy circulars) required to be filed by the REIT with all applicable Securities Regulatory Authorities;

“REIT Special Business” means the Declaration of Trust Amendments, the sale of the Purchased Assets, the issue of Units pursuant to the Subscription Agreement, the amendment of the Unit Option Plan and such other matters of special business as may be required to implement the Transaction Steps or as is mutually agreed by the Parties;

“REIT Technology” has the meaning set forth in Section 4.17(a);

“Related Party Transactions” has the meaning set forth in Section 4.21;

“Release” has the meaning ascribed to it in any Environmental Law and includes any direct or indirect spill, emission, issuance, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, presence, leaching or migration of Hazardous Material in the Environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property;

“Remedial Action” means all actions to: (a) clean up, remove, treat or in any other way address the presence of Hazardous Material in violation of Environmental Law or at concentrations exceeding remediation guidelines; (b) prevent the Release of any Hazardous Material in violation of Environmental Law; (c) perform pre-remedial studies and investigations or post-remedial monitoring and care; (d) correct a condition of non-compliance with Environmental Laws; or (e) address, correct or respond to a claim or Order;

“Rent Rolls” means the rent rolls certified by the REIT and provided to Bidco for each of the Properties;

“Representative” means in respect of a Person, that Person’s trustees, directors, officers, employees, counsel, accountants and other authorized representatives and advisors (including, for greater certainty, any authorized investment banker, lawyer or accountant);

“Securities Act” means the *Securities Act* (Ontario), as amended from time to time;

“Securities Laws” means collectively the Securities Act and all other applicable provincial securities laws, rules and regulations thereunder in Canada;

“Securities Regulatory Authorities” means, collectively, the provincial and territorial securities regulatory authority in the provinces and territories of Canada in which the REIT is a reporting issuer (or the equivalent);

“Special Committee” means the special committee of the Trustees formed to consider the Transaction;

“Special Distribution” has the meaning set forth in Section 2.5(i);

“Starlight” means Starlight Investments Ltd. and includes one or more of its affiliates;

“Starlight Property Pool” means the properties set forth in Appendix I to the Transaction Steps Memorandum;

“Straddle Period” has the meaning set forth in Section 5.10;

“Subscription” has the meaning set forth in Section 2.3;

“Subscription Agreement” means the subscription agreement of PSP Holdco in connection with the Subscription, the form of which is appended to the Guarantee and Agreement between the REIT, Bidco and PSP Holdco dated the date hereof;

“**Subsidiary**” means a subsidiary of any Party for the purposes of National Instrument 45-106 – *Prospectus and Registration Exemptions* and in the case of the REIT includes, for greater certainty, each of the Beneficial Owners and each of the Nominees;

“**Superior Proposal**” means any *bona fide* written Acquisition Proposal: (a) that was not solicited in contravention of Section 5.8; (b) that involves not less than (i) all of the outstanding Units or (ii) assets of the REIT or any of the Subsidiaries representing not less than substantially all of the consolidated assets of the REIT and the Subsidiaries; (c) which the REIT Board determines in good faith (after receiving advice from its financial advisor and the REIT’s outside legal counsel) and after taking into account the terms and conditions of the Acquisition Proposal (but not assuming away any risk of non-completion) would, if consummated in accordance with its terms, result in a transaction more favourable to Unitholders (other than the Transaction Participants and their respective affiliates) from a financial point of view than the Transaction; (d) in respect of which the REIT Board determines in good faith (after receipt of advice from its outside legal counsel) that failure to recommend such proposal to Unitholders would be inconsistent with its fiduciary duties; (e) in respect of which the REIT Board determines in good faith (after receipt of advice from its financial adviser and outside legal counsel) (i) is not subject to any financing condition and (ii) any required financing to complete such Superior Proposal is reasonably likely to be obtained; (f) is not subject to a due diligence condition; and (g) is otherwise reasonably capable of completion without undue delay in accordance with its terms, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal (including the conditions to such Acquisition Proposal);

“**Tax Proposals**” has the meaning set forth in Section 4.23(n);

“**Tax Returns**” includes all returns, reports, declarations, elections, notices, filings, forms, statements, claims for the REIT or its Subsidiaries, disclosures and information reports and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, required to be made, prepared or filed by Law with any applicable Governmental Authority in respect of Taxes;

“**Taxes**” means any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping duties, all license, franchise and registration fees and all employment insurance, health insurance and Canada, and other provincial pension plan premiums or contributions;

“**TD Fairness Opinion**” means the opinion of TDSI to the effect that, as of April 25, 2012 and based upon and subject to the assumptions and limitations described therein, the consideration to be received by Unitholders, other than the Transaction Participants and their affiliates, pursuant to the Transaction is fair, from a financial point of view, to such Unitholders ;

“**TDSI**” means TD Securities Inc.;

“**Technical Information**” means know-how and related technical knowledge, including trade secrets, confidential information and other proprietary know-how;

“Technology” means Information Technology and Technical Information;

“Terminated Contracts” means those Property level service, maintenance or management contracts other than Assumed Contracts;

“Termination Payment” means \$25,000,000, except in the event that this Agreement is terminated by the REIT pursuant to Section 7.2(b)(ii) prior to the Go-Shop Expiry Time, in which case it means \$21,100,000;

“Tenant” means all Persons having a right to occupy any rentable area of the Properties pursuant to a Lease;

“Timbercreek” means Timbercreek Asset Management Inc., together with one or more of its affiliates, funds or co-investors;

“Timbercreek Pool Assets” means Owned Real Property, Leased Real Property, any realty tax refunds to which the REIT or any of its Subsidiaries is entitled in respect of any Property, Books and Records, Chattels, Employment Contracts, Leases, Leased Vehicles, units of the Limited Partnerships, REIT Technology, REIT Intellectual Property, Assumed Liabilities, Shares of Nominees and all other assets, or, all limited partnership interests in Subsidiaries that beneficially own all such assets, that: (i) Bidco is arranging for the purchase of pursuant to Section 2.2 and (ii) in respect of which title and interests are being directed to Timbercreek pursuant to the Transaction Steps;

“Timbercreek Property Pool” means the properties set forth in Appendix F and Appendix G to the Transaction Steps Memorandum;

“Time of Closing” means 10:00 a.m. Toronto time, on the Closing Date or such other time on the Closing Date as may be agreed upon in writing by the Parties;

“Trade-marks” means all trade-marks, trade-names, brands, trade dress, distinguishing guises, business names, domain names, tag lines, designs, graphics, logos and other commercial symbols and indicia of origin whether registered or not, and any goodwill associated therewith;

“Trailing D&O Insurance” has the meaning set forth in Section 8.1;

“Transaction” has the meaning set forth in Section 2.5;

“Transaction Agreements” means this Agreement, each Guarantee and Agreement, the Disclosure Letter, each Asset Purchase Agreement, each Voting Agreement, the Subscription Agreement and the Confidentiality Agreement;

“Transaction Participants” means, collectively, PDK, Starlight, PSP Holdco, CAPREIT and Timbercreek, and **“Transaction Participant”** means any one of them;

“Transaction Resolution” means the special and ordinary resolutions of the Unitholders approving the Transaction, to be considered at the REIT Meeting, substantially in the form of Schedule “A”, and any amendments or variations thereto made in accordance with the provisions of this Agreement;

“Transaction Steps” means those actions specified in the Transaction Steps Memorandum;

“Transaction Steps Memorandum” means the steps memorandum prepared by KPMG LLP dated the date hereof, as initialled by the Parties and as amended from time to time by mutual consent of the Parties;

“Trustees” means trustees of the REIT;

“Trustee Unit Issuance Plan” means the amended and restated non-executive trustee unit issuance plan dated December 30, 2010;

“Trust Indenture” means the trust indenture between the REIT and BNY Trust Company of Canada dated July 29, 2011 providing for the issue of the Debentures;

“TSX” means the Toronto Stock Exchange;

“Union” means an organization of employees formed for purposes that include the regulation of relations between employees and employers and includes a provincial, territorial, national or international union, a certified council of unions, a designated or certified employee bargaining agency, and any organization which has been declared a union pursuant to applicable labour relations legislation;

“Unitholder Rights Plan Agreement” means the unitholder rights plan agreement between the REIT and CIBC Mellon Trust Company dated as of May 14, 2010;

“Unitholders” means the holders of Units;

“Unitholder Approval” has the meaning set forth in Section 4.4;

“Unit Option Plan” means the unit option plan of the REIT adopted with effect from May 14, 2010;

“Units” means the units of the REIT, each of which represents an equal undivided beneficial interest in the REIT and in the distributions of the REIT;

“U.S. Securities Act” means the *United States Securities Act of 1933*, including the rules and regulations adopted thereunder;

“Voting Agreements” means the Voting and Support Agreements dated as of the date hereof between the REIT and each of Daniel Drimmer and Transglobe Investment Management Ltd. and PSP and PSP Holdco, as they may be amended, supplemented, restated or otherwise modified from time to time in accordance with their respective terms; and

“Work Orders” means, collectively, those municipal work orders outstanding as of the date hereof including those more particularly described in the Disclosure Letter, and in respect of Québec only, any work orders revealed by the Asset Purchaser’s Québec off-titles which have not been received as of the date hereof from the respective Governmental Authority and of which the REIT is forthwith advised in writing by Bidco and/or such Asset Purchaser.

Section 1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, paragraphs, clauses and schedules and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Unless the contrary intention appears, references in this Agreement to

an article, section, paragraph, clause or schedule by number or letter or both refer to the article, section, paragraph, clause or schedule, respectively, bearing that designation in this Agreement.

Section 1.3 Including

Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.

Section 1.4 No Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

Section 1.5 Statutory References

A reference to a statute includes all rules and regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation or rule which amends, supplements or supersedes any such statute or any such regulation or rule.

Section 1.6 Time of Essence

Time is of the essence in the performance of the Parties’ respective obligations hereunder.

Section 1.7 Subsidiaries

To the extent any representations, warranties, covenants or agreements contained herein relate, directly or indirectly, to a Subsidiary of any Party, each such provision shall be construed as a covenant by such Party to cause (to the fullest extent to which it is legally capable) such Subsidiary to perform the required action.

Section 1.8 Number and Gender

In this Agreement, unless the contrary intention appears, words importing the singular include the plural and *vice versa*, and words importing gender include all genders.

Section 1.9 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party is not a business day, such action shall be required to be taken on the next succeeding day which is a business day.

Section 1.10 Time References

In this Agreement, unless otherwise specified, any references to time are to local time, Toronto, Ontario.

Section 1.11 Currency, GST and HST

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada. All amounts payable hereunder are exclusive of applicable goods and services tax and harmonized sales tax and the provincial equivalent.

Section 1.12 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under International Financial Reporting Standards and all determinations of an accounting nature in respect of the REIT required to be made shall be made in a manner consistent with International Financial Reporting Standards, consistently applied.

Section 1.13 Knowledge

Any reference to the knowledge of a Party shall mean the actual knowledge of the officers and directors or trustees, as the case may be, of such Party, in such capacity and not in their personal capacities, after making reasonable inquiries regarding the relevant matter.

Section 1.14 Schedules

The following Schedules shall be incorporated by reference into this Agreement:

Schedule "A" – Transaction Resolution

ARTICLE 2 THE TRANSACTION

Section 2.1 Consideration Payable to Public Unitholders

Subject to the provisions of this Agreement and the other Transaction Agreements, Bidco covenants and agrees to complete on the Closing Date, those Transaction Steps to be completed by it and arrange for the completion of those Transaction Steps to be completed by the Transaction Participants as specified in this Article 2 and in the Transaction Steps, resulting in the payment of cash consideration to the Unitholders (other than Bidco, PSP and PSP Holdco) equivalent to \$14.25 per Unit, without set-off or deduction (other than as specified in Section 2.8 as regards withholding taxes).

Section 2.2 Purchase and Sale of Purchased Assets

Subject to the terms and conditions of this Agreement, on the Closing Date, Starlight shall cause the purchase of, and the REIT shall cause to be sold the CAPREIT Pool Assets in accordance with the applicable Asset Purchase Agreement and the Transaction Steps.

Subject to the terms and conditions of this Agreement, on the Closing Date, Starlight shall cause the purchase of, and the REIT shall cause to be sold in accordance with the applicable Asset Purchase Agreement the applicable Portion of the Timbercreek Pool Assets for a combination of cash and the assumption of the applicable portion of Assumed Liabilities related to the Timbercreek Pool Assets, as agreed to by the Parties, in accordance with the Transaction Steps in each case without deduction, adjustment or set-off.

Section 2.3 Issuance of Units

Subject to the terms and conditions of this Agreement, on the Closing Date, PDK shall arrange the subscription by PSP Holdco for, and the REIT shall issue to PSP Holdco a specified number of Units for an aggregate subscription price to be agreed upon by the Parties, payable in cash (the “**Subscription**”).

Section 2.4 Declaration of Trust Amendments

The REIT hereby covenants and agrees that it shall convene the REIT Meeting in accordance with Section 5.6 for the purposes of, among other things, the REIT Special Business, which shall include the approval of the Declaration of Trust Amendments.

Section 2.5 Implementation of Transaction

The Parties covenant and agree with the other, subject to the terms and conditions of this Agreement, and subject to any amendments agreed to by mutual consent of the Parties, to take all reasonable steps necessary or desirable to complete, among others, the following steps (collectively, the “**Transaction**”) on or immediately prior to the Closing Date, all as set forth in and in accordance with the Transaction Steps:

- (a) the REIT, Bidco and their respective affiliates shall take those steps necessary to segregate: (i) the Purchased Assets; and (ii) all other assets and liabilities of the REIT and its Subsidiaries into separate pools for each of the Asset Purchasers;
- (b) the REIT, Bidco and their respective affiliates shall transfer their limited partnership interests in the Limited Partnerships into a master limited partnership on a tax-deferred basis with partnership interests in such master limited partnership being issued by the master limited partnership as consideration for the interests in the Limited Partnerships;
- (c) the REIT shall, if duly authorized to do so at the REIT Meeting, effect the Declaration of Trust Amendments;
- (d) Starlight shall cause the acquisition of the CAPREIT Pool Assets in accordance with Section 2.2;
- (e) Starlight shall cause the acquisition of the Timbercreek Pool Assets in accordance with Section 2.2;
- (f) the REIT and Bidco (to the extent necessary) shall cause their respective Subsidiaries to distribute all or a portion of the proceeds from the sale of the CAPREIT Pool Assets and the Timbercreek Pool Assets to the REIT as contemplated in the Transaction Steps;
- (g) all Options shall be treated as contemplated by Section 2.7;
- (h) the REIT shall complete the redemption of all of the Debentures (if duly authorized in accordance with the Trust Indenture) or effect their defeasance to the extent that they are not redeemed in accordance with Section 2.6 and otherwise on such terms as the Parties shall mutually agree;
- (i) the REIT shall, with all or a portion of the proceeds from the sale of the CAPREIT Pool Assets and the Timbercreek Pool Assets, declare and pay, or cause to be paid, to all of the

Unitholders (other than Bidco and PSP Holdco) in accordance with the applicable provisions of the Declaration of Trust, a special distribution (the “**Special Distribution**”) in an amount to be determined;

- (j) PSP Holdco shall subscribe for a specified number of Units pursuant to the Subscription Agreement for an aggregate subscription price to be determined by the Parties in accordance with the Transaction Steps, payable in cash, and the REIT shall issue such Units as duly paid and non-assessable units of the REIT;
- (k) the REIT shall, in accordance with the Declaration of Trust, as amended, redeem all Units (other than those Units held by PSP Holdco and its affiliates and one Unit held by Bidco or one of its affiliates) for an amount per Unit equal to: (i) \$14.25 per Unit, less (ii) the amount distributed per Unit pursuant to the Special Distribution, and shall pay or cause to be paid, the redemption price for all such Units in cash;
- (l) the REIT shall redeem the Units held by PSP Holdco and its affiliates in exchange for a 82.5% interest in the PSP Property Pool; and
- (m) Bidco shall complete the discharge of all Discharged Mortgages at Closing in accordance with Section 2.10.

Section 2.6 Settlement of Debentures

The REIT covenants to use commercially reasonable efforts to cooperate with Bidco in connection with:

- (i) the REIT’s solicitation of instruments in writing executed by the holders of not less than 66 • % of the principal amount of outstanding Debentures, consenting to certain amendments to the Trust Indenture to permit the redemption, at Closing, of the Debentures; and/or
- (ii) the calling of a meeting of holders of Debentures and the solicitation of proxies in connection therewith, in order to effect such amendments to the Trust Indenture specified in clause (i); and
- (iii) in respect of all those Debentures that are not tendered for redemption on or prior to the Time of Closing, the exercise by the REIT of its rights of defeasance, pursuant to Section 10.5 of the Trust Indenture in order fully and finally to settle the REIT’s obligations thereunder,

provided that the consideration (together with all associated fees and expenses) for each of the above actions shall be provided by Bidco at Closing.

Section 2.7 Outstanding Stock Options

- (a) The REIT shall, effective in each case on or before the payment of the Special Distribution, subject to the receipt of all appropriate approvals, (i) cause the acceleration of the vesting of all in-the-money Options and (ii) make such amendments to the Unit Option Plan and take all such other steps as may be necessary or desirable to (A) permit holders of in-the-money Options the right to “cash out” such Options whereby such holders will receive a cash payment for each such Option that is equal to the product of

- (x) the amount by which \$14.25 exceeds the exercise price per Unit of each such Option multiplied by (y) the number of REIT Units underlying each such option (such product, the “Option Consideration”); and (B) cause the cancellation, without payment of any consideration therefore, of all out-of-the money Options. All amounts paid to holders of Options shall be made after deducting applicable withholding tax.
- (b) Each of Bidco and the REIT acknowledges and agrees that the REIT will elect to forgo any deduction under the ITA with respect to the cash payment of the Option Consideration to a holder of Options that is a resident of Canada for purposes of ITA or that is otherwise subject to taxation in Canada in respect of the Option Consideration and, to effect the foregoing, the parties will cause the REIT to timely comply with the requirements described in subsection 110(1.1) of the ITA, including delivering written notice of such election to each such holder in accordance with the requirements set out in the ITA. Bidco shall, on or immediately prior to Closing, provide funding to the REIT in a manner to be mutually agreed by Bidco and the REIT, acting reasonably, sufficient to enable the payment of the aggregate Option Consideration in the manner contemplated by this Agreement, including the amount to be remitted to the relevant Governmental Authority in respect of withholding tax.
- (c) The foregoing treatment of Options shall be described in the REIT Circular.

Section 2.8 Withholding Tax

The REIT shall be entitled to deduct and withhold from any amounts payable or distributable pursuant to the Transaction, and from all distributions, interest or other amounts payable, to any holder or former holder of Units or Options, such amounts as may be required to be deducted or withheld therefrom under the ITA, or under any provision of any applicable Law including, without limitation, any amounts payable in respect of Options and in respect of Part XIII.2 of the ITA. To the extent that such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the person to whom such amounts would otherwise have been paid.

Section 2.9 Press Releases

Subject to compliance with Securities Laws, promptly upon the execution of this Agreement and in any event prior to the next opening of trading on the TSX, the REIT shall issue a press release announcing the entering into of this Agreement, which press release will be satisfactory in form and substance to each of the Parties, acting reasonably. The REIT will file such press release, together with a material change report in prescribed form, with the Securities Regulatory Authorities under applicable Securities Laws. No Party shall issue any press release or otherwise make public statements with respect to this Agreement or the Transaction except as contemplated by this Agreement without the consent of the other Party; provided, however, that the foregoing shall be subject to each Party’s overriding obligation to make any disclosure or filing required under applicable Laws (and only to the extent required under applicable Laws), and the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party and reasonable opportunity to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing.

Section 2.10 Discharge of Certain Mortgages

On or before Closing, Bidco shall: (a) with the assistance of the REIT, obtain from each of the lenders under the Discharged Mortgages, a mortgage statement certifying how much is required to be paid to such lender in order to obtain a discharge of each of the applicable Discharged Mortgages; and (b) promptly provide a copy of such mortgage statements to the REIT. On Closing, the REIT shall direct Bidco to make the discharge amount payable to the applicable lender, and Bidco shall thereafter be responsible for obtaining and registering a discharge of such Discharged Mortgage.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF BIDCO

Each of PDK and Starlight hereby represents and warrants to the REIT and acknowledges that the REIT is relying upon these representations and warranties in connection with the entering into of this Agreement and the completion of the Transaction, as follows:

Section 3.1 Organization

Each of PDK and Starlight has been duly formed under the laws of Ontario, validly exists and has full power and authority to own its properties and conduct its business as presently owned and conducted.

Section 3.2 Authority

Each of PDK and Starlight has the requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by each of PDK and Starlight and the consummation by it of the transactions contemplated by this Agreement have been duly authorized by each of PDK and Starlight and no other proceedings on the part of each of PDK and Starlight are necessary to authorize this Agreement or the transactions contemplated hereby.

Section 3.3 Execution

This Agreement has been duly executed and delivered by each of PDK and Starlight and constitutes a valid and binding obligation of each of PDK and Starlight, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other Laws relating to or affecting creditors' rights generally and to general principles of equity.

Section 3.4 Violations

Subject to the timely receipt of all of the authorizations described in Section 5.5, the execution and delivery by each of PDK and Starlight of this Agreement and performance by Bidco of its obligations hereunder and the completion of the transactions contemplated hereby will not result (with or without notice or the passage of time) in a violation or breach of, require any consent to be obtained under, constitute a default under any provision of, or give rise to any termination rights under any provision of:

- (a) the constating documents of each of PDK and Starlight; or
- (b) any applicable Laws;

in each case that would reasonably be expected to materially or adversely impair the ability of Bidco to perform its obligations under this Agreement.

Section 3.5 Governmental Authorizations

The execution, delivery and performance by each of PDK and Starlight of this Agreement and the consummation by Bidco of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority other than: (i) the Regulatory Approvals; (ii) compliance with any applicable Securities Laws and stock exchange rules; and (iii) any actions or filings the absence of which would not reasonably be expected to prevent or materially restrict or delay consummation of the transactions contemplated by this Agreement.

Section 3.6 Bidco Financing

Bidco has access to sufficient funding (the “**Bidco Financing**”) the net proceeds of which will, together with the cash or cash equivalents available to Bidco, in the aggregate be not less than an amount that is sufficient to permit Bidco to fulfill its obligations under this Agreement assuming completion of the Transaction Steps. As of the date of this Agreement, Bidco has no reason to believe that Bidco Financing will not be available to it on the date of the Closing.

Section 3.7 Asset Purchase Agreements

Bidco has delivered to the REIT true, correct and complete executed copies of the Asset Purchase Agreements. As of the date hereof, none of the Asset Purchase Agreements has been amended or modified in any respect. As of the date of this Agreement: (a) each of the Asset Purchase Agreements is in full force and effect; (b) no event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Bidco under either of the Asset Purchase Agreements; (c) Bidco has no reason to believe that any of the conditions on its part to be performed under the Asset Purchase Agreements will not be satisfied on the date of the Closing; and (d) there are no side letters or other agreements, contracts or arrangements to which Bidco or any of its affiliates is a party related to the Asset Purchase Agreements or the transactions contemplated thereby which would serve to modify the terms of the Transaction Agreements.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE REIT

The REIT hereby represents and warrants to Bidco and acknowledges that Bidco is relying upon these representations and warranties in connection with the entering into of this Agreement and the completion of the Transaction, as follows:

Section 4.1 Organization; Subsidiaries

Each of the REIT and its Subsidiaries has been duly formed, amalgamated or incorporated, as applicable, under applicable Law, validly exists, is in good standing and has full corporate, trust or partnership power and authority to own its properties and conduct its business as presently owned and conducted and is qualified in all material respects to do business in each of the jurisdictions in which the nature of its business or the ownership of its properties make such qualification necessary. All of the shares, interests or units of the Subsidiaries of the REIT are validly issued, fully-paid and non-assessable, and, except as set out in the Disclosure Letter, all such shares, interests or units are owned directly or indirectly by the REIT free and clear of all Encumbrances. The Disclosure Letter sets forth: (a) each Subsidiary of the REIT, its place and form of organization and jurisdictions in which it is authorized to conduct business; and (b) the ownership interest therein of the REIT, if not directly or indirectly owned by the REIT, and the identity and the class and number of ownership interests of other owners of such Subsidiary. Except

as set out in the Disclosure Letter, complete and correct copies of the organizational documents of the REIT and each of its Subsidiaries have been made available to the Transaction Participants. Except for interests in the REIT and its Subsidiaries, neither the REIT nor any of its Subsidiaries owns directly or indirectly any interest or investment (whether equity or debt) in any Person.

Section 4.2 Capitalization

- (a) The authorized capital of the REIT consists of an unlimited number of Units and an unlimited number of Special Voting Units. Other than as referred to in this Section 4.2(a), there are no other securities of the REIT issued and outstanding except for: (A) 57,972,034 Units issued and outstanding (as at April 20, 2012); (B) 14,450,462 Special Voting Units issued and outstanding; (C) the Debentures; (D) options granted under the Unit Option Plan; and (E) rights issued pursuant to the Unitholder Rights Plan Agreement. Other than the Unitholder Rights Plan Agreement there is no unitholder rights plan or similar plan in place in respect of the REIT. All outstanding Units have been duly authorized and validly issued and are fully-paid and non-assessable on account of the subscription price therefor. Except as set out in the Disclosure Letter, and other than pursuant to: (i) the Unit Option Plan, (ii) the Trustee Unit Issuance Plan, (iii) the Exchange Agreement, (iv) the Limited Partnership Agreements, (v) the REIT distribution reinvestment plan, (vi) the Debentures, (vii) the Unitholder Rights Plan Agreement, (viii) rights issued under the Unitholder Rights Plan Agreement, and (ix) units to be issued under a restricted trust unit plan to be established as part of the REIT Annual Business, there are no options, warrants, call rights, conversion privileges or other rights, agreements, arrangements or commitments obligating the REIT or any Subsidiary to issue or sell any Units or equity securities of the REIT or any Subsidiary or securities or obligations of any kind convertible into or exchangeable for any Units or equity securities of the REIT or any Subsidiary. Except as set out in the Disclosure Letter, other than the Debentures, there are no bonds, debentures, notes or other indebtedness of the REIT, or, other than the Class B LP Units, securities of any Subsidiary that are exchangeable into Units or other securities or having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters in which the Unitholders may vote. Other than Bidco Pre-Emptive Rights, no Person is entitled to any pre-emptive or other similar right granted by the REIT or any of its Subsidiaries nor have any outstanding Units or securities of any Subsidiary of the REIT been issued in violation of any such rights. All distributions on the Units which have been authorized or declared prior to the date hereof have been paid in full and, other than interest that has accrued daily (and that has not been paid) since the interest payment date immediately preceding the date hereof, all accrued interest on the Debentures has been paid in full on the applicable interest payment dates.
- (b) Other than the Limited Partnership Agreements, there are no unitholder agreements, shareholder agreements, voting trusts, proxies or other agreements or understandings relating to the holding, purchase or voting of any Units or any ownership interests in any of its Subsidiaries to which the REIT or any of its Subsidiaries is a party or by which it is bound. Except for the Limited Partnership Agreements and as set out in the Disclosure Letter, none of the REIT or any of its Subsidiaries is a party to a strategic alliance or co-operative agreement or is a partner, beneficiary, trustee, co-tenant, joint-venture or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly-owned business undertaking. Other than under the Debentures or as disclosed in the Disclosure Letter or the Financial Statements, or indebtedness solely among and

between any of the REIT and/or its Subsidiaries, neither the REIT nor any of its Subsidiaries has any: (i) indebtedness for borrowed money; (ii) indebtedness evidenced by any bond, debenture, note, mortgage, indenture or other debt instrument or debt security; (iii) accounts payable to trade creditors and accrued expenses not arising in the ordinary and regular course; (iv) amounts owing as deferred purchase price for the purchase of any property; or (v) guarantees with respect to any indebtedness or obligation of a type described in clauses (i) through (iv) above of any other Person.

- (c) Neither the Units nor the Debentures are listed or quoted on any market other than the TSX.

Section 4.3 Authority and Execution

The REIT has the requisite trust power, authority and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by the REIT and the consummation by the REIT of the Transaction have been duly authorized by the REIT Board and no other proceedings on the part of the REIT Board are necessary to authorize this Agreement or the Transaction (other than with respect to the REIT Circular and other documents relating thereto, the approval of the REIT Board). The REIT Board, after consultation with its financial and legal advisors, has determined unanimously that the Transaction is fair to the Unitholders and is in the best interests of the REIT and the Unitholders (other than the Transaction Participants and their respective affiliates), and has resolved unanimously to recommend to the Unitholders that they vote their Units in favour of the Transaction Resolution.

Section 4.4 Unitholder Approval

The only vote of the Unitholders necessary to approve the Transaction is the Transaction Resolution passed at a duly convened REIT Meeting at which Unitholders representing in person or in proxy not less than two in number and not less than 10% of the number of votes attached to the Units and Special Voting Units are present and passed by: (i) the affirmative vote of Unitholders of not less than 66 2/3% in aggregate of the Units and Special Voting Units represented at the REIT Meeting and voted on a poll upon such resolution; and (ii) the affirmative vote of Unitholders in accordance with the majority of the minority approval requirement under MI 61-101 (collectively, the “**Unitholder Approval**”).

Section 4.5 Execution

This Agreement has been duly executed and delivered by the REIT and constitutes a valid and binding obligation of the REIT, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other Laws relating to or affecting creditors’ rights generally and to general principles of equity.

Section 4.6 No Violations

Subject to the Transaction Resolution and the timely receipt of all of the authorizations and consents described in Section 4.7 and Section 4.8, and except as set out in the Disclosure Letter, the execution and delivery of this Agreement by the REIT, the performance by the REIT of its obligations hereunder, and the completion of the Transaction does not and will not result directly or indirectly (with or without notice or the passage of time) in a violation, default or breach of, constitute a default under any provision of, conflict with, or give rise to any termination, cancellation or acceleration of rights or loss of benefits under any provision of, or give rise to any increased, additional, accelerated or guaranteed rights or

entitlements under (including any right of a holder of a security of the REIT or any of its Subsidiaries to require the REIT or any of its Subsidiaries to acquire such security), or result in the creation of an Encumbrance upon any of the properties or assets of the REIT or any of its Subsidiaries under:

- (a) the Declaration of Trust or the certificates of incorporation, articles, by-laws, partnership agreements or other charter documents of any Subsidiary of the REIT as applicable;
- (b) the Trust Indenture;
- (c) the Unitholder Rights Plan Agreement;
- (d) any applicable Laws;
- (e) any material Authorization of the REIT, any of its Subsidiaries or any of their respective operations or assets; or
- (f) any Material Contract;

that would, individually or in the aggregate, reasonably be expected to result in a REIT Material Adverse Effect.

Section 4.7 Governmental Authorizations

The execution, delivery and performance by the REIT of this Agreement and the consummation of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority other than (i) the Regulatory Approvals; (ii) compliance with any applicable Securities Laws, stock exchange rules and policies; and (iii) any actions or filings the absence of which would not reasonably be expected to prevent or materially restrict or delay consummation of the transactions contemplated by this Agreement. Other than in connection with the Regulatory Approvals, no filing with any Governmental Authority is required to be obtained or made by Bidco in respect of any of the Authorizations held by the REIT or its Subsidiaries.

Section 4.8 Required Consents

There is no requirement to obtain any consent, approval or waiver of a party under any Material Contract (which, for the purposes of this Section 4.8, does not include Assumed Contracts) to which the REIT or its Subsidiaries is a party to any of the transactions described in the Transaction except as set out in the Disclosure Letter.

Section 4.9 Absence of Changes

Since December 31, 2011, (a) the REIT and its Subsidiaries have conducted their respective businesses or activities, as the case may be, in the ordinary and regular course consistent with past practice, except as set forth in the Disclosure Letter and (b) there has not been any REIT Material Adverse Effect.

Section 4.10 Disclosure Record

The REIT is a reporting issuer (or the equivalent) under Securities Laws and is not in default in any material respect of any requirements of any Securities Laws; no delisting, suspension of trading or cease trade order with respect to the Units, the Debentures or other securities of the REIT and its Subsidiaries

has occurred, or to the knowledge of the REIT, is threatened. The REIT has filed with the Securities Regulatory Authorities all REIT Public Documents required to be filed by the REIT under Securities Laws and such REIT Public Documents comply in all material respects with Securities Laws. After giving effect to all subsequent filings in relation to matters covered in earlier filings, none of the REIT Public Documents contain any Misrepresentations. The REIT has not filed any confidential material change report with the Securities Regulatory Authorities that remains confidential as of the date hereof. The REIT has made available to Bidco copies of any review or inquiry letters received by the REIT from any Securities Regulatory Authority together with all written responses of the REIT thereto. There are no outstanding or unresolved comments in such review or inquiry letters received by the REIT from the Securities Regulatory Authorities. To the knowledge of the REIT, none of the REIT Public Documents are the subject of any ongoing review by the Securities Regulatory Authorities nor is any such review threatened. Neither the Units nor the Debentures are registered or required to be registered pursuant to Section 12 of the Exchange Act and the REIT has never registered any security under the U.S. Securities Act.

Section 4.11 Financial Statements; Undisclosed Liabilities

- (a) The Financial Statements have each been, and all financial statements of the REIT which are publicly disseminated by the REIT in respect of any subsequent periods prior to the Closing Date will be, prepared in accordance with GAAP applied on a basis consistent with prior periods (except as disclosed in such Financial Statements) and present fairly, and will present fairly (as the case may be), in all material respects, the consolidated financial condition of the REIT and its Subsidiaries at the respective dates indicated and financial performance and cash flows of the REIT and its Subsidiaries, for the respective periods covered.
- (b) Except as set out in the Disclosure Letter, there are no liabilities of any nature (whether accrued, contingent or otherwise) of the REIT or any of its Subsidiaries (including Nominees), and there is no existing condition, situation or set of circumstances that would reasonably be expected to result in any such liability, other than: (a) liabilities provided for in the Financial Statements; (b) liabilities incurred in the ordinary and regular course consistent with past practice subsequent to the date of the Financial Statements; (c) bonus or termination payments as disclosed to Bidco; (d) fees payable to professional advisors as disclosed to Bidco; and (e) fees payable to the REIT Financial Advisors in accordance with the engagement letters which have been provided to Bidco; and (f) guarantees or indemnities provided in connection with acquisitions of Properties.
- (c) Other than as disclosed in the notes forming part of the Financial Statements, there are no material (i) off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the REIT or any of its Subsidiaries with unconsolidated entities or other persons, or (ii) transactions, arrangements, obligations (including contingent obligations) the result, purpose or which is to avoid disclosure of any material transaction involving, or material liabilities of, the REIT or any of its Subsidiaries in any of the Financial Statements or other REIT Public Documents.
- (d) Except as set out in the Disclosure Letter, neither the REIT nor any of its Subsidiaries nor, to the REIT's knowledge, any trustee, director or officer of the REIT or any of its Subsidiaries, has received or otherwise had or obtained knowledge of any fraud, material complaint, allegation, assertion or claim, whether written or oral, regarding fraud or the accounting or auditing practices, procedures, misuse of REIT funds, methodologies or

methods of the REIT or any of its Subsidiaries or their respective internal accounting controls.

- (e) Bidco has been provided with copies of all management recommendation letters received by the REIT or any of the Subsidiaries or their trustees or boards of directors from the auditor or any previous auditor of the REIT or any of its Subsidiaries.

Section 4.12 Title to Assets; Real Property

- (a) Each Nominee is duly incorporated and organized, and validly existing under the laws of its incorporating jurisdiction and is up-to-date, in all material respects, in the filing of all corporate and similar returns under the laws of such jurisdiction.
- (b) Each Nominee has the corporate power and capacity to own or lease its assets and to carry on the business of holding registered title to its Property.
- (c) The shares of the Nominees have been validly issued and are outstanding as fully paid and non-assessable shares, free of any liens, charges or other Encumbrances. There are no shareholders agreements, pooling agreements, voting trusts or other agreements or understandings with respect to the voting of the shares, or any of them, of any Nominees.
- (d) None of the Nominees (i) is an insolvent person within the meaning of the Bankruptcy and Insolvency Act (Canada) or the Winding-up and Restructuring Act (Canada), (ii) has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, (iii) has had any petition for a receiving order presented in respect of it, or (iv) has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding-up, liquidation or dissolution.
- (e) None of the Nominees has any Subsidiary.
- (f) There are no agreements, options, warrants, rights of conversion or other rights pursuant to which any Nominee is, or may become, obligated to issue any shares or any securities convertible into or exchangeable for, directly or indirectly, any shares of any Nominee.
- (g) Except for the Class B LP Units held by Bidco, the REIT, directly or indirectly, is the sole beneficial owner of all of the issued and outstanding shares of the Nominees, and registered ownership of all of the issued and outstanding shares of the Nominees is as set out in the minute book of each Nominee, free and clear of all Encumbrances of any kind.
- (h) Each of the REIT, each Subsidiary and each Nominee is not a non-resident of Canada for the purposes of the ITA and shall receive any consideration payable to it pursuant to the Transaction for its own account and not as an agent, trustee or nominee for any other Person that is a non-resident of Canada for the purposes of the ITA.
- (i) Except as disclosed to Bidco in the Disclosure Letter, no Person has any right of first refusal, right of first opportunity, option, agreement, understanding, commitment or similar rights or any right or privilege capable of becoming a right to purchase, lease or otherwise acquire interests in the Nominees or any Beneficial Owners or any Property or any interest therein or part thereof, except for leasehold interests in any Property pursuant to the Leases.

- (j) None of the Nominees owns, directly or indirectly, nor has any of them agreed to acquire (A) any outstanding equity interest in any Person, or (B) any participating interest in any partnership, joint venture or other business enterprise.
- (k) The Nominees have filed all tax returns required under applicable Law to be filed by them in all applicable jurisdictions and have paid all governmental charges required to be paid by them.
- (l) Except for the business of owning and leasing each Property, the Nominees have never carried on any enterprise or business.
- (m) Except as set out in the Disclosure Letter, none of the Nominees has any outstanding liabilities, contingent or otherwise, and none of the Nominees is a party to or bound by any agreement of guarantee, support, indemnification, assumption, or endorsement of, or any other similar commitment with respect to the obligations, liabilities (contingent or otherwise) or indebtedness of any Person except on behalf of the applicable Beneficial Owners for accounts payable in the ordinary and regular course, realty taxes, Assumed Liabilities, Discharged Mortgages and Terminated Contracts.
- (n) There are no judgments presently outstanding and unsatisfied against any Nominee, any Beneficial Owner or any Property and no Nominee, Beneficial Owner or Property is involved in any litigation at law or in equity, or in any proceeding before any court, or by or before any governmental or administrative agency, and, to the knowledge of the REIT, no such judgment, litigation or proceeding is threatened, except, in each case, ordinary and regular course landlord and tenant tribunal matters or as may be otherwise set out in the Disclosure Letter.
- (o) Except as disclosed to Bidco in the Disclosure Letter none of the REIT, any Subsidiary or any Nominee has received from any Governmental Authority any written notice of any proceeding with respect to or in connection with the expropriation or re-zoning of any Property or any part of any Property.
- (p) Except as disclosed to Bidco in the Disclosure Letter, and except in the ordinary and regular course consistent with past practices, all amounts for labour or materials relating to the construction, repair or improvement of any Property that have fallen due prior to the date hereof have been paid in full.
- (q) Any rents or rental increases charged to Tenants under the Leases have been within the limits imposed by the relevant provisions of the Residential Tenancies Act, 2006 (Ontario) or similar legislation applicable to rents for residential tenancies in the province in which the applicable Property is located and no notice with respect to the illegality of rents has been received from a Tenant under any of the Leases or any Governmental Authority except as disclosed to Bidco in the Disclosure Letter.
- (r) The Rent Rolls made available to Bidco are complete and correct in all material respects and in each case accurately set out the rents payable pursuant to the Leases and the rents that are actually being collected from Tenants.
- (s) Except as disclosed to Bidco in the Disclosure Letter, none of the REIT, any Subsidiary or any Nominee has received written notice from any Governmental Authority in

connection with local improvement or capital charges, special levies or other rates or charges of a similar nature in connection with any Property and no agreement has been entered into by it with any Governmental Authority which would have the effect of making all or part of any Property subject to or assessed for any such charges, levies or assessments.

- (t) Except as disclosed to Bidco in the Disclosure Letter, to the knowledge of the REIT, there are no easements, rights-of-way, servitudes or Encumbrances affecting any Property save as disclosed by registered title, or which would have been disclosed by an up-to-date survey, and except any unregistered hydro easements.
- (u) Except as disclosed to Bidco in the Disclosure Letter, none of the REIT, any Subsidiary or any Nominee has been requested by any insurer to make any alterations, changes or repairs to any Property.
- (v) Each Nominee has registered title in fee simple to the applicable Owned Real Property as nominee and bare trustee, and each of those Beneficial Owners listed in the Disclosure Letter is the sole beneficial owner or lessee of such Properties, subject only to Permitted Encumbrances or such other Encumbrances as will be discharged on or before Closing or in respect of which undertakings to discharge by Bidco will be obtained for Closing.
- (w) The REIT or the applicable Subsidiary or Beneficial Owner is the beneficial owner of the Chattels, free of all Encumbrances other than Permitted Encumbrances.
- (x) Except as disclosed in any survey for any Property made available to Bidco in the Data Room, no part of any Property encroaches in any material respect onto any other lands except pursuant to encroachment agreements which, if any, have been provided to Bidco and which, if any, are in good standing.
- (y) All operating statements with respect to each Property made available to Bidco in the Data Room prior to Closing, if any, will fairly present the assets and liabilities of each Property in all material respects as of the dates stated and will accurately reflect the results of operations of each Property in all material respects for the periods covered by the statements.
- (z) All records relating to each Property (including resident occupancy reports, operating data, files, books and records, correspondence, credit information, research materials, contract documents, inventory data, accounts receivable data, operating statements and other similar records) contain complete and accurate records of all material matters required to be dealt with in such records. All material financial transactions relating to each Property have been accurately recorded in such records.
- (aa) All Data Room Information consists of true copies, or will consist of true copies prior to Closing, of the relevant documents and have not been amended in any manner other than as disclosed to Bidco in the Disclosure Letter.
- (bb) All amounts due or accrued due to Employees for salary, wages, bonuses, commissions, vacation pay, pension benefits or other benefits are accurately reflected in the Data Room Information or otherwise provided to Bidco and represent liabilities at the Beneficial Owner (and not Nominee) level or above.

- (cc) Other than as disclosed in the Disclosure Letter, there are no contestations or appeals of the real estate assessment of the Owned Real Estate Property.
- (dd) All commitments, mortgages and other material documents related to the Assumed Debt, to the extent in the REIT's possession or control, are accurately reflected, or will be accurately reflected prior to Closing, in the Data Information Room and have not been amended in any manner other than as disclosed to Bidco in the Disclosure Letter.
- (ee) None of the Nominees, Beneficial Owners or any party related to them has received written notice of default or breach of any covenant, commitment or obligation by such parties under the Assumed Debt.
- (ff) The Lender Undertaking in respect of the property at 200-450 Sandringham Crescent, London, Ontario, has been completed, and the REIT has provided all of the support for such work to TD Bank, but is awaiting confirmation from TD Bank that the Bank agrees that such Lender Undertaking has been completed in full. The Lender Undertaking in respect of the 2283 Eglinton property has been completed, except for the repaving of the driveway on the north side of the building near the daycare which is planned to be completed prior to Closing. The Lender Undertaking in respect of the Samuel Holland property has been completed, except for minor items on the garage expected to be completed prior to Closing.

Section 4.13 Books and Records

Except as set out in the Disclosure Letter, the corporate Books and Records of the REIT and its Subsidiaries (including, without limitation, the Nominees) are complete and accurate in all material respects. The REIT and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to the assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for material assets is compared with existing material assets at reasonable intervals and appropriate action is taken with respect to material differences; and (v) material information is made known to those within the REIT or such Subsidiary responsible for the preparation of financial statements during the period in which the financial statements have been prepared.

Section 4.14 Compliance with Laws

The operations of each of the REIT and its Subsidiaries have been and are being conducted in material compliance with all Laws of each jurisdiction in which the REIT or any of its Subsidiaries carries on its business or activities, as the case may be, and none of the REIT or any of its Subsidiaries has received any notice of any material violation of any such Laws, except as set out in the Disclosure Letter. The REIT and its Subsidiaries, to the extent required by Law, has a written privacy policy which governs the collection, use and disclosure of information in the possession or under control of the REIT or its Subsidiaries about an identifiable individual ("**Personal Information**") and each of the REIT and its Subsidiaries is in compliance, in all material respects, with such privacy policy.

Section 4.15 Authorizations

Each of the REIT and its Subsidiaries holds all Authorizations: (i) required in connection with the ownership of their respective assets or otherwise applicable to their respective businesses or operations; or (ii) necessary to the conduct of the business or activities, as the case may be, as presently conducted by the REIT and its Subsidiaries in material compliance with applicable Laws, and: (x) each of them has materially complied with such Authorizations; and (y) all such Authorizations continue to be effective in all material respects. All of the material Authorizations required for the operations of the REIT and each of its Subsidiaries have been made available to Bidco. Neither the REIT nor any of its Subsidiaries has received any written communication from any Person that alleges that the REIT or any of the Subsidiaries of the REIT is not in compliance in all material respects with, or is subject to liability under, any Authorization, or relating to the revocation, non-renewal or adverse modification of any Authorizations.

Section 4.16 Litigation, Etc.

Except to the extent disclosed in the Disclosure Letter and in the Data Room Information, there is no claim, action, proceeding, inquiry or investigation pending or, to the knowledge of the REIT, threatened against or relating to the REIT or any of its Subsidiaries or the business, assets or operations of the REIT or any of its Subsidiaries before or by any court or Governmental Authority or body which, if adversely determined, would, individually or in the aggregate, prevent or materially restrict or delay the consummation of the Transaction. Neither the REIT nor any of its Subsidiaries is subject to any outstanding Order which would, individually or in the aggregate, reasonably be expected to prevent or materially restrict or delay consummation of the Transaction.

Section 4.17 Intellectual Property

- (a) All of the Intellectual Property that is material to the business of the REIT and its Subsidiaries as currently conducted (the “**REIT Intellectual Property**”), and all of the Technology that is material to the business of the REIT and its Subsidiaries as currently conducted (the “**REIT Technology**”), is owned by or licensed to the REIT or its Subsidiaries. Except as set out in the Disclosure Letter, there are no material license rights granted by or to the REIT in respect of the REIT Intellectual Property and no material license rights granted by or to the REIT to the REIT Technology that are not currently reflected in a Contract.
- (b) Except as set out in the Disclosure Letter, the REIT and its Subsidiaries have not used or enforced, or failed to use or enforce, the REIT Intellectual Property in a manner that would result in the abandonment, cancellation or loss of enforcement rights of such REIT Intellectual Property.
- (c) Except as set out in the Disclosure Letter, neither the REIT nor any of its Subsidiaries has made a claim relating to breaches, infringements or interferences of or with any of the REIT Technology or any of the REIT Intellectual Property by any other Person, and the REIT has no knowledge of any facts upon which any such claim could be based; and to the knowledge of the REIT, no other Person is using any of the REIT Technology or the REIT Intellectual Property owned by the REIT so as to breach, violate, infringe or interfere with the rights of the REIT or any of its Subsidiaries.
- (d) No claim has been asserted or, to the knowledge of the REIT, is threatened by any Person, nor does the REIT have knowledge of any valid ground for any *bona fide* claims:

- (i) to the effect that the use by the REIT or any of its Subsidiaries of any REIT Intellectual Property or REIT Technology infringes, misappropriates, violates, dilutes or constitutes the unauthorized use by the REIT or any of its Subsidiaries of any copyright, trade secret, patent, trade-mark, trade name or other intellectual property right of any Person; or (ii) challenging the ownership or validity of any REIT-owned REIT Intellectual Property or REIT Technology.
- (e) Except as set out in the Disclosure Letter, and to the knowledge of the REIT, the REIT and each of its Subsidiaries: (i) has the right to use all REIT Intellectual Property and all REIT Technology used in its business as currently conducted; (ii) has taken reasonable measures to protect and preserve the security and confidentiality of any trade secret owned by the REIT; and (iii) warrants that, to the knowledge of the REIT, none of the REIT Intellectual Property or REIT Technology has been misappropriated by any Person.
- (f) Except as set out in the Disclosure Letter, no Person other than the REIT or its Subsidiaries has any rights in or to any of the REIT-owned REIT Intellectual Property or REIT-owned REIT Technology, or in or to any aspect or component thereof. All REIT-owned REIT Intellectual Property which is registered is valid, subsisting, unexpired, enforceable, has not been abandoned, and is recorded in the name of the REIT or one of its Subsidiaries. No application for registration of any REIT-owned REIT Intellectual Property has been rejected by the intellectual property office of the jurisdiction in which registration was sought and no Person has challenged the validity or ownership of or opposed the registration of any of the REIT-owned REIT Intellectual Property which is registered.

Section 4.18 Material Contracts

Except as set out in the Disclosure Letter, each of the Material Contracts is in full force and effect, is valid, binding and enforceable against, and has not been assigned, transferred or hypothecated, except in favour of the applicable lender under the Assumed Debt or Discharged Mortgages, nor has any notice of termination been given under any such agreements by, the REIT or the Subsidiaries that are parties thereto, as applicable. Neither the REIT nor any of its Subsidiaries has received any written notice of any breach or default by the REIT or any of its Subsidiaries under any material provision of any Material Contract and the REIT has no knowledge of any condition that, with the passage of time, or the giving of notice, or both, would result in such a breach or default, except in each case where any such breach or default would not, individually or in the aggregate, have a REIT Material Adverse Effect. To the knowledge of the REIT, there is no breach or default under (nor to the knowledge of the REIT does there exist any condition which, with the passage of time, or the giving of notice, or both, would result in such a breach or default under) any Material Contract by any other party thereto, except where any such violation or default would not, individually or in the aggregate, have a REIT Material Adverse Effect. The Material Contracts are listed in the Disclosure Letter.

Section 4.19 No Restrictions on Business Activities

Other than the Declaration of Trust and the Limited Partnership Agreements or as disclosed in the Disclosure Letter, there is no agreement, judgment, injunction, Order or decree binding upon the REIT or any of its Subsidiaries that has or would reasonably be expected to have the effect of prohibiting, or materially restricting or impairing, any business practice of the REIT or any of its Subsidiaries, or any affiliate of the REIT or any of its Subsidiaries, any acquisition of property by the REIT or any of its Subsidiaries or any affiliate of the REIT or any of its Subsidiaries, or the conduct of business or

operations by the REIT or any of its Subsidiaries or any affiliate of the REIT or any of its Subsidiaries as currently conducted and as contemplated to be conducted (including following the Transaction).

Section 4.20 Insurance

The REIT and each of its Subsidiaries maintain policies of fire and casualty, liability, professional errors and omissions, environmental, trustees, and officers, liability and other forms of insurance, in each case with a reputable insurer, in such amounts, with such deductibles and against such risks and losses as are customary for businesses in the REIT's and its Subsidiaries' industries. All such policies are in full force and effect, all premiums due and payable thereon have been paid, and no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation. Except as set out in the Disclosure Letter, there is no material claim pending under any such policies as to which coverage has been questioned, denied or disputed.

Section 4.21 Related Party Transactions

Except as set out in the Disclosure Letter, and except for ordinary and regular course Employment Contracts and trustee and director and officer compensation and indemnity arrangements, there are no Contracts or other transactions ("**Related Party Transactions**"), including transactions involving indebtedness, between the REIT or any of its Subsidiaries, on the one hand, and any: (a) trustee, director, officer of the REIT or any of its Subsidiaries; (b) to the knowledge of the REIT, any holder of record or beneficial owner of 5% or more of the Units; (c) any holder of record or beneficial owner of any securities of any Subsidiary of the REIT; or (d) any affiliate or associate of any such trustee, director, officer, holder of record or beneficial owner, on the other hand.

Section 4.22 HST/GST/QST

Except as set out in the Disclosure Letter (a) the Owned Real Property is comprised of multiple unit residential buildings that are not new, and are entirely used as a place of residence; (b) that neither the REIT nor any Subsidiary has made any additions or substantial renovations to any of the Owned Real Property; and (c) that neither the REIT nor any Subsidiary has claimed or will claim an input tax credit or the input tax refund with respect to the acquisition of or improvements made to any of the Owned Real Property. Except as disclosed in the Disclosure Letter, any supply of the Owned Real Property in accordance with this Agreement is an exempt supply described in any of sections 2 to 5.3, 8 and 9 of Part I of Schedule V of the *Excise Tax Act* (Canada) and the comparable provisions of the ITA respecting Quebec sales tax.

Section 4.23 Tax Matters

- (a) Each of the REIT and its Subsidiaries has duly and timely made, prepared and filed, as applicable, all material Tax Returns required by Law to be made, prepared or filed, as the case may be, by or with respect to the REIT or any of its Subsidiaries with the appropriate Governmental Authority and all such Tax Returns are true, complete and correct in all material respects.
- (b) Each of the REIT and its Subsidiaries has duly and timely paid all material Taxes, including all material instalments on account of Taxes for the current year and for all previous years, that are due and payable by it whether or not assessed by the appropriate Governmental Authority and whether or not shown on any Tax Return. The most recent

financial statements filed under Securities Laws reflect an adequate reserve, in accordance with GAAP, for amounts at least equal to the amount of all Taxes payable by the REIT and its Subsidiaries that are not yet due and payable whether or not assessed and whether or not shown as due on any Tax Return, and the REIT and its Subsidiaries have made adequate provisions in accordance with GAAP in their books and records for any Taxes payable by the REIT and its Subsidiaries accruing in respect of a period subsequent to the period or periods covered by such financial statements.

- (c) The REIT and its Subsidiaries have made available to Transaction Participants as part of the Data Room Information correct and complete copies of all of their Tax Returns, examination reports and statements of deficiencies from a relevant Governmental Authority for taxable periods, or transactions consummated, for which the applicable statutory periods of limitations for reassessing Taxes have not expired.
- (d) Except as set out in the Disclosure Letter, none of the REIT and its Subsidiaries has requested, or entered into any agreement or other arrangement or executed any waiver which is still in effect providing for, any extension of time within which:
 - (i) to file any Tax Return (which has not since been filed) covering any Taxes for which any of the REIT or its Subsidiaries are or may be liable;
 - (ii) to file any elections, designations or similar filings relating to Taxes (which has not since been filed) for which any of the REIT or its Subsidiaries are or may be liable;
 - (iii) any of the REIT or its Subsidiaries are required to pay or remit any Taxes or amounts on account of Taxes (which has not since been paid or remitted); or
 - (iv) any Governmental Authority may assess or collect Taxes for which any of the REIT or its Subsidiaries are liable.
- (e) To the knowledge of the REIT, except as disclosed in the Disclosure Letter, (i) there are no material proceedings, investigations, audits or claims, causes of action, demands, suits, assessments, reassessments or liens now pending or threatened against any of the REIT or its Subsidiaries in respect of any Taxes; and (ii) there are no material matters under discussion, audit or appeal with any Governmental Authority, and no Governmental Authority has given notice of its intention to assert any deficiency or claim, relating to Taxes of any of the REIT or its Subsidiaries that, in either case, could, individually or in the aggregate, reasonably be expected to have a REIT Material Adverse Effect. To the knowledge of the REIT, no claim or demand of any type whatsoever has been made against the REIT or any of its Subsidiaries by any Governmental Authority in a jurisdiction where the REIT and its Subsidiaries do not file Tax Returns that the REIT or any of its Subsidiaries is or may be subject to taxation by the jurisdiction.
- (f) Each of the REIT and its Subsidiaries has duly and timely withheld from any proper and accurate amount paid or credited by it to or for the account or benefit of any Person the amount of all material Taxes required by any Laws to be withheld from any such amount by the REIT or any of its Subsidiaries, and has duly and timely remitted the same (or is properly holding for such remittance) to the appropriate Governmental Authority in compliance with all Tax withholding and remitting provisions of applicable Laws.

- (g) Each of the REIT and its Subsidiaries has duly and timely collected all material amounts on account of any sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it, and has duly and timely remitted to the appropriate Governmental Authority any such amounts required by Law to be remitted by it.
- (h) The REIT has duly and timely issued all Tax reporting information required under the ITA or other applicable Law to be issued by it to Unitholders, and such reporting information has been true and correct in all material respects.
- (i) The REIT is a mutual fund trust as defined in subsection 132(6) of the ITA and has been, or has been deemed to be, a mutual fund trust, as defined in subsection 132(6) of the ITA, since the beginning of its first taxation year.
- (j) To the knowledge of the REIT, for all material transactions between the REIT or any of its Subsidiaries and any non-resident Person with whom the REIT or any of its Subsidiaries was not dealing at arm's length during a taxation year (or any portion thereof) commencing from the date of inception of the REIT and ending on or before the Closing Date, each of the REIT and its Subsidiaries has made or obtained records or documents that substantially meet the requirements of paragraphs 247(4)(a) to (c) of the ITA.
- (k) All notices of assessment in respect of Tax liabilities of each of the REIT and its Subsidiaries have been issued to such entities by the relevant Governmental Authorities for the taxation years or periods ending prior to and including the taxation year or period listed in the Disclosure Letter.
- (l) None of sections 78, 80, 80.01, 80.02, 80.03 or 80.04 of the ITA, or any equivalent provision of the Tax legislation of any province or territory of Canada, have applied or will apply to the REIT or any of the Subsidiaries at any time up to and including the Time of Closing with the result that a material amount of taxable income will be required to be included in a taxable period ending after the Closing Date (after taking into account deductions claimed for such period that relate to a prior period) attributable to income that accrued in a prior taxable period but that was not included in taxable income for that or another prior taxable period.
- (m) None of the REIT or any of its Subsidiaries has acquired property from a non-arm's length Person, within the meaning of the ITA, for consideration, the value of which is less than the fair market value of the property acquired in circumstances which could subject it to a material liability under section 160 of the ITA.
- (n) The REIT has qualified as a "real estate investment trust" for purposes of the ITA (the "**REIT Exception**"), as currently enacted in the ITA, for its taxation year ending on December 31, 2010, has qualified for the REIT Exception, both as currently enacted in the ITA and as proposed to be amended by amendments released by the Department of Finance on December 16, 2010 (the "**Tax Proposals**"), throughout its taxation year ending on December 31, 2011 and is not aware of any event or changes of any kind whatsoever that would cause the REIT to not to continue to qualify for the REIT Exception, as currently enacted in the ITA and as proposed to be amended by the Tax Proposals, throughout 2012.

- (o) Each of the Nominees will have no income for purposes of the ITA for any taxation year ended during the 2011 calendar year or immediately before the Closing Date, and any Tax Returns filed by the Nominees prior to Closing for such taxation years shall be nil returns.
- (p) Based on the Transaction Steps Memorandum , the Transaction Steps in their final form will not, in and of themselves, result in the REIT not qualifying for the REIT Exception, as currently enacted in the ITA and as proposed to be amended by the Tax Proposals.

Section 4.24 Environmental Matters

- (a) Except as set out in the Disclosure Letter: (i) each of the REIT and its Subsidiaries and their respective businesses, operations and properties is and has been at all times in material compliance with all applicable Environmental Laws and there are no material violations of any applicable Environmental Law or circumstances which would give rise to any material liability under any applicable Environmental Law; and (ii) none of the REIT or any of its Subsidiaries has received any written communication from any Governmental Authority or other Person alleging that the REIT or any of its Subsidiaries is: (A) not in such compliance; or (B) responsible for any Remedial Action at or natural resource damages related to any property formerly owned or leased by the REIT or any of its Subsidiaries or any property owned or leased by third parties.
- (b) Neither the REIT nor any of its Subsidiaries is required pursuant to any Environmental Law to perform any Remedial Action.
- (c) The Data Room Information includes: (i) true and complete copies of any outstanding Work Orders relating to the Environment issued by any Governmental Authorities, (ii) descriptions of any litigation, administrative action or Orders relating to emissions to air, water and solid waste management or disposal, or working conditions; and (iii) true and complete copies of any environmental audit reports in the possession of the REIT or its Subsidiaries in respect of each Owned Real Property or Leased Real Property.
- (d) To the knowledge of the REIT, other than as disclosed in the Disclosure Letter, no material Release of Hazardous Material has occurred, other than in compliance with Environmental Laws, nor is any Hazardous Material present in the soil, subsoil or groundwater, at, on, in, under, or migrating from, any Owned Real Property or Leased Real Property in amounts or concentrations in excess of applicable regulatory criteria.
- (e) To the knowledge of the REIT, other than as disclosed in the Disclosure Letter, there are no facts that could reasonably be expected to trigger a material environmental liability of any nature (whether accrued, contingent or otherwise): (i) as part of any lease obligations for the Leased Real Properties; or (ii) as part of any pre-existing arrangements whereby the REIT or any of its Subsidiaries have assumed from third parties or otherwise incurred, whether contractually or by operation of applicable Law, any such liability.

Section 4.25 Benefit Plans

- (a) Complete, current and correct copies of all written Benefit Plans, as amended to date or, where oral, written summaries of the terms thereof, have been made available in the Data Room Information together with current, complete and correct material documents

relating to the Benefit Plans, including plan documents, trust agreements and employee communication and all material documents and correspondence relating to any government inquiry regarding any Benefit Plan.

- (b) Where applicable, all Benefit Plans are, and have been, established, registered, funded and invested in all material respects in accordance with the terms of such Benefit Plan, including the terms of the material documents that support such Benefit Plan.
- (c) To the knowledge of the REIT, no event has occurred respecting any Benefit Plan which would result in the revocation of the registration of such Benefit Plan which is required to be registered.
- (d) All required material contributions and/or premiums to be made under each of the Benefit Plans have been timely and fully paid to the date hereof in accordance with the terms of such Benefit Plan and all applicable Laws, and no fines or charges are owing or exigible under any Benefit Plan.
- (e) Except as disclosed in the Disclosure Letter, none of the Benefit Plans provide any material benefits beyond retirement or other termination of service to Employees or former Employees or to the beneficiaries or dependants of such Employees.

Section 4.26 Labour and Employment Matters

- (a) Complete, current and correct copies of each Employment Contract, where a written Employment Contract is in effect, with the officers and senior management of the REIT and its Subsidiaries, as amended to date, have been made available in the Data Room Information (including information regarding length of service; compensation levels and vacation entitlement).
- (b) No Collective Agreement is currently being negotiated by the REIT or any of its Subsidiaries or any other Person and there are no Collective Agreements in force with respect to the Employees; no Union, employee association or other similar entity has any bargaining rights acquired by certification, voluntary recognition or successor rights with respect to the Employees, or has applied, or to the knowledge of the REIT and its Subsidiaries, threatened to apply to be certified as a bargaining agent of the Employees in the last three years; and, to the knowledge of the REIT, there have been no threatened or pending union organizing activities involving any Employees.
- (c) There is no labour strike, dispute, work slowdown or stoppage pending or, to the knowledge of the REIT, threatened, against any of the REIT or its Subsidiaries, and no such event has occurred within the last three years.
- (d) To the knowledge of the REIT, none of the REIT and its Subsidiaries have or are engaged in any unfair labour practice and no material unfair labour practice complaint, grievance or arbitration proceeding is pending against any of the REIT or any of its Subsidiaries.
- (e) Other than as disclosed in the Disclosure Letter, no Employee has any agreement as to length of notice or severance payment required to terminate his or her employment, other than such as results at common law from the employment of an Employee without an

agreement as to notice or severance nor are there any management agreements, change of control bonuses or severance payments, retention bonuses or Employment Contracts providing for cash or other compensation or benefits upon the consummation of, or relating to, the transactions contemplated by this Agreement, including a change of control of the REIT or any of its Subsidiaries.

- (f) Except as set out in the Disclosure Letter, all amounts due or accrued for all salaries, wages, vacation pay, bonuses, commissions and benefits and other accruals under any Benefit Plans relating to Employees or otherwise at Law relating to the Employees have either been paid or are accurately reflected and have been accrued in all material respects in the Books and Records of the REIT or any of its Subsidiaries, as applicable. None of the Nominees employs, or owes any obligation to, or has any liability for, any Employee. A comprehensive list of all Employees has been included in the Data Room Information and will be included in the Disclosure Letter.

Section 4.27 Fairness Opinion

The REIT has received the (i) TD Fairness Opinion; and (ii) the NBF Valuation and Fairness Opinion, each stating to the effect that, based upon and subject to the limitations and qualifications set forth therein, as of the date thereof, the consideration to be received by the Unitholders pursuant to the Transaction is fair, from a financial point of view, to such Unitholders, excluding the Transaction Participants and their respective affiliates, and such opinion has not been withdrawn or modified at the date of this Agreement. A true and complete copy of the written version of the TD Fairness Opinion and NBF Valuation and Fairness Opinion will be delivered to Bidco as soon as practicable following receipt of such opinion by the REIT.

Section 4.28 Brokers

No broker, investment banker, financial advisor or other Person is entitled to any broker's fee, finder's, financial advisor's or other like payment (other than legal fees) or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the REIT, other than TDSI and NBF. The fees and expenses of TDSI set out in the Disclosure Letter will be paid by the REIT in accordance with the terms of the engagement letter previously provided to Bidco, and the fees and expenses of NBF will be paid by Bidco in accordance with the terms of the engagement letter to which the REIT and Bidco are parties.

ARTICLE 5 COVENANTS

Section 5.1 Conduct of the Activities of the REIT

The REIT covenants and agrees that from the date hereof until the earlier of the termination of the Agreement in accordance with the provisions hereof and the Time of Closing, except: (i) in connection with the Transaction or as expressly contemplated by this Agreement; (ii) as set forth in the Disclosure Letter; or (iii) with the prior written consent of Bidco, not to be unreasonably withheld; the REIT will and will cause each of its Subsidiaries, as applicable, to: (x) carry on its business or activities, as the case may be, in the ordinary and regular course, consistent with all applicable Laws in all material respects and in substantially the same manner as previously conducted; and (y) to the extent consistent with the foregoing clause (x), use commercially reasonable efforts to preserve intact its present business or operational organization and keep available the services of its present officers and employees and others having

commercial dealings with it to the end that its goodwill, relationships with customers and operations shall be maintained. Without limiting the generality of the foregoing, the REIT covenants and agrees that it shall, and it shall cause its Subsidiaries to, as applicable, during that time and subject to the exceptions in clauses (i) through (iii) above:

- (a) not split, consolidate, classify or reclassify any of the outstanding Units or other equity interests of the REIT or any of its Subsidiaries that is not directly or indirectly wholly owned by the REIT, nor declare, set aside or pay any distributions whether in cash, securities or other property on or in respect of the outstanding Units or other equity interests of the REIT or any of its Subsidiaries that is not directly or indirectly wholly owned by the REIT other than the regular monthly cash distributions payable on the Units and the Class B LP Units and the payment, immediately prior to Closing, of a pro-rated cash distribution on the Units and the Class B LP Units for the period from the record date of the prior regular monthly cash distribution and the Closing Date;
- (b) except pursuant to the exercise of outstanding rights under the securities, plans, agreements, arrangements and/or commitments referred to in Section 4.2(a), not sell, pledge, encumber, allot, reserve, set aside or issue, authorize or propose the sale, grant, pledge, encumbrance, allotment, reservation, setting aside or issuance of, or purchase or redeem or propose the purchase or redemption of, any Units, Special Voting Units or any class of securities convertible or exchangeable into, or rights, warrants or options to acquire, any such Units or other convertible or exchangeable securities;
- (c) not pass a resolution approving, adopting or entering into a plan of liquidation or resolutions providing for, the complete or partial liquidation, winding-up, restricting reorganization, or dissolution of the REIT or any of its Subsidiaries;
- (d) not amend the Declaration of Trust, articles, by-laws, limited partnership agreements or other organizational documents of any Subsidiary, or sell, pledge, encumber, allot, reserve, set aside or issue, authorize or propose the sale, pledge, encumbrance, allotment, reservation, setting aside or issuance of, or purchase or redeem or propose the purchase or redemption of, any securities of any of its Subsidiaries or any class of securities convertible or exchangeable into, or rights, warrants or options to acquire, any such securities or create any new Subsidiaries;
- (e) not reorganize, amalgamate, consolidate, wind up or merge the REIT or any of its Subsidiaries with any other Person, nor acquire or agree to acquire: (i) by amalgamating, merging or consolidating with, purchasing substantially all of the assets or shares of, entering into any other business combination with, or otherwise, any Person or business of any other Person; or (ii) any other assets, other than as described in the Disclosure Letter and immaterial assets acquired in accordance with the Agreement or in the ordinary and regular course consistent with past practice and the disposition of assets as described in the Disclosure Letter;
- (f) not sell or purchase any Properties (except the acquisition of the property municipally known as 10, 11 and 20 Charlie Grace Terrace, Saint John, New Brunswick), interests in Properties, Units, equity voting interests or securities and, not sell, mortgage (except in respect of Assumed Debt), refinance, lease (except in respect of residential or commercial leasing of the Properties in the ordinary and regular course), sublease, transfer, license,

pledge, encumber, subject to an Encumbrance or otherwise dispose of any material assets;

- (g) not pay, discharge, settle or satisfy any litigation claims (including any litigation claims of Unitholders and any Unitholder litigation relating to this Agreement or any transaction contemplated by this Agreement or otherwise), other than the payment, discharge, settlement or satisfaction of claims (i) as required by their terms as in effect on the date of this Agreement and included in the Disclosure Letter; (ii) reserved against in the Financial Statements (in amounts not in excess of such reserves); or (iii) incurred since the date of Financial Statements in the ordinary and regular course consistent with past practice not in excess of \$10,000;
- (h) not terminate, amend or modify or fail to enforce any standstill obligation under any confidentiality agreement or standstill agreement and use commercially reasonable efforts to enforce the Unitholder Rights Plan Agreement (other than in respect of the Transaction) and not, except as provided for in this Agreement, waive the application of or amend such agreement;
- (i) advise Bidco of any municipal work orders that may arise from and after the date hereof, of which the REIT or any of its Subsidiaries has received written notice (the "New Work Orders");
- (j) except for Work Orders, New Work Orders, Lender Undertakings, Purchase Orders and emergency repairs and replacements, not make or commit to make any individual capital expenditure or series of related capital expenditures in excess of \$7,500 without the prior consent of Bidco, not to be unreasonably withheld, provided that in the event Bidco does not provide consent to the REIT or any of its Subsidiaries within one (1) business day of such request for consent, Bidco shall be deemed to have consented thereto.
- (k) except as requested by Bidco, not pay or incur any:
 - (i) termination, severance, retention or similar payments to any Employee or member of the REIT Board in connection with the Transaction; and
 - (ii) premiums in respect of the directors and officers run-off insurance policies described in Section 8.1,

which total more than \$5.2 million;

- (l) other than as provided for in this Agreement, not amend, vary or modify the Unit Option Plan or the Trustee Unit Issuance Plan, or other benefits or entitlements granted thereunder, as applicable;
- (m) not enter into or modify any employment, severance or similar agreements, policies or arrangements with, or any Benefit Plans covering, or grant any bonuses, salary increases, pension or supplemental pension benefits, profit sharing, phantom equity or other awards linked to the value of the Units, retention payments, retirement allowances, deferred compensation, incentive compensation, severance or termination pay to, or authorize any other form of increase of compensation or any increase of benefits payable to, or accelerate the vesting of any item of compensation of employee benefits with respect to, or make any loan to, any trustee, director, officer or Employees (or independent

contractors) of the REIT or any Subsidiary or make determinations under any benefit or other plans that are inconsistent with past practices;

- (n) other than solely among and between any of the REIT and/or its Subsidiaries, not: (i) guarantee the payment of any additional material indebtedness or enter into any other agreement to maintain the financial condition of another Person, or incur any additional material indebtedness (secured or unsecured) for guarantees or borrowed money or issue or sell any material debt securities; (ii) make loans, advances or other capital contributions to or investments in any other Person; (iii) prepay, refinance or otherwise materially amend any existing indebtedness; or (iv) pledge or otherwise encumber Units or other equity or securities of the REIT or any of its Subsidiaries;
- (o) use commercially reasonable efforts (and cause each of its Subsidiaries to use commercially reasonable efforts) to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse unless, simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing similar coverage are in full force and effect;
- (p) not make any material write down of assets or make any material changes to existing accounting practices, except as required by Law or required by GAAP;
- (q) not enter into, renew or amend, terminate or waive compliance with the terms of, or breach or assign, any Material Contract or fail to enforce any rights thereunder, other than Terminated Contracts or renewals or amendments in respect of the GE Pool TGA-3/3D or loan and security documents in respect of that Assumed Debt set out in the Disclosure Letter that has not yet been funded;
- (r) not enter into any Material Contract or material amendment to a Material Contract: (i) containing: (x) any material limitation or restriction on the ability of the REIT or its Subsidiaries to engage in any type of activity or business; (y) any material limitation or restriction on the manner in which, or the localities in which, all or any material portion of the business or activities, as the case may be, of the REIT or its Subsidiaries is or would be conducted; or (z) any material limit or restriction on the ability of the REIT or its Subsidiaries to solicit tenants or employees; (ii) containing any provisions that have the effect of providing that the consummation of the transactions contemplated by this Agreement or compliance by REIT and its Subsidiaries with the provisions of this Agreement: (A) will conflict with, result in any violation or breach of, or constitute a material default (with or without notice or lapse of time or both) under, such Material Contract; or (B) give rise under such Material Contract to its termination, any right of termination, right of first refusal, material amendment, revocation, cancellation, material acceleration, loss of a material benefit or the creation of any material Encumbrance; or (iii) that involves or would reasonably be expected to involve payments outside the ordinary and regular course that are in excess of \$100,000 per annum and that is not terminable within 365 days of the Closing Date without payment by Bidco or its affiliates;
- (s) not: (i) make, rescind or change any election relating to Taxes, annual tax accounting period or change any method of tax accounting or reporting in any material respect except as may be required by applicable Law or GAAP; (ii) enter into any material

agreement with any Governmental Authority relating to Taxes; (iii) settle any material Tax claim or assessment; (iv) surrender any right to claim a material Tax refund; (v) amend any of its transfer pricing policies except as may be required by applicable Law; or (vi) amend any Tax Return, or make any material change to the practice in respect of the reporting of income or the claiming deductions for Tax purposes except as may be required by applicable Law;

- (t) not take any action or fail to take any action if such action or failure to act would reasonably be expected to result in an inability of the REIT to satisfy the condition set out in Section 6.2(c) at Closing;
- (u) not take any action that, individually or in the aggregate, would reasonably be expected to cause any of the conditions set forth in Article 6 not to be satisfied and use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions of the Transaction, to the extent the same is reasonably within its control, and shall use commercially reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the Transaction, including using its commercially reasonable efforts to cooperate with Bidco to oppose, lift or rescind any injunction or restraining order or other order or action seeking to enjoin the Transaction, or otherwise adversely affecting the ability of Bidco and the REIT to consummate the Transaction;
- (v) except as otherwise permitted by this Agreement, not propose, announce, authorize, commit, agree to or enter into any agreement to do any of the foregoing prohibited matters.
- (w) use commercially reasonable efforts to obtain Estoppel Certificates from any commercial Tenants prior to Closing;
- (x) issue notices to terminate (conditional on Closing), at Bidco's expense, the Terminated Contracts, which notices will be delivered as follows: (i) as soon as reasonably possible after the date hereof in respect of the Terminated Contracts other than the property management agreements forming a part thereof so that the required notice period under such Terminated Contracts can be completed on or before Closing, if possible; and (ii) in respect of such property management agreements, on the Closing Date or such earlier date as the REIT may agree to after considering the status of the satisfaction of the conditions in favour of Bidco hereunder;
- (y) make available to the Transaction Participants prior to Closing, a correct and complete copy of the articles, by-laws, constating documents and other organizational documents of each of the Subsidiaries and each of the Nominees, in each case, as amended to the Closing Date;
- (z) cause the removal of, or use commercially reasonable efforts to obtain the resignation of, officers and directors, conditional on Closing and effective as of the Closing Date, from all Subsidiaries of the REIT, all Nominees and from condominium corporations for any Owned Real Property where a condominium declaration has been registered;
- (aa) use commercially reasonable efforts to comply with any outstanding Work Orders, New Work Orders and Lender Undertakings and complete any Purchase Orders in accordance

with their terms and provide clearance letters from the respective municipal departments that are required to be complied with or completed on or before Closing, provided that, Purchaser agrees that to the extent such Work Orders, New Work Orders, Purchase Orders or Lender Undertakings that are required to be complied with or completed on or before Closing are not closed or completed by Closing notwithstanding the REIT's commercially reasonable efforts, Bidco shall nonetheless accept the Properties in such state and shall assume the obligations under such outstanding Work Orders, New Work Orders, Purchase Orders and Lender Undertakings;

- (bb) (i) take all further action necessary:
 - (A) in order to ensure that the Separation Time (as defined in the Unitholder Rights Plan Agreement) does not occur in connection with the performance of this Agreement; and
 - (B) to ensure that the Unitholder Rights Plan Agreement does not interfere with or impede the success of the Transaction.
- (ii) not waive the application of Section 3.1 of the Unitholder Rights Plan Agreement to any Acquisition Proposal unless it is a Superior Proposal and (in the case of an Acquisition Proposal received following the Go-Shop Expiry Time) the Match Period has expired;
- (iii) not amend the Unitholder Rights Plan Agreement or authorize, approve or adopt any other Unitholder rights plan or enter into any agreement providing therefor. Notwithstanding the foregoing, the REIT shall be entitled to defer the Separation Time in connection with an Acquisition Proposal.
- (cc) use commercially reasonable efforts to obtain the resignation of the Trustees from their positions effective as of the Closing;
- (dd) except as expressly permitted hereunder and except as may be required pursuant to the Transaction Steps Memorandum, neither the REIT nor its Subsidiaries shall register anything on title to any of the Properties in connection with the Transaction or the Transaction Steps without the prior written consent of Bidco, not to be unreasonably withheld, provided that in the event Bidco does not provide consent to the REIT or any of its Subsidiaries within two (2) business days of such request for consent, Bidco shall be deemed to have consented thereto;
- (ee) use commercially reasonable efforts to (i) promptly upload all additional material information which comes to the knowledge of the REIT which materially amends or supplements the existing Data Room Information, (b) provide prompt notice to the Transaction Participants and their Representatives of all such uploads and (c) ensure uninterrupted access by them to the Data Room Information up to the Closing Date;
- (ff) the REIT shall file those elections as required under the ITA as are reasonably required in order to give effect to the Transaction and the Transaction Steps and shall provide copies of such elections to Bidco in advance of filing for review; and
- (gg) the REIT agrees that, upon the request of Bidco, the REIT shall cause its Subsidiaries to use commercially reasonable efforts to effect such reorganization of their business,

operations and assets (including the Purchased Assets) or transfer of assets to other related entities, as Bidco may request in furtherance of (but not including) the Transaction Steps (the “**Pre-Closing Reorganization**”), provided that the REIT shall not be obligated to effect any Pre-Closing Reorganization that is prejudicial to the REIT Unitholders. Bidco will provide written notice to the REIT of any proposed Pre-Closing Reorganization (in addition to those actions set forth in the Transaction Steps) at least twenty (20) days prior to the Time of Closing. Upon receipt of such notice, the REIT and Bidco will work cooperatively and use commercially reasonable efforts to prepare, prior to the Time of Closing, all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Closing Reorganization. The Parties will use commercially reasonable efforts to have any such Pre-Closing Reorganization made effective at least one business day prior to the Time of Closing as specified in such Pre-Closing Reorganization (but only after Bidco will have waived or confirmed in writing that all conditions referred to in Sections 6.1 and 6.2 have been waived or satisfied) and provided that no such Pre-Closing Reorganization will be made effective unless: (1) the REIT is reasonably certain that the Transaction will become effective and will not be materially delayed, impaired or impeded as a result of such Pre-Closing Reorganization; (2) such Pre-Closing Reorganization can be reversed or unwound without materially adversely affecting the REIT and its Subsidiaries or the Unitholders in the event the Transaction does not become effective and this Agreement is terminated; (3) such Pre-Closing Reorganization would not result in the REIT failing to satisfy at all times during its taxation year that includes the Closing Date the definition of a “real estate investment trust” under the ITA; and (4) such Pre-Closing Reorganization would not result in Taxes being imposed on any Unitholder incrementally greater than the Taxes which would be imposed on such Unitholder resulting from the consummation of the Transaction in accordance with the Transaction Steps; or (5) the Parties otherwise agree. If the Transaction is not completed, Bidco will forthwith reimburse the REIT for all reasonable fees and expenses (including any professional fees and expenses) incurred by the REIT and its Subsidiaries in considering and effecting any Pre-Closing Reorganization and shall be responsible for all reasonable fees and expenses (including any professional fees and expenses) of the REIT and its Subsidiaries, and any Taxes of the REIT and its Subsidiaries or the Unitholders, arising as a result of, reversing or unwinding any Pre-Closing Reorganization that was effected prior to the termination of this Agreement in accordance with its terms. Notwithstanding the foregoing, in no event shall the completion of any Pre-Closing Reorganization be a condition to the completion of the Transaction.

Section 5.2 Cooperation of the Parties

Each Party shall perform all obligations reasonably required to be performed by it under this Agreement, and the REIT shall cause its Subsidiaries to perform all obligations reasonably required to be performed by such Subsidiaries under this Agreement. Subject to the terms hereof, each Party shall cooperate with the other Parties in connection with the transactions contemplated herein, and will do all such other acts and things as may be reasonably necessary in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, the Parties shall, and where appropriate the REIT shall cause its Subsidiaries to:

- (a) reasonably cooperate with the other Parties to obtain all necessary consents, approvals and authorizations that are required to be obtained under applicable Law, including,

without limitation, such exemptive applications or orders as may be required or desirable under applicable Securities Laws and in respect of the Regulatory Approvals;

- (b) reasonably cooperate in seeking any third party consents or waivers, at Bidco's cost and expense, under Leases, licenses or other Assumed Contracts, including all Material Contracts, other than as set forth in Section 5.2(c);
- (c) subject to any applicable Laws and to the Confidentiality Agreement, the Parties will coordinate and cooperate with one another and Bidco shall use its commercially reasonable efforts to cause the Asset Purchasers and Transaction Participants to cooperate in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with those actions contemplated in Section 5.7(d), including keeping each other generally apprised as to the status of the process of obtaining Lender Consents upon request by the REIT, acting reasonably;
- (d) use commercially reasonable efforts to defend, in consultation with Bidco, all lawsuits or other legal, regulatory or other proceedings to which it is a party challenging or affecting this Agreement or the consummation of the transactions contemplated by this Agreement, including the Transaction;
- (e) use its reasonable best efforts to have lifted or rescinded any injunction or restraining order relating to the REIT or any of its Subsidiaries or other order which may adversely affect the ability of the Parties to consummate the transactions contemplated by this Agreement, including the Transaction;
- (f) comply promptly in all material respects with all requirements which applicable Laws may impose on them with respect to the transactions contemplated by this Agreement, including the Transaction;
- (g) satisfy, or cause the satisfaction of, each of the conditions set forth in Article 6, to the extent the same is within its control;
- (h) in the case of Bidco, use commercially reasonable efforts to cause the Asset Purchasers and Transaction Participants to satisfy, or cause the satisfaction of, each of the conditions set forth in Article 6, to the extent the same is within the Asset Purchaser's or Transaction Participant's control (provided that nothing herein shall be deemed to require Bidco to cause an Asset Purchaser or a Transaction Participant to complete the Transaction);
- (i) in the case of Bidco, waive or caused to be waived, all Purchaser Pre-Emptive Rights in relation to the Transaction only;
- (j) in the case of the REIT, promptly advise Bidco in writing of any REIT Material Adverse Effect of which it is, or prior to Closing becomes, aware;
- (k) in the case of the REIT, continue to file all documents or information required to be filed by the REIT under applicable Laws or with the TSX, in accordance with timelines prescribed under applicable Securities Laws, or by the TSX or otherwise by a Governmental Authority, and all such documents or information, when filed, shall comply as to form and substance in all material respects with the requirements of applicable Laws and the rules of the TSX and shall not contain any Misrepresentation;

- (l) in the case of the REIT, properly reserve (and reflect such reserve in its books and records and financial statements), for all Taxes payable by it for which no Tax Return is required to be filed by it on or before the Time of Closing in a manner consistent with past practice; and
- (m) in the case of the REIT, after consultation with Bidco, duly and timely file all Tax Returns required to be filed by it or any of its Subsidiaries (including Nominees), in a manner consistent with past practice except as may be required by applicable Law, which Tax Returns shall be correct and complete in all material respects and fully and timely pay, withhold, collect and remit in a timely fashion to the appropriate Governmental Authority all amounts relating to the Tax required by applicable Law to be so paid, withheld, collected or remitted.

Section 5.3 Notice Provisions

- (a) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the Time of Closing, of any event or state of facts of which it is aware which occurrence or failure would reasonably be expected to:
 - (i) cause any of the representations or warranties of such other Party contained herein that are qualified by materiality to be untrue or inaccurate (as so qualified) or cause any of the representations and warranties of such party contained herein that are not so qualified to be untrue or inaccurate in any material respect; or
 - (ii) result in the failure to comply with or satisfy any covenant or agreement to be complied with or satisfied by such other Party hereunder or condition to be complied with or satisfied by such other Party hereunder.
- (b) Each of the REIT and Bidco shall promptly notify the other if, at any time before the Time of Closing, it becomes aware that the REIT Meeting Materials contain a Misrepresentation or that an amendment or supplement to the REIT Meeting Materials is otherwise required. In any such event, the REIT, shall in cooperation with Bidco, prepare a supplement or amendment to the REIT Meeting Materials, press release, newspaper advertisement or other document that corrects the Misrepresentation or that is otherwise required, and the REIT shall cause the same to be distributed or disseminated, as the case may be, to the Unitholders, the REIT Board, the auditors of the REIT and any other required Persons and filed as required under applicable Law.
- (c) Each Party shall promptly notify the other Party in writing of:
 - (i) any notice or other communication from any Person alleging that the consent of such Person is required in connection with the transactions contemplated by this Agreement ;
 - (ii) any notice or other communication from any counterparty to a Material Contract or Assumed Contract to the effect that such counterparty is terminating or otherwise seeking to materially adversely modify a Material Contract or Assumed Contract as a result of the transactions contemplated by this Agreement;

- (iii) any material notice or other material communication from any Governmental Authority in connection with the Agreement, and a copy of any such notice or communication shall be furnished to the other Party;
- (iv) any filing made by either Party or its Subsidiaries or any Transaction Participant with any Governmental Authority in connection with the Transaction and a copy of any such filing shall be furnished to the other Party (or, in the case of a filing by any Transaction Participant, the REIT)(other than portions of such filing that include confidential information not directly related to the transactions contemplated by this Agreement which shall be disclosed on an external counsel basis only in accordance with Section 5.5); and
- (v) any: (A) actions, suits, claims, investigations, proceedings, audits or assessments commenced or, to its knowledge, threatened (including communications indicating that same may be contemplated) against, relating to or involving or otherwise affecting, the REIT or any of its Subsidiaries that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.16, or that relate to the consummation of the transactions contemplated by this Agreement, including the Transaction; or (B) actions, suits, claims, investigations or assessments (including communications indicating that same may be contemplated) in respect of any matter pertaining to Taxes; provided, however, that no such notification shall affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.

Section 5.4 Access to Information, Properties, etc.

- (a) Subject to Section 5.4(b) and applicable Laws, (including, for greater clarity, applicable competition and antitrust Laws), upon reasonable notice, the REIT shall (and shall cause each of its Subsidiaries to) afford to the Transaction Participants and their respective Representatives reasonable access, during normal business hours from the date hereof and until the Closing Date (including, for greater certainty, during the Go-Shop Period), to its and its Subsidiaries' Properties (in order to permit the Transaction Participants or their Representatives to conduct such property inspections of each Property as would be reasonable in connection with the Transaction in order to facilitate strategic planning and integration, audit function, structuring of the Pre-Closing Reorganization and for any other purpose in connection with the Transaction), Books and Records (including the work papers of its auditors) and Contracts as well as to its management personnel, property superintendants (and the REIT covenants to reasonably assist the Transaction Participants in such investigations) and, during such period, the REIT shall (and shall cause each of its Subsidiaries to) furnish promptly to the Transaction Participants all information concerning its and its Subsidiaries' businesses, properties and personnel as the Transaction Participants may reasonably request. No investigation by the Transaction Participants or any of their respective Representatives and no other receipt of information by the Transaction Participants or any of their respective Representatives shall operate as a waiver or otherwise affect any representation or warranty of the REIT or any covenant or other provision in this Agreement.

- (b) Bidco acknowledges that the information provided to it under Section 5.4(a) above will be non-public and/or proprietary in nature (the “**Confidential Information**”) and will be subject to the terms of the Confidentiality Agreement. For greater certainty, the provisions of the Confidentiality Agreement shall survive the termination of this Agreement, provided that the obligations of the Transaction Participants and their respective affiliates under the Confidentiality Agreement and Section 5.4(a) shall terminate following the completion of the Transaction in accordance with this Agreement notwithstanding anything to the contrary contained therein or herein.

Section 5.5 Filings and Authorizations

- (a) Bidco shall file with the Commissioner of Competition, as promptly as practicable, but in no event later than five (5) business days after the execution and delivery of this Agreement, a request for an advance ruling certificate pursuant to section 102 of the Competition Act or, in the alternative, a no action letter. Each of Bidco and the REIT shall: (i) at the request of either Bidco or the REIT, as promptly as practicable file a pre-merger notification pursuant to Part IX of the Competition Act; (ii) make, or cause to be made, any additional filings and submissions as may be required or advisable to obtain Competition Act Approval as promptly as practicable; (iii) use its commercially reasonable efforts to obtain, or cause to be obtained, and secure Competition Act Approval as promptly as practicable; and (iv) use its commercially reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfil its obligations under this Section 5.5 including fulfilling as soon as is practicable any requests for additional information.
- (b) Subject to any applicable Laws and to the Confidentiality Agreement, the Parties will coordinate and cooperate with one another and Bidco shall use its reasonable commercial efforts to cause the Asset Purchasers and Transaction Participants to cooperate in exchanging such information and supplying such assistance as may be reasonably requested by each in connection with those actions contemplated in clause (a) above including, without limitation, keeping each other generally apprised as to the status of the review process and providing each other with all notices and information supplied or filed with any Governmental Authority (except for notices and information which any Transaction Participant or the REIT, in each case acting reasonably, considers confidential or commercially sensitive which may be filed on a confidential basis; a copy of any such notices or information shall be provided to the other party’s external counsel on an external counsel only basis), and all notices and correspondence received from any Governmental Authority and ensuring that each of the Parties, where acceptable to the Governmental Authority, is represented at any meetings with or other appearances before any Governmental Authority with respect to the Transaction (except meetings at which any Transaction Participant or the REIT, in each case acting reasonably, considers that information of a confidential or commercially sensitive nature may be disclosed).

Section 5.6 REIT Meeting

- (a) As promptly as reasonably practicable after the execution and delivery of this Agreement, subject to the terms of the Declaration of Trust, the REIT shall establish a record date for the REIT Meeting, and the REIT will give notice of, convene and hold the REIT Meeting on June 27, 2012; and provided further that, in the event that, within the six business days prior to the REIT Meeting date, the REIT delivers a Notice to Purchaser under Section

5.8(g)(ii), or Section 5.8(h) then the REIT shall continue to hold the REIT Meeting on June 27, 2012 but shall only conduct the REIT Annual Business on such date, and adjourn the REIT Meeting until a date not more than five business days after the termination of the Match Period set forth in Section 5.8(g)(ii) or Section 5.8(h), as applicable, at which time the REIT Special Business shall be conducted. Except as expressly permitted above in this Section 5.6(a), the REIT shall not adjourn, postpone, change or cancel (or propose for adjournment, postponement, change or cancellation) the notice or voting record date, the REIT Meeting date or consider any business other than approval of the REIT Special Business and the REIT Annual Business without Bidco's prior written consent, such consent not to be unreasonably withheld or delayed, except as: (i) required by applicable Laws (other than applicable Laws governing fiduciary duties which the Parties agree are otherwise addressed in this Agreement) and only then in consultation with Bidco; (ii) required by a Governmental Authority; or (iii) otherwise determined by the Unitholders at the REIT Meeting in accordance with the terms of the Declaration of Trust.

- (b) The REIT shall proceed diligently, in cooperation with Bidco, to prepare the REIT Circular together with any other documents or exemption orders required by the Declaration of Trust or applicable Laws in connection with the REIT Meeting (the "**Meeting Materials**"). The REIT Circular shall include the Fairness Opinions and the REIT Board's unanimous recommendation that: (i) the Transaction is fair to and in the best interests of Unitholders (other than the Transaction Participants and their respective affiliates); and (ii) the Unitholders vote in favour of the Transaction Resolution (the "**Recommendation**"). Subject to the terms of this Agreement, the REIT Board shall not withdraw, modify or qualify or publicly propose to or publicly state that it intends to withdraw, modify or qualify (it being understood that publicly taking no position or a neutral position by the REIT Board with respect to an Acquisition Proposal until the third business day after receipt of an Acquisition Proposal or any modification thereof shall not constitute such a withdrawal, modification or qualification) in any manner the Recommendation or take any other action or make any other public statement in connection with the REIT Meeting inconsistent with the Recommendation (collectively, a "**Change in Recommendation**"), provided, however, that the REIT Board may make such a Change in Recommendation any time prior to the REIT Meeting under the circumstances contemplated in Section 5.8(g) (provided that the earliest that the REIT Board may make such a Change in Recommendation is following the expiry of the applicable Match Period referred to in Section 5.8(g)(ii) or Section 5.8(h), as the case may be). The REIT Meeting Materials shall be in form and substance satisfactory to Bidco and Bidco's counsel, acting reasonably. The REIT will file the REIT Meeting Materials and any other documentation required to be filed under applicable Law in all jurisdictions where such documents are required to be filed by the REIT and send or cause to be sent the REIT Meeting Materials and any other documentation required to be sent under applicable Law to the Unitholders, the REIT Board, the auditors of the REIT and any other required Person within the time periods required by the Declaration of Trust and applicable Laws.
- (c) The REIT shall furnish to Bidco drafts of the REIT Meeting Materials (and any amendments or supplements thereto) and shall provide Bidco and Bidco's counsel with a reasonable opportunity to comment on such drafts, prior to each filing of any such documents or materials in accordance with applicable Laws, and shall provide to Bidco a copy of all such filings.

- (d) The REIT shall ensure that the REIT Meeting Materials comply with all applicable Laws and, without limiting the generality of the foregoing, that the REIT Meeting Materials do not contain a Misrepresentation (except that this covenant does not apply to any information provided by the Transaction Participants).
- (e) The REIT shall keep Bidco updated with respect to proxy solicitation results as reasonably requested by Bidco and no less often than daily during the ten business day period preceding the REIT Meeting.
- (f) The REIT represents that the Trustees have been advised and believe that each of the Trustees and directors and senior officers of the Subsidiaries intends to vote, or cause to be voted, at the REIT Meeting all Units of which he or she is the beneficial owner, or over which he or she has direction or control, in favour of the Transaction Resolution and covenants to notify Bidco promptly in the event that it is advised or otherwise becomes aware to the contrary.

Section 5.7 Covenants of Bidco

Bidco covenants and agrees that, except as contemplated in this Agreement, until the Time of Closing or the day upon which this Agreement is terminated, whichever is earlier:

- (a) it will use commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions of the Transaction, to the extent the same is within its control, and will use commercially reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done (including using reasonable commercial efforts with respect to the actions of the Asset Purchasers and Transaction Participants), all other things necessary, proper or advisable under all applicable Laws to complete the Transaction;
- (b) it will use commercially reasonable efforts to co-operate with the preparation of the REIT Circular including providing to the REIT, on a timely basis, all information regarding itself and any Asset Purchaser or Transaction Participant as may be reasonably required for completion of the REIT Circular, and covenants that the information delivered by or on behalf of it to the REIT in writing for inclusion in the REIT Circular will not contain any Misrepresentation. Bidco agrees to indemnify and save harmless the REIT, its Subsidiaries and their respective trustees, directors, officers, employees and Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which the REIT, any Subsidiary or any of their respective trustees, directors, officers, employees or Representatives may be subject or may suffer that results primarily from any Misrepresentation or alleged Misrepresentation in any information with respect to Bidco included in the REIT Circular that is provided in writing by or on behalf of Bidco for the purpose of inclusion in the REIT Circular;
- (c) it will not permit any waiver, amendment, modification or replacement of any of the Asset Purchase Agreements if such waiver, amendment, modification or replacement could reasonably be expected to adversely affect the REIT, the Unitholders or the consummation of Transaction in accordance with the terms of this Agreement. Bidco will use its commercially reasonable efforts: (i) to maintain the effectiveness of the Asset Purchase Agreements, (ii) to satisfy, on or prior to the Closing, all conditions under the Asset Purchase Agreements that are applicable to it and within its control and otherwise comply with its obligations thereunder, and (iii) to consummate the transactions

contemplated by the Asset Purchase Agreements at or prior to the Closing. Notwithstanding anything contained in this Section 5.7(c) or in any other provision of this Agreement, Bidco shall give the REIT prompt written notice: (i) of any breach or default by any party to any Asset Purchase Agreement of any provisions thereof; (ii) of the receipt of any written notice or other written communication from any such party with respect to any: (A) breach, default, termination or repudiation by any party to any Asset Purchase Agreement of any provisions thereof, or (B) dispute or disagreement between or among any parties to any Asset Purchase Agreement; and (iii) if for any reason Bidco believes in good faith that it is reasonably likely that it will not be able to complete any of the transactions contemplated by the Asset Purchase Agreements; and

- (d) it will use commercially reasonable efforts to obtain all necessary Lender Consents, and pay all costs and fees of the Lender(s) in connection with such Lender Consents to the extent required pursuant to the terms of the Assumed Debt. For greater certainty this covenant shall not require the Transaction Participants to repay or defease any Assumed Debt (other than in respect of the 294 Chandler Drive, Kitchener, property which forms part of the security for the CMBS Debt and which is being defeased).

Section 5.8 Covenants Regarding Non-Solicitation

- (a) Notwithstanding any other provision of this Agreement, from the date of this Agreement until the Go-Shop Expiry Time, the REIT shall have the right, directly or indirectly, including through its Subsidiaries or any of its or their Representatives:
 - (i) to solicit, initiate, encourage or in any manner facilitate inquiries from or submissions of proposals or offers from any Person which are designed to facilitate the making of an Acquisition Proposal;
 - (ii) to participate in any discussions or negotiations with any Person or its Representatives regarding an Acquisition Proposal, or otherwise participate in any discussions or negotiations or cooperate in any way with, or assist or participate in, or in any manner facilitate or encourage, any effort or attempt by any Person to provide an Acquisition Proposal to the REIT; or
 - (iii) provided that a Person first enters into an Acceptable Confidentiality Agreement, to furnish non-public information with respect to the REIT and its Subsidiaries to any such Person and its Representatives, provided that the REIT shall not, and shall cause each of its Subsidiaries not to, directly or indirectly, through any Representative or otherwise, release any such Person from, waive any provision of, or fail to enforce, such Acceptable Confidentiality Agreement other than in accordance with the terms of such agreement.

and further provided that the REIT makes available to the Transaction Participants all information provided to any Person referred to above which has not previously been made available to the Transaction Participants (which requirement may be satisfied by posting such information to the Data Room with notice to the Transaction Participants).

- (b) The REIT shall have a one-time option to extend the Go-Shop Expiry Time by 15 days if, on or before June 9, 2012, the REIT provides Bidco with a certificate executed by a member of the Special Committee stating that: (i) one or more Persons has executed an

Acceptable Confidentiality Agreement; and (ii) the Special Committee has determined that at least one such Person has a reasonable prospect of making an Acquisition Proposal and has engaged in due diligence of the REIT on the business day next preceding the date which was 40 days from the date of the announcement of this Agreement. For certainty, in such event, the Go-Shop Expiry Time shall be extended in respect of such Person(s) only (including any additional Persons who are: (x) acting jointly and in concert with any such Person(s), (y) financing any such Person's or Persons' Acquisition Proposal) or (z) entitled to participate in such Person's or Persons' Acquisition Proposal pursuant to any agreement, commitment or other understanding with such Person(s) relating to such Acquisition Proposal, and otherwise the REIT and its Representatives shall be bound by Section 5.8(d).

- (c) Except as permitted by Section 5.8(e), (f) and (g), from and after the Go-Shop Expiry Time, the REIT shall and shall cause each of the Subsidiaries and their Representatives to: (i) immediately cease and cause to be terminated any existing solicitations, encouragements, communications (other than expressly provided for herein), activities, discussions or negotiations with any Persons (other than the Transaction Participants and their respective Representatives) with respect to any potential Acquisition Proposal; and (ii) immediately cease to provide any other Person (other than the Transaction Participants and their respective Representatives) with access to information concerning the REIT and the Subsidiaries; (iii) provide Bidco, prior to Closing, with the identity of all Persons that executed Acceptable Confidentiality Agreements during the Go-Shop Period together with the details of any Acquisition Proposal; and (iv) immediately confirm with any Person with which it has entered into an Acceptable Confidentiality Agreement that the Go-Shop Period has expired and request, within three business days of the Go-Shop Expiry Time, the return and/or destruction of all information provided to such Person pursuant to an Acceptable Confidentiality Agreement and shall use commercially reasonable efforts to ensure that such requests are complied with.
- (d) Except as permitted by Section 5.8(e), (f) and (g), from and after the Go-Shop Expiry Time until the earlier of the Time of Closing or the date upon which this Agreement is terminated pursuant to Article 7, the REIT shall not, and shall cause each of the Subsidiaries not to, directly or indirectly, including through any of its Subsidiaries or its or their Representatives or otherwise:
 - (i) solicit, initiate, encourage or in any manner facilitate inquiries from or submissions of proposals or offers from any Person which are designed to facilitate the making of an Acquisition Proposal;
 - (ii) participate in any discussions or negotiations with any such Person or its Representatives regarding an Acquisition Proposal, or otherwise participate in any discussions or negotiations or cooperate in any way with, or assist or participate in, or in any manner facilitate or encourage, any effort or attempt by any such Person to provide an Acquisition Proposal to the REIT;
 - (iii) (other than (i) to the Transaction Participants and their respective Representatives, (ii) as required in the ordinary and regular course unrelated to an Acquisition Proposal and in accordance with Section 5.1 or (iii) as necessary or desirable to obtain Regulatory Approvals or Lender Consents) furnish to any

Person any non-public information with respect to the REIT or the Subsidiaries;
or

- (iv) release any Person from, waive any provision of, or fail to enforce, any confidentiality or standstill agreement or similar obligation to the REIT or any of the Subsidiaries (including an Acceptable Confidentiality Agreement and excluding the Confidentiality Agreement) other than in accordance with the terms of such agreement;

including, for greater certainty, in connection with any Persons contacted prior to the Go-Shop Expiry Time and their Representatives, and provided that the REIT may advise any Person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute or could not reasonably be expected to lead to a Superior Proposal when the REIT Board has so determined.

- (e) After the Go-Shop Expiry Time, the REIT will notify Bidco of the receipt of any Acquisition Proposal, any *bona fide* inquiry or communication that could reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to the REIT or any of its Subsidiaries or for access to the properties, Books and Records of the REIT or any of its Subsidiaries by any Person, in each case of which the Trustees or officers of the REIT become aware, in circumstances where the REIT knows, or reasonably expects, that such non-public information will be used by the recipient in connection with, or in order to propose, make or evaluate the making of, an Acquisition Proposal. Such notice to Bidco shall be provided orally and in writing, as promptly as practicable (and in any event within 24 hours) and shall indicate, to the extent known by the Trustees or officers of the REIT, the identity of the Person making such proposal, inquiry, communication or request, the date of the inquiry, communication or request, the material terms and conditions of such Acquisition Proposal, inquiry, proposal, communication or request (together with a copy of any written documentation relating to such Acquisition Proposal received by the REIT and confirmation as to whether such Person was contacted by the REIT or its Representatives after the date of this Agreement and prior to the Go-Shop Expiry Time). To the extent that the REIT is permitted to provide information or to participate in discussions or negotiations pursuant to Section 5.8(f), the REIT shall advise Bidco as promptly as practicable (and in any event within 24 hours) of the identity of such Person and any modifications, amendments or proposed amendments to any material terms and conditions of such Acquisition Proposal of which the Trustees or officers of the REIT become aware.
- (f) Notwithstanding any other provision of this Agreement to the contrary, from and after the Go-Shop Expiry Time, following the receipt by the REIT of a *bona fide* written Acquisition Proposal that did not result from a breach of Section 5.8 which the REIT Board determines in good faith, after consultation with its financial advisors and outside legal counsel, constitutes or could reasonably be expected to lead to a Superior Proposal, the REIT and its Representatives may, in response to such Acquisition Proposal and after giving notice to Bidco in accordance with Section 5.8(e):
 - (i) contact, communicate and otherwise participate in discussions or negotiations with the Person making the Acquisition Proposal and its Representatives regarding such Acquisition Proposal; and

- (ii) furnish non-public information with respect to the REIT and its Subsidiaries to such Person after such Person enters into an Acceptable Confidentiality Agreement and provided the REIT makes available to the Transaction Participants all information provided to such third party which has not previously been made available to the Transaction Participants concurrently with its delivery to such Person (which requirement may be satisfied by posting such information to the Data Room with notice to Bidco).
- (g) In accordance with this Section 5.8(g): (A) the REIT Board may effect a Change in Recommendation; and/or (B) the REIT may enter into a written agreement with any Person providing for or to facilitate an Acquisition Proposal other than an Acceptable Confidentiality Agreement (a “**Proposed Agreement**”) and terminate this Agreement in accordance with Section 7.2, in each case if and only if, the REIT Board determines in good faith (after receipt of advice from its financial adviser and outside legal counsel) that such Acquisition Proposal is a Superior Proposal; and provided in each case that the REIT may do so only after:
 - (i) the REIT has complied with its obligations under the other applicable provisions of this Section 5.8(g);
 - (ii) if the Acquisition Proposal is received following the Go-Shop Expiry Time, the REIT has provided Bidco with not less than four business days prior written notice (a “**Notice**” and such four business day period being the “**Match Period**”) that the REIT Board has determined that it has received a Superior Proposal, such Notice to include: (A) the identity of the Person making the Superior Proposal; (B) all documentation comprising the Superior Proposal, including the Proposed Agreement to be executed with the Person making such Superior Proposal; and (C) any value (including a range of value, if any) in financial terms that the REIT Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under the Superior Proposal;
 - (iii) if the Acquisition Proposal is received following the Go-Shop Expiry Time, the REIT has negotiated in good faith with Bidco during the Match Period and, to the extent that Bidco offers to amend this Agreement, the REIT Board determines that any such offered amendment does not cause the Acquisition Proposal to no longer constitute a Superior Proposal; and
 - (iv) the REIT has paid or concurrently pays the Termination Payment pursuant to Section 7.3.
- (h) The REIT acknowledges and agrees that each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirements of Section 5.8(e) and, if the Acquisition Proposal is received following the Go-Shop Expiry Time, a Proposed Agreement in respect of such Acquisition Proposal may not be entered into by the REIT until the provisions of Section 5.8(e) and Section 5.8(g) (including the provision to Bidco of an additional Match Period) are again complied with.
- (i) The REIT shall ensure that the Representatives of the REIT are aware of the provisions of this Section 5.8, and the REIT shall be responsible for any breach of this Section 5.8 by such Representatives.

Section 5.9 Representations and Warranties

Bidco agrees and acknowledges that, except as set forth in this Agreement, the REIT makes no representation or warranty, express or implied, at law or in equity, with respect to the REIT, any Subsidiary, any of their respective businesses, their past, current or future financial condition or any of their assets, liabilities or operations, or their past, current or future profitability or performance, individually or in the aggregate, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, the REIT expressly disclaims any representation or warranty that is not set forth in this Agreement, the Subscription Agreement or in any of the Guarantee and Agreements.

Section 5.10 Post Closing Transactions

Bidco covenants that (a) it will complete or cause to be completed the Transaction Steps that are identified as occurring after the redemption of Units held by PSP Holdco in the Transaction Steps Memorandum; and (b) it will take all necessary steps to cause and ensure that throughout the period beginning of the Closing Date and ending at the end of the taxation year of the REIT that includes the Closing Date (the “**Straddle Period**”), the REIT will continue to satisfy, at all times, the requirements of the definition of “real estate investment trust” under the ITA and that Bidco will refrain from taking any step or entering into any arrangement or transaction, at any time during the Straddle Period, that would result in the REIT failing to satisfy such requirements at any time during the Straddle Period.

Section 5.11 Tax Elections

- (a) In respect of each disposition of Purchased Assets by a Subsidiary of the REIT to to an entity which Bidco shall cause to purchase such assets in accordance with Section 2.2 hereof, the applicable Subsidiary of the REIT and such purchaser shall, if applicable, jointly execute and file an election under subsection 20(24) of the ITA in the manner required by subsection 20(25) of the ITA and under the equivalent or corresponding provisions of any other applicable provincial or territorial statute, in the prescribed forms and within the time period permitted under the ITA and under any other applicable provincial or territorial statute, as to such amount paid by such Subsidiary of the REIT to such purchaser for assuming future obligations. In this regard, Bidco (on behalf of each such purchaser) and the REIT (on behalf of its Subsidiaries) acknowledge that a portion of the Purchased Assets sold by the applicable Subsidiary of the REIT pursuant to this Agreement and having a value equal to the amount elected under subsection 20(24) of the ITA and the equivalent provisions of any applicable provincial or territorial statute, is being transferred to such purchaser by the applicable Subsidiary of the REIT as a payment for the assumption of such future obligations by such purchaser. Bidco shall use reasonable commercial efforts to cause any such purchaser that is not a party to this Agreement to file such elections and make such acknowledgements as are contemplated herein.
- (b) The REIT and Bidco each agree, and if applicable shall cause their respective Subsidiaries (and in the case of Bidco shall use reasonable commercial efforts to cause any purchaser of Purchased Assets in accordance with Section 2.2 which is not a party to this Agreement), to make such other elections in respect of Taxes in connection with the Transactions as may be agreed upon by the REIT and Bidco, acting reasonably.

Section 5.12 GE Pool

Bidco acknowledges having requested that the REIT negotiate an extension of the term of the loan in respect of GE Pool TGA-3/3D to facilitate the repayment of such loan by Bidco on Closing. GE Canada Real Estate Financing Holding Company has indicated that it is prepared to extend the term of the loan to August 31, 2012 but has requested that the interest rate be increased to the three month bankers' acceptance rate plus 3.00% per annum. Bidco agrees that if the transactions contemplated hereunder do not close for any reason whatsoever, Bidco shall forthwith reimburse the REIT for the incremental increase in the interest rate of such loan facility for the month of June, 2012. The parties acknowledge that the current interest rate in respect of such loan is 3.68% per annum.

Section 5.13 Other Tax Matters

The REIT shall not claim any deduction in respect of its 2012 taxation year for any amount pursuant to paragraph 20(1)(e) of the ITA, or other deductions for expenses relating to the Transaction Steps for purposes of computing any amount deductible by the REIT and payable to Unitholders. All Tax Returns of the REIT, information returns and communication to Unitholders in respect of the amounts, designations or the tax treatment of these amounts must first be approved by Deloitte and KPMG, acting reasonably.

ARTICLE 6 CONDITIONS

Section 6.1 Mutual Conditions Precedent

The obligations of the Parties to complete the Transaction are subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent, each of which may only be waived, in whole or in part, by the mutual consent of the Parties:

- (a) the Transaction Resolution shall have been approved by the Unitholders at the REIT Meeting;
- (b) all Regulatory Approvals shall have been obtained or (if not obtained) concluded on terms reasonably satisfactory to the Parties;
- (c) no applicable Law shall be in effect that makes the consummation of the Transaction illegal or otherwise prohibited or enjoins any Party from consummating the Transaction; and
- (d) this Agreement shall not have been terminated in accordance with its terms.

Section 6.2 Additional Conditions Precedent to the Obligations Bidco

The obligations of Bidco to complete the Transaction shall also be subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent (each of which is for the exclusive benefit of Bidco and may be waived, in whole or in part, only by Bidco in its sole discretion):

- (a) no act, action, suit, demand or proceeding shall have been taken by any Governmental Authority or any other Person (other than the Transaction Participants) and no Law shall have been proposed, enacted, promulgated or applied, in either case:

- (i) that is reasonably likely to cease trade, enjoin, prohibit or impose limitations, damages or conditions on the completion of the Transaction or the right of the Transaction Participants to own or exercise full rights of ownership of the Purchased Assets that are, individually or in the aggregate, material in relation to the aggregate consideration to be paid to Unitholders pursuant to the Transaction; or
- (ii) which, if the Transaction were completed, would reasonably be expected to have a REIT Material Adverse Effect or to materially adversely affect the Transaction Participants (individually or in the aggregate),

provided, however, that Bidco will not have the benefit of this condition if any such act, action, suit, demand, proceeding or Law has arisen as a result of any material breach by any Transaction Participant of any of its respective covenants contained in any Transaction Agreement to which it is a party;

- (b) on or after the date hereof, there shall not have occurred or been disclosed to Bidco or the public if previously undisclosed to Bidco or the public, a REIT Material Adverse Effect;
- (c) all representations and warranties of the REIT made in Article 4 of this Agreement shall be true and correct in all respects (without regard to any materiality or REIT Material Adverse Effect qualifications contained therein) as of the Time of Closing (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date), except where any failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to result in a REIT Material Adverse Effect; and Bidco shall have received a certificate signed for and on behalf of the REIT by two Trustees (without personal liability) confirming the same at the Time of Closing;
- (d) the covenants of the REIT required to be performed by it under this Agreement prior to the Time of Closing shall have been performed in all material respects and Bidco shall have received a certificate signed for and on behalf of the REIT by two Trustees (without personal liability) confirming the same at the Time of Closing;
- (e) satisfactory arrangements acceptable to Bidco shall have been made with respect to the redemption, repurchase or defeasance of the Debentures;
- (f) the outstanding principal amount of Assumed Debt (exclusive of the CMBS Debt) for the PSP Property Pool in respect of which the mortgagee thereunder has not consented to the assumption by IMH Pool VI LP or IMH Pool VII LP, as applicable, of mortgages in connection with the Transaction shall not exceed 25% of the total outstanding principal amount of such Assumed Debt, being approximately \$51,417,194 (exclusive of the CMBS Debt), subject to the Debt Consent Adjustment;
- (g) Computershare Trust Company of Canada shall have provided its consent to the assumption of the CMBS Debt in connection with the Transaction; and
- (h) the outstanding principal amount of Assumed Debt for each of the Timbercreek Property Pool, the CAPREIT Property Pool and the Starlight Property Pool in respect of which the

mortgagee thereunder has not consented to the assumption of such mortgages by the applicable Transaction Participant in connection with the Transaction, shall not exceed 25% of the total outstanding principal amount of such Assumed Debt in respect of the applicable Transaction Participant, being approximately \$66,243,840, \$45,983,232 and \$31,288,495, respectively, subject to the Debt Consent Adjustment.

Section 6.3 Additional Conditions Precedent to the Obligations of the REIT

The obligations of the REIT to complete the Transaction shall also be subject to the fulfillment, on or before the Time of Closing, of each of the following conditions precedent (each of which is for the exclusive benefit of the REIT and may only be waived, in whole or in part, by the REIT in its sole discretion):

- (a) all representations and warranties of Bidco made in Article 3 shall be true and correct in all respects (without regard to any materiality qualifications contained therein) as of the Time of Closing (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date), except where any failure or failures of such representations and warranties to be true and correct in all respects would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Bidco's ability to consummate the Transaction; and the REIT shall have received a certificate signed for and on behalf of Bidco by a senior officer thereof (without personal liability) confirming the same at the Time of Closing;
- (b) the covenants of Bidco under this Agreement and the Asset Purchasers and Transaction Participants under the Transaction Agreements shall have been performed by them prior to the Time of Closing in all material respects and the REIT shall have received a certificate signed for and on behalf of each of the Asset Purchasers and Transaction Participants by a senior officer thereof (without personal liability) confirming same at the Time of Closing; and
- (c) immediately prior to the Closing Time, Bidco shall have deposited, or shall have caused the deposit, with the Depositary cash in the amount equal to the aggregate amount payable to Unitholders pursuant to the Special Distribution and Redemption, and to satisfy the obligations of Bidco under Section 2.6 and 2.7.

ARTICLE 7 AMENDMENT AND TERMINATION

Section 7.1 Amendment

This Agreement may not be amended except by written instrument signed by each of the Parties in accordance with Section 8.9.

Section 7.2 Termination

This Agreement may be terminated by notice in writing at any time prior to the Time of Closing (unless otherwise stated):

- (a) by mutual written consent of Bidco and the REIT;

(b) by the REIT:

- (i) provided that the REIT is not in breach or default of any material covenant required to be performed by it under this Agreement, if: (A) a Transaction Participant breaches or is in default of any material covenant required to be performed by it under any Transaction Agreement; or (B) if any representation or warranty of Bidco in this Agreement shall have become untrue or incorrect, in each case such that the conditions set forth in Section 6.3 would not be satisfied; and provided that: (x) the REIT shall be required to deliver written notice to Bidco specifying, in reasonable detail, all defaults or breaches of covenants, representations and warranties or other matters which the REIT is asserting as the basis for this right of termination; and (y) if such breach is curable by any Transaction Participant (including by having such Party assume all of the obligations of the defaulting or breaching party) and for so long as such Party continues to exercise such commercially reasonable efforts to cure such defaults or breaches, the REIT may not terminate this Agreement under this Section 7.2(b)(i) until the earlier of 30 days following the date of notice and the day prior to the Outside Date;
- (ii) in order to enter into a Proposed Agreement in respect of a Superior Proposal, provided the REIT has complied with Section 5.8(g) hereof and the REIT has paid or concurrently pays the Purchaser the Termination Payment in accordance with such provision; or
- (iii) if all of the conditions set forth in Section 6.1 and Section 6.2 have been and continue to be satisfied (other than those conditions which by their nature are to be satisfied by actions taken at Closing) or have been waived and Bidco fails to complete the Transaction within two business days of the Closing Date or any such condition is not, or is incapable of being, satisfied by the Outside Date as a result of the wilful breach by one or more of the Transaction Participants of their obligations under any Transaction Agreement, and, in either case, the REIT certifies that it is ready, willing and able to consummate the Transaction on that date;

(c) by Bidco:

- (i) provided that it is not in breach or default of any material covenant required to be performed by it under this Agreement, if: (A) the REIT breaches or is in default of any material covenant required to be performed by it under this Agreement; or (B) if any representation or warranty of the REIT in this Agreement shall have become untrue or incorrect in each case such that the conditions set forth in Section 6.1 and Section 6.2 would not be satisfied; and provided that: (x) Bidco shall be required to deliver written notice to the REIT specifying in reasonable detail all defaults or breaches of covenants, representations and warranties or other matters which Bidco is asserting as the basis for this right of termination; and (y) if such breach is curable by the REIT and for so long as the REIT continues to exercise such commercially reasonable efforts to cure such defaults or breaches, Bidco may not terminate this Agreement under this Section 7.2(c)(i) until the earlier of 30 days following the date of notice and the day prior to the Outside Date;

- (ii) if the Trustees or any committee thereof:
 - (A) shall have effected a Change in Recommendation;
 - (B) recommend any Superior Proposal or the support thereof or make a public announcement to that effect; or
 - (C) fails to reaffirm their Recommendation of the Transaction by press release within three business days after the public announcement of any Acquisition Proposal;
 - (iii) if the REIT enters into a Proposed Agreement in respect of a Superior Proposal or wilfully and intentionally breaches its obligations under Section 5.8 in any material respect; or
 - (iv) if there shall have occurred after the date hereof any REIT Material Adverse Effect.
- (d) by either the REIT or Bidco:
- (i) at any time after August 31, 2012 (the “**Outside Date**”), if the Time of Closing does not occur on or prior to the Outside Date for any reason; provided, however, that: (A) the right to terminate this Agreement under this Section 7.2(d) shall not be available to any Party whose failure to fulfill any obligation or the inaccuracy of whose representations and warranties under any Transaction Agreement has been the cause of, or resulted in, the failure of the Transaction to be completed on or before the Outside Date, and (B) the termination of this Agreement pursuant to this Section 7.2(d)(i) shall not relieve any Party from any liability for any prior breach by it of this Agreement (subject to Section 7.5), including for any inaccuracies in its representations and warranties;
 - (ii) if the REIT Meeting shall have been held and the Transaction Resolution shall fail to receive Unitholder Approval at the REIT Meeting; or
 - (iii) the condition in Section 6.2(a) is incapable of being satisfied; provided that the party seeking to terminate this Agreement shall have used commercially reasonable efforts to contest such proceeding.

Section 7.3 Termination Payment

- (a) If this Agreement is terminated by the REIT or Bidco, as applicable, pursuant to Section 7.2(b)(ii), Section 7.2(c)(ii) or Section 7.2(c)(iii), the REIT shall pay to Bidco (or as it may direct) an amount equal to the Termination Payment by bank draft or wire transfer. Such payment shall be due no later than the third business day following the termination of this Agreement or in the case of termination by the REIT pursuant to Section 7.2(b)(ii), concurrently or prior to such termination.
- (b) If (A) after the date hereof and prior to the termination of this Agreement pursuant to Section 7.2(d)(ii), a Person (or any authorized Representative of a Person) has made an Acquisition Proposal or publicly announced an intention to make an Acquisition Proposal (whether or not conditional and whether or not withdrawn), (B) the Unitholders shall not

have approved the Transaction and this Agreement has been terminated in accordance with Section 7.2(d)(ii), and (C) each of Bidco, PSP and PSP Holdco shall have (to the extent only that they are so permitted under applicable Law) voted the Units in respect of which they are the beneficial owner or that are under their control or direction in favour of the Transaction Resolution in accordance with the Voting Agreements, and (D) within 9 months of any such termination, the REIT or any of its Subsidiaries enters into an agreement with any Person with respect to an Acquisition Proposal, the REIT shall pay to Bidco (or as it may direct) an amount equal to the Termination Payment (less any Termination Expense Payment paid by the REIT pursuant to Section 7.6) by bank draft or wire transfer; provided that for the purposes of this Section 7.3(b), the definition of “Acquisition Proposal” shall have the meaning assigned to such term in Section 1.1, except that references to “20%” shall be deemed to be “50%”. Such payment shall be due no later than the third business day following the date on which the REIT or any of its Subsidiaries enters into such agreement with such Person with respect to an Acquisition Proposal or completes an Acquisition Proposal.

Section 7.4 Bidco Termination Payment

If the REIT terminates this Agreement pursuant to Section 7.2(b)(iii), Bidco shall pay to the REIT (or as it may direct) the Bidco Termination Payment within two business days following such termination, by way of wire transfer of immediately available funds to an account designated by the REIT within one business day after the REIT has terminated this Agreement in accordance with Section 7.2(b)(iii). Notwithstanding anything to the contrary in this Agreement, the REIT’s right to terminate this Agreement and receive the Bidco Termination Payment shall be the sole and exclusive remedy of the REIT against Bidco or any of the Transaction Participants for any loss or damages suffered as a result of any breach of any covenant or provision of any Transaction Agreement or the failure of the Transaction to be completed, or in respect of any oral or written representation made or alleged to have been made in connection herewith, in each case, in any circumstance in which the REIT has elected to terminate this Agreement and receive the Bidco Termination Payment. Upon such election by the REIT and payment of the Bidco Termination Payment, each of Bidco, the Asset Purchasers and Transaction Participants shall have no further liability or obligation relating to or arising out of the Transaction Agreements or any related document or agreement contemplated hereby or in respect of any other document or theory of law or equity or in respect of oral or written representations made or alleged to be made in connection herewith or therewith, whether in equity or law, in contract, in tort or otherwise (except that each of Bidco, the Asset Purchasers and the Transaction Participants shall remain obligated under, and the REIT and its Subsidiaries may be entitled to remedies pursuant to, the Confidentiality Agreement).

Section 7.5 Liquidated Damages

- (a) In the event the Termination Payment is paid to Bidco, no other amounts will be due and payable as damages or otherwise by the REIT, and Bidco hereby accepts that the Termination Payment is the maximum aggregate amount that the REIT shall be required to pay in lieu of any damages, expenses, liabilities or any other payment or remedy which Bidco may be entitled to. Each Party agrees that the Termination Payment constitutes payment of liquidated damages which are a genuine anticipated assessment or estimate of the damages which it will suffer or incur as a result of the event giving rise to such damages and resulting in the termination of this Agreement and does not and will not constitute payment of a penalty.

- (b) In the event the Bidco Termination Payment is paid to and received by the REIT, no other amounts will be due and payable as damages or otherwise by the REIT, and REIT hereby accepts that the Bidco Termination Payment is the maximum aggregate amount that the REIT shall be required to pay in lieu of any damages, expenses, liabilities or any other payment or remedy which REIT may be entitled to hereunder. Each of the Parties agrees that Bidco Termination Payment constitutes payment of liquidated damages which are a genuine anticipated assessment or estimate of the damages which it will suffer or incur as a result of the event giving rise to such damages and resulting in the termination of this Agreement and does not and will not constitute payment of a penalty.

Section 7.6 Termination Expenses

- (a) If this Agreement is terminated by Bidco pursuant to (i) Section 7.2(c)(i) or (ii) Section 7.2(d)(ii) and each of the Transaction Participants have (to the extent only that they are so permitted under applicable Law) voted all Units in respect of which they are the beneficial owner or that are under their control or direction in favour of the Transaction Resolution in accordance with the Voting Agreements, the REIT shall pay or cause to be paid to Bidco all fees and expenses of the Transaction Participants, up to a maximum of Six Million Dollars (\$6,000,000), which were incurred in connection with the Transaction by way of wire transfer in immediately available funds, to an account specified in writing by Bidco no later than the third business day following the later of: (i) delivery by Bidco to the REIT of a list of such fees and expenses paid or incurred, together with relevant copies of receipts or invoices to support such amounts; and (ii) termination of this Agreement. For greater certainty, in no event shall the REIT be responsible for the payment of such fees and expenses of Bidco in the event that it has paid the Termination Payment pursuant to Section 7.3.
- (b) If this Agreement is terminated by the REIT pursuant to Section 7.2(b)(i) Bidco shall pay or cause to be paid to the REIT all fees and expenses of the REIT, up to a maximum of Six Million Dollars (\$6,000,000), which were incurred in connection with the Transaction by way of wire transfer in immediately available funds, to an account specified in writing by the REIT no later than the third business day following the later of: (i) delivery by the REIT to Bidco of a list of such fees and expenses paid or incurred, together with relevant copies of receipts or invoices to support such amounts; and (ii) termination of this Agreement. For greater certainty, in no event shall Bidco be responsible for the payment of such fees and expenses of the REIT in the event that it has paid Bidco Termination Payment pursuant to Section 7.4.

Section 7.7 Integral Part

The Parties acknowledge that the agreements contained in this Article 7 are an integral part of the Transaction, and that, without these agreements, the Parties would not have entered into this Agreement. Accordingly, if a Party fails promptly to pay the amounts due pursuant to this Article 7 and, in order to obtain such payment, the other Party commences a suit that results in a judgment against the first Party for the amounts set forth in this Article 7, the first Party shall pay to the other Party that commenced such suit its reasonable costs and expenses (including legal fees and expenses) in connection with such suit and any appeal thereto, together with interest on the amounts set forth in this Article 7 at the prime rate of Canadian Imperial Bank of Commerce in effect on the date such payment was required to be made.

Section 7.8 Remedies

The Parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the Parties hereto do not perform the provisions of this Agreement (including failing to take such actions as are required of them hereunder in order to complete the Transaction) in accordance with its specified terms or otherwise materially breach such provisions. The Parties acknowledge and agree that they shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof (subject to the proviso at the end of this paragraph), this being in addition to any other remedy to which they are entitled at law or in equity. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction. Provided that, for greater certainty, and notwithstanding anything to the contrary contained in this Agreement: (i) neither the REIT nor any Subsidiary shall, under any circumstances, be entitled to specific performance by or other equitable relief from Bidco or the other Transaction Participants to compel such parties to complete the Transaction; and (ii) the REIT and the Subsidiaries acknowledge that the sole remedy available to the REIT for non-completion of the Transaction shall be limited to the receipt of Bidco Termination Payment in the event that it becomes payable pursuant to Section 7.4.

ARTICLE 8 GENERAL PROVISIONS

Section 8.1 Trustees', Directors' and Officers' Insurance

Bidco agrees to assume and guarantee the performance of all obligations of the REIT and its Subsidiaries to indemnification or exculpation now existing in favour of the Trustees or officers of the REIT or of any directors or officers of any Subsidiary (or any successor thereof) as provided in the Declaration of Trust, articles or by-laws thereof, limited partnership agreements or indemnity agreements for a period of not less than six years from the Time of Closing. Bidco further acknowledges and agrees that, subject to compliance with the provisions of Section 5.1(k), the REIT shall be permitted prior to the Time of Closing to purchase trustees', directors' and officers' run-off insurance providing protection not less favourable than the protection provided by the policies maintained by the REIT and its Subsidiaries as are in effect immediately prior to the Time of Closing from an insurance carrier with the same or better credit rating as the REIT's current insurance carriers with respect to directors' and officers' insurance for all present and former trustees and officers of the REIT and directors and officers its Subsidiaries with respect to claims related to any period of time at or prior to the Time of Closing providing coverage for a period of not less than six years from the Time of Closing (such insurance, "**Trailing D&O Insurance**"). Bidco shall cause the REIT and its Subsidiaries to forthwith following the Time of Closing to make all necessary and appropriate filings to reflect the resignation of the current Trustees and officers of the REIT and the directors and officers of the REIT's Subsidiaries.

Section 8.2 Trustees

The Trustees in incurring any liabilities or obligations, or in taking or omitting any other actions for or in connection with the affairs of the REIT, are, and shall be conclusively deemed to be, acting for and on behalf of the REIT, and not in their own personal capacities. None of the Trustees shall be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses (including legal expenses) against or with respect to the REIT, or with respect to the affairs of the REIT. No property or assets of the Trustees, owned in their personal capacity or otherwise, other than the assets of the REIT, shall be subject to any levy, execution, or other enforcement procedure with regard

to any obligations. No recourse may be had or taken, directly or indirectly, against the Trustees in their personal capacities or against any Unitholder. The REIT shall be solely liable therefor, and resort shall be had solely to the property and assets of the REIT, for payment or performance thereof, and no Unitholder as such shall be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the obligations or the affairs of the REIT, or the acts or omissions of the Trustees, and all such persons shall look solely to the property and assets of the REIT for satisfaction of claims of any nature arising out of or in connection therewith, and the property and assets of the REIT only shall be subject to levy or execution.

Section 8.3 Third Party Beneficiaries

The provisions of: (i) Section 2.7 Options and (ii) Section 8.1 Trustees, Directors and Officers' Insurance are intended for the benefit of all are intended for the benefit of all Persons named therein, in each case as and to the extent applicable in accordance with their terms, and shall be enforceable by each of such Persons and his or her successors, permitted assigns, heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**") and the Parties shall hold the rights and benefits of the aforementioned provisions in trust for and on behalf of the Third Party Beneficiaries and each of the Parties hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries, and in each case are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise. Except as provided in this Section 8.3 , this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

Section 8.4 Expenses

Except as otherwise expressly provided in Section 7.6 of this Agreement or otherwise herein, and except in respect of the filing fee incurred in connection with obtaining Competition Act Approval which shall be paid in full by Bidco, the Parties agree that all out-of-pocket expenses of the Parties relating to the Transaction, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, shall be paid by the Party incurring such expenses. Nothing in this Agreement will prevent or limit the REIT from paying the fees and disbursements (plus applicable taxes, if any) of TDSI and, subject to Bidco's obligations, NBF, in accordance with their respective engagement letters which have been provided to Bidco or of its accounting and legal advisors which are incurred by the REIT in connection with the Transaction.

Section 8.5 Survival

The representations and warranties of the Parties contained in this Agreement will not survive the completion of the Transaction and will expire and be terminated on the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with its terms, as the case may be.

Section 8.6 Notices

All notices and other communications which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by facsimile (with a copy by e-mail), in each case addressed to the particular Party at:

- (a) If to Bidco to:

PD Kanco LP / Starlight Investments Ltd.

401 The West Mall
Suite 1100
Toronto, Ontario M9C 5J5

Attention: Daniel Drimmer
Facsimile No.: 416-234-8445
Email: ddrimmer@starlightinvest.com

with a copy (which shall not constitute notice) to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2

Attention: Tom Koutoulakis/ Lawrence Wilder
Facsimile No.: 416-350-6954/416-350-6904
Email: tkoutoulakis@casselsbrock.com/
lwilder@casselsbrock.com

and to:

PSPIB-RE Partners Inc.
1250 René-Lévesque Blvd.
Suite 900
Montreal, QC H3B 4W8

Attention: Legal Department
Facsimile No.: (514) 937-0403
Email: legalnotices@investpsp.ca

and to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue
26th Floor
Montreal QC H3A 3N9

Attention: Franziska Ruf
Fax No.: 514-841-6499
Email: fruf@dwpv.com

(b) If to the REIT to:

TransGlobe Apartment Real Estate Investment Trust
5935 Airport Road
Suite 600
Mississauga, Ontario L4V 1W5

Attention: David Leith/Kelly Hanczyk

Facsimile No.: (905) 293-9428
Email: dleith@tgareit.com/khanczyk@tgareit.com

with a copy (which shall not constitute notice) to:

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1A9

Attention: Chris Hewat/William Fung
Facsimile No.: 416-863-2653
Email: chris.hewat@blakes.com/
william.fung@blakes.com

or at such other address of which any Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice shall be deemed to be the business day following the date of delivery or facsimile transmission thereof.

Section 8.7 Assignment

Each of the Parties may assign all or any portion of its rights and/or obligations under this Agreement to any of its affiliates, but, no such assignment will relieve the Party of its obligations hereunder. This Agreement shall not be otherwise assignable by any Party hereto without the prior written consent of the other Party hereto, which consent may be unreasonably withheld in such Party's discretion.

Section 8.8 Binding Effect

This Agreement shall be binding upon and shall enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 8.9 Amendments

This Agreement may, at any time and from time to time before or after the holding of the REIT Meeting but not later than the Time of Closing, be amended by mutual written agreement of the Parties, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and/or
- (d) modify any mutual conditions precedent herein contained.

Section 8.10 Waiver

The REIT and Bidco may waive or consent to the modification of, in whole or in part, any inaccuracy of any representation or warranty made to them hereunder or in any document to be delivered pursuant hereto and may waive or consent to the modification of any of the covenants herein contained for their respective benefit or waive or consent to the modification of any of the obligations of the other Parties hereto. For any such waiver or consent to be effective, it must be in writing executed by the Party granting such waiver or consent. No waiver shall operate as an ongoing waiver or as a waiver of any other matter whatsoever.

Section 8.11 Further Assurances

The Parties agree to co-operate in good faith and shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, including by completing separately and contemporaneously with closing any portion of the Transaction and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out their respective provisions.

Section 8.12 Severability

If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

Section 8.13 Entire Agreement

This Agreement, the agreements and other documents herein referred to and the Confidentiality Agreement constitute the entire agreement between the Parties and/or their affiliates pertaining hereto and supersede all other prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties hereto and/or their affiliates. Except as expressly represented and warranted herein, neither Party shall be considered to have given any other express or implied representations or warranties, including without limitation as a result of oral or written statements.

Section 8.14 Governing Laws and Jurisdiction

This Agreement shall be governed in all respects, including validity, interpretation and effect, exclusively by the laws of the Province of Ontario and the federal laws of Canada applicable therein, without giving effect to the principles of conflict of laws thereof. The Parties hereby irrevocably and unconditionally consent to and submit to the exclusive jurisdiction of the courts of the Province of Ontario for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by registered mail to the addresses of the Parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against any Party in such courts. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Ontario and hereby further irrevocably and

unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

Section 8.15 No Obligation on Transaction Participants

Notwithstanding anything to the contrary herein contained, it is the intention of the Parties that no provision of this Agreement shall create any liability or obligation on the part of the Transaction Participants (other than Bidco) and no such liability or obligation shall be inferred. Nothing herein shall prevent the REIT from enforcing its rights as against any Transaction Participant under its Guarantee and Agreement.

Section 8.16 Counterparts

This Agreement may be executed by the Parties in one or more counterparts, and may be executed and delivered by PDF, copy via email and all such counterparts shall be deemed to be an original but all of which together shall constitute one and the same instrument.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement.

PD KANCO LP
by its General Partner KANCO FAMILY
TRUST, by its Trustee, KANCO FAMILY LTD.

By: “Daniel Drimmer”
Name: Daniel Drimmer
Title: Authorized Signing Officer

STARLIGHT INVESTMENTS LTD.

By: “Daniel Drimmer”
Name: Daniel Drimmer
Title: Authorized Signing Officer

TRANSGLOBE APARTMENT REAL ESTATE
INVESTMENT TRUST

By: “David Leith”
Name: David Leith
Title: Trustee

Schedule “A”
TRANSACTION RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE UNITHOLDERS THAT (with all capital terms as defined in the Acquisition Agreement below):

1. The transactions set out in the acquisition agreement dated April 26, 2012 among PD Kanco LP (“PDK”), Starlight Investments Ltd. (“Starlight”) (together, “Bidco”) and the Trust (the “Acquisition Agreement”), including, without limitation, the completion of the Transaction Steps resulting in the payment of cash consideration to the Unitholders (other than Bidco and PSP or any of their respective affiliates) equivalent to \$14.25 per Unit are hereby approved.
2. The amended and restated declaration of trust of the Trust dated as of September 1, 2011 (the “Declaration of Trust”) be and it is hereby amended in order to: (i) permit the extraordinary distribution of cash, Units or property of the Trust *in specie* at any time; (ii) permit the redemption and/or retraction of all or part of the outstanding Units at a fixed redemption price, which may include a distribution in specie of any Trust property; (iii) permit a body corporate, partnership or trust to constitute the sole trustee of the Trust; and (iv) authorize the Special Distribution and irrevocably specify the capital gains designation to be made with respect thereto; and as otherwise may be necessary in order to give effect to the “Transaction” (as defined in the Acquisition Agreement) and the transactions contemplated by the Acquisition Agreement.
3. Notwithstanding that the foregoing resolutions have been passed by the Unitholders, the trustees are authorized without further notice to or approval of the Unitholders: (i) to amend the Acquisition Agreement to the extent permitted by the Acquisition Agreement; and (ii) not to proceed with the transactions contemplated in the Acquisition Agreement in accordance with the terms and conditions of the Acquisition Agreement.
4. Any trustee or officer of the Trust is authorized to execute and deliver all documents and do all acts or things as may be necessary or desirable to give effect to this resolution.

BE IT RESOLVED AS A RESOLUTION OF THE UNITHOLDERS THAT:

1. The amended and restated unit option plan of the Trust in the form set forth in Appendix “•” to management proxy circular of the Trust dated •, 2012 is hereby approved.
2. Any trustee or officer of the Trust is authorized to execute and deliver all documents and do all acts or things as may be necessary or desirable to give effect to this resolution.



April 25, 2012

The Special Committee of the Board of Trustees of
TransGlobe Apartment Real Estate Investment Trust
5935 Airport Road, Suite 600
Mississauga, ON
Canada L4V 1W5

To the Special Committee:

National Bank Financial Inc ("**NBF**") understands that TransGlobe Apartment Real Estate Investment Trust ("**TransGlobe**" or the "**REIT**") proposes to enter into an acquisition agreement to be dated April 26, 2012 (the "**Acquisition Agreement**") with PD Kanco LP and Starlight Investments Ltd. (collectively with their affiliates, "**Starlight**"), entities controlled by Mr. Daniel Drimmer. Under the Acquisition Agreement, holders of the issued and outstanding trust units (the "**Trust Units**") of TransGlobe, other than the Trust Units held by Starlight and PSP Investments (as defined below), will receive \$14.25 in cash per Trust Unit through a combination of a special cash distribution and redemption proceeds (the "**Transaction**"). Completion of the Transaction will be subject to certain conditions, including the requisite approval of the holders of Trust Units and holders of special voting units of the REIT (collectively the "**TransGlobe Unitholders**"). NBF understands that a meeting of TransGlobe Unitholders (the "**Meeting**") will be called to seek such unitholder approval.

As part of the Transaction, CAPREIT Limited Partnership (a subsidiary limited partnership of Canadian Apartment Properties Real Estate Investment Trust, collectively with its affiliates, "**CAPREIT**"), Timbercreek Asset Management Inc. (collectively with its affiliates, "**Timbercreek**") and a wholly-owned subsidiary of the Public Sector Pension Investment Board ("**PSP Investments**") have each entered into purchase or subscription arrangements with Starlight and/or the REIT pursuant to which CAPREIT will acquire 14 REIT properties located in Ontario, Québec and Nova Scotia, Timbercreek will acquire 26 REIT properties located in Ontario, Québec and Alberta and Starlight will acquire 64 REIT properties located in Ontario, Alberta, New Brunswick and Nova Scotia, while a joint venture comprised of Starlight and a subsidiary of PSP Investments will acquire the remaining 72 REIT properties located in Ontario, Nova Scotia and New Brunswick.

Starlight and PSP Investments, collectively holders of approximately 26% of the outstanding Trust Units (on a non-diluted basis, but including the issued and outstanding class B limited partnership units of subsidiary limited partnerships of the REIT) have entered into voting and support agreements (the "**Support Agreements**") with the REIT to, among other things, support the Transaction. In addition, CAPREIT, Timbercreek and PSP Investments have provided limited guarantees in favour of the REIT to support specified obligations under the Acquisition Agreement and the various agreements to which they are a party.

NBF understands that a committee (the "**Special Committee**") of independent members of the board of trustees (the "**Board**") has been constituted to evaluate the Transaction and report thereon to the Board. The Special Committee has not conducted a formal auction process but pursuant to the Acquisition Agreement, the REIT has an initial 45-day go-shop period that will extend from April 26, 2012 to June 9, 2012 (the "**Go-Shop Period**"), during which it is permitted to solicit superior proposals (as defined in the Acquisition Agreement). The REIT has a single option to extend the Go-Shop Period by 15 days (to June 24, 2012), in certain circumstances. In their Support Agreements, Starlight and PSP Investments have also committed to vote their Trust Units in favour of, or tender their Trust Units into, any superior proposal received during the Go-Shop Period, subject to certain terms and conditions.

Starlight will not have the right to match a superior proposal during the Go-Shop Period. If the REIT is successful in soliciting a superior proposal during the Go-Shop Period, there will be a break fee payable to Starlight of \$21.1 million. If a superior proposal is received following the expiry of the Go-Shop Period, subject to Starlight's right to match such proposal, Starlight will be entitled to a break fee of \$25.0 million.

NBF understands that the terms of the Transaction, the Acquisition Agreement and Support Agreements will be more fully described in a management information circular (the “**Circular**”) prepared by TransGlobe, which will be mailed to TransGlobe Unitholders in connection with the Meeting.

NBF has been advised by the Special Committee that the transaction is a “business combination” within the meaning of Multilateral Instrument 61-101 of the Ontario Securities Commission and the Québec Autorité des marchés financiers (“**MI 61-101**”). The Special Committee has retained NBF to prepare and deliver to the Special Committee, on behalf of the Board, a formal valuation of the Trust Units in accordance with the requirements of MI 61-101 (the “**Valuation**”). The Special Committee has also retained NBF to prepare and deliver an opinion (the “**Fairness Opinion**”) to the Special Committee, on behalf of the Board, as to whether the consideration payable to holders of Trust Units pursuant to the Transaction is fair, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates. “Transaction Participants”, as defined in the Acquisition Agreement, means, collectively, PD Kanco LP, Starlight, PSP Investments, CAPREIT and Timbercreek, and “Transaction Participant” means any one of them.

This Valuation and the Fairness Opinion have been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada but that organization has not been involved in the preparation or review of the Valuation or the Fairness Opinion.

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

Engagement

The Special Committee initially contacted NBF on March 15, 2012 regarding a potential assignment to prepare and deliver a valuation in conformity with MI 61-101 and a fairness opinion. NBF was formally engaged by the Special Committee through an agreement dated as of March 20, 2012 between the Special Committee and NBF (the “**Engagement Agreement**”). The terms of the Engagement Agreement provide for the payment of fees by the REIT of \$700,000 upon delivery to the Special Committee of the Valuation and the Fairness Opinion. The fees to be paid to NBF under the Engagement Agreement were agreed between NBF and the Special Committee. None of the fees payable to NBF are contingent upon the conclusions reached by NBF in the Valuation or the Fairness Opinion or on the completion of the Transaction. In the Engagement Agreement, TransGlobe has agreed to indemnify NBF in respect of certain liabilities that might arise out of its engagement and to reimburse it for its reasonable expenses. NBF consents to the inclusion of the Valuation and the Fairness Opinion in their entirety and a summary thereof in the Circular and to the filing thereof by TransGlobe with the securities commissions or similar regulatory authorities in each province and territory of Canada.

Relationship with Interested Parties

Neither NBF nor any of its affiliates (i) is an “issuer insider”, “associated entity” or “affiliated entity” (as those terms are defined in MI 61-101) of TransGlobe, the Transaction Participants or any of their associated entities or affiliated entities, including Starlight; (ii) is a financial advisor to the Transaction Participants or any of their associated entities or affiliated entities, including Starlight, in connection with the Transaction; (iii) is a manager or co-manager of a soliciting dealer group formed for purposes of the Transaction (or will, as a member of any such group, perform services beyond the customary soliciting dealer’s function or receive more than the per security or per security holder fees payable to other members of such group); or (iv) has a material financial interest in the completion of the Transaction. There are no commitments, agreements or understandings involving TransGlobe, the Transaction Participants or any of their respective associated entities or affiliated entities under which NBF or any of its affiliates has a material financial interest in future business. In 2011, NBF participated in the REIT’s public offering of trust units and convertible debentures, but did not act as lead or co-lead underwriter in respect of such offering. NBF or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to TransGlobe, the Transaction Participants or any of their respective associated entities or affiliated entities.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the REIT and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, NBF conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the REIT or the Transaction.

Credentials of National Bank Financial

NBF is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Valuation and the Fairness Opinion are the opinions of NBF and the form and content hereof has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of Review

In connection with the Valuation and Fairness Opinion, NBF has reviewed and relied upon or carried out, among other things, the following:

1. the draft Acquisition Agreement and Support Agreements;
2. the unaudited interim reports of the REIT for the quarters ended March 31, 2011, June 30, 2011, and September 30, 2011;
3. management information circulars of the REIT dated August 2, 2011 and April 8, 2011;
4. annual information forms of the REIT dated March 22, 2011 and March 23, 2012;
5. the audited financial statements of the REIT for each of the two years ended December 31, 2011;
6. unaudited internal management budget of the REIT on a consolidated basis and segmented by property for the year ended December 31, 2012;
7. unaudited projected cash flows for the REIT's properties, prepared by management of the REIT;
8. detailed capital expenditure forecasts for each of the REIT's properties based on independent building condition reports;
9. independent appraisals of each of the REIT's properties;
10. various ownership agreements relating to the properties owned by the REIT;
11. discussions with senior management regarding the past and current business operations, financial conditions;
12. discussions with counsel of the Special Committee;
13. site visits to certain of the REIT's properties;
14. public information relating to the business, operations, financial performance and unit trading history of the REIT and other selected entities considered by NBF to be relevant;
15. public information with respect to other transactions of a comparable nature considered by NBF to be relevant;
16. public information regarding the real estate industry generally, and the multi-residential industry in particular;
17. business acquisition reports by the REIT related to the (a) September 1, 2011 acquisition of 57 real estate properties operated and owned or co-owned by affiliates of TransGlobe Investment Management Ltd. (collectively, "TGIM"), (b) January 28, 2011 acquisition of 20 residential properties from entities owned or co-owned by affiliates of TGIM, and (c) May 14, 2010 acquisition of 65 residential properties from affiliates of TGIM and its third party co-owners;

18. representations contained in certificates addressed to NBF, dated as of the date hereof, from senior officers of the REIT as to the completeness and accuracy of the information upon which the Valuation and Fairness Opinion are based; and
19. such other corporate, industry and financial market information, investigations and analyses as NBF considered necessary or appropriate in the circumstances.

NBF has not, to the best of its knowledge, been denied access by the REIT to any information requested by NBF.

Prior Valuations

The REIT has represented to NBF that there have not been any prior valuations (as defined in MI 61-101) of the REIT or its material assets or its securities in the past twenty-four month period, other than those which have been provided to NBF.

Assumptions and Limitations

With the Special Committee's approval, and as provided for in the Engagement Agreement, NBF has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, TransGlobe and TransGlobe's consultants and advisors (collectively, the "**Information**"). NBF did not meet with the auditors of TransGlobe and has assumed the accuracy and fair presentation of, and relied upon, the audited consolidated financial statements of TransGlobe and the reports of its auditors thereon as well as the unaudited interim financial statements of TransGlobe. The Valuation and the Fairness Opinion are conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, NBF has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Two senior officers of TransGlobe have each represented to NBF in certificates delivered as of the date hereof, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of TransGlobe or in writing by TransGlobe or any of its subsidiaries (as such term is defined in the Securities Act (Ontario)) or their respective agents to NBF relating to TransGlobe, any of its subsidiaries or the Transaction for the purpose of preparing the Valuation or the Fairness Opinion was, at the date the Information was provided to NBF complete, true and correct in all material respects, and did not contain any untrue statement of a material fact in respect of TransGlobe, its subsidiaries or the Transaction and did not omit to state a material fact in respect of TransGlobe, its subsidiaries or the Transaction necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; (ii) since the dates on which the Information was provided to NBF, except as disclosed in writing to NBF, there has been no material change, financial or otherwise, in the financial condition, assets or liabilities (contingent or otherwise), business, operations or prospects of TransGlobe or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation or the Fairness Opinion; and (iii) to the best of the senior officers' knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to TransGlobe or any of its material assets or securities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to NBF.

With respect to operating and financial forecasts provided to NBF concerning TransGlobe and relied upon in the analysis, NBF has assumed (subject to the exercise of professional judgment) that they have been prepared on bases reflecting the most reasonable assumptions, estimates and judgments of management of TransGlobe, as the case may be, having regard to TransGlobe's business plans, financial conditions and prospects.

The Valuation and the Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of TransGlobe and its respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to NBF in discussions with the management and employees of TransGlobe. In its analyses and in preparing the Valuation and the Fairness Opinion, NBF made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of NBF or any party involved in the Transaction.

NBF is not a legal, tax or accounting expert and NBF expresses no opinion concerning any legal, tax or accounting matters concerning the Transaction.

The Valuation and the Fairness Opinion have been provided for the use of the Special Committee and, other than as permitted by the Engagement Letter or herein, may not be used by any other person or relied upon by any other person other than the Special Committee and the Board without the express prior written consent of NBF. The Valuation and the Fairness Opinion are given as of the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation or the Fairness Opinion which may come or be brought to NBF's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation or the Fairness Opinion after the date hereof, NBF reserves the right to change, modify or withdraw the Valuation and/or the Fairness Opinion in accordance with the terms of the Engagement Letter.

NBF believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation and the Fairness Opinion. The preparation of a valuation and a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. Neither the Valuation nor the Fairness Opinion should be construed as a recommendation to any holder of Trust Units as to whether to vote in favour of the Transaction.

Overview of the REIT

TransGlobe is a Canadian real estate investment trust principally engaged in the ownership, development and management of income producing multi-residential properties, primarily in Ontario, Canada. Its units are publicly traded in Canada on the Toronto Stock Exchange (TGA.UN).

The REIT is one of the largest publicly traded rental apartment REITs in Canada, owning and managing a portfolio of 176 residential rental properties, including multi-suite apartments and town houses, in urban centers across the Nation. The portfolio totals 21,771 suites principally located in urban centres in Alberta, Ontario, Québec, New Brunswick and Nova Scotia.

Definition of Fair Market Value

For purposes of the Valuation and the Fairness Opinion, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and each under no compulsion to act. In accordance with MI 61-101, NBF has not made any downward adjustment to the value of the Trust Units to reflect the liquidity of the Trust Units, the effect of the Transaction on the Trust Units, or whether or not the Trust Units form part of a controlling interest. Consequently, the Valuation provides a conclusion on a per Trust Unit basis with respect to TransGlobe's "en bloc" value, being the price at which all of the Trust Units could be sold to one or more buyers at the same time.

TransGlobe Apartment Real Estate Investment Trust Valuation

NBF's primary valuation methodology in preparing the REIT's Valuation was a net asset value ("NAV") approach. NBF also reviewed precedent transactions involving public real estate entities with significant income producing properties, including an analysis of the implied capitalization rates ("cap rates") of net operating income ("NOI"), multiples of adjusted funds from operations ("AFFO") and premium to NAV. NBF also reviewed the trading multiples of relevant comparable public companies in the real estate industry, including an analysis of the cap rates of NOI, multiples of AFFO, multiples of funds from operations ("FFO") and premium to NAV. Lastly, NBF considered the premium applied in change of control transactions with respect to the relevant comparable companies.

NAV Analysis

The NAV approach ascribes a separate value for each asset and liability category, utilizing the methodology appropriate in each case. The sum of total assets less total liabilities equals NAV.

There are five key components to NBF's calculation of TransGlobe's NAV:

- 1) income producing properties;
- 2) capitalized general and administrative ("G&A") expenses;
- 3) secured, convertible and corporate level debt;
- 4) other assets and liabilities; and
- 5) distinct material value.

Income Producing Properties

The REIT's income producing properties portfolio consists of 176 multi-residential properties. To value the income producing properties NBF used (i) an NOI capitalization approach; and (ii) a ten-year discounted cash flow ("DCF") approach.

(i) NOI Capitalization Approach

NOI projections for 2012 were prepared and provided by management of the REIT for each property and normalized for stabilized vacancy rates in certain properties. Appropriate cap rates were selected based on precedent private market transactions and NBF's knowledge of current real estate pricing parameters. The individual property cap rates used by NBF ranged from 4.8% to 7.5% with a weighted average cap rate of 5.8% for the entire portfolio.

A portfolio premium of 5.0% was then added to account for a combination of risk diversification, synergies in operating costs and improved financing terms for multi-property collateral. After applying a 5.0% premium to the sum of property values NBF deducted the present value of deferred capital expenditures. These are forecasted capital expenditures that are in excess of normalized per suite maintenance as provided by TransGlobe management. This analysis resulted in a value for TransGlobe's income producing properties of between \$2,284.9 million to \$2,430.6 million. NBF has not assumed any acquisitions or disposals of producing properties over the forecast period.

(ii) DCF Approach

NBF also utilized a DCF approach to value TransGlobe's income producing properties. The DCF approach requires that certain assumptions be made regarding, among other things, future unlevered free cash flows, discount rates and terminal values.

Ten-year unlevered free cash flow projections for each income producing property, including vacancy and credit allowances, were developed by management of the REIT and NBF. Appropriate discount rates were calculated by adding a premium to the cap rate for each income producing property. The premium takes into account future growth and capital expenditure requirements for each property. The resulting property specific discount rates used by NBF ranged from 6.1% to 8.8%.

NBF then added a portfolio premium of 5.0% to the present value of these cash flows. This resulted in a value for the REIT's income producing properties of \$2,283.4 million to \$2,472.5 million. NBF has not assumed any acquisitions or disposals of properties over the forecast period.

The following is a summary of the unlevered free cash flow projections, excluding synergies, used in the DCF analysis on a consolidated basis:

<i>(C\$ millions)</i>										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	\$236.9	\$244.8	\$251.4	\$257.6	\$263.8	\$270.1	\$276.6	\$283.2	\$289.9	\$296.9
Property Expenses	(\$107.8)	(\$110.3)	(\$112.1)	(\$113.6)	(\$115.0)	(\$116.9)	(\$119.2)	(\$121.7)	(\$124.4)	(\$127.2)
NOI	\$129.2	\$134.4	\$139.3	\$144.0	\$148.8	\$153.2	\$157.3	\$161.5	\$165.6	\$169.7
Capital Expenditures	(\$41.8)	(\$40.1)	(\$33.0)	(\$33.2)	(\$31.5)	(\$31.9)	(\$31.4)	(\$31.5)	(\$31.9)	(\$34.0)
Free Cash Flow	\$87.4	\$94.3	\$106.3	\$110.8	\$117.4	\$121.3	\$125.9	\$129.9	\$133.6	\$135.7

Capitalized General and Administrative Expenses

TransGlobe has budgeted total corporate non-recoverable G&A of approximately \$8.2 million. For the purposes of the NAV analysis NBF has deducted an amount of \$49.4 million for the capitalized cost of the G&A expenses based on a 6.0x multiple.

Secured, Convertible and Corporate Level Debt

The REIT has total mortgage debt of approximately \$1,184.6 million and corporate level debt of approximately \$35.9 million. For the mortgage debt, the weighted average interest rate is slightly above market at 4.5% with a weighted average term of approximately 3.8 years. Based on current Government of Canada Bond yields and real estate lending spreads, the debt recorded under IFRS in TransGlobe's financial statements is lower than fair market value. NBF estimates that marking the fixed rate debt to market decreases the REIT's NAV by approximately \$34.9 million to \$42.8 million.

The REIT has one series of 5.4% convertible unsecured debt maturing on September 30, 2018 with a current market value of approximately \$49.6 million. Each convertible debenture is convertible into 63.4921 Trust Units per \$1,000 of face value, representing a conversion price of \$15.75 per Trust Unit.

Other Assets and Liabilities

The REIT has outstanding options to purchase approximately 600,000 Trust Units at prices ranging from \$10.00 to \$10.81 per Trust Unit. For the purposes of the NAV analysis all options with exercise prices less than the NAV per Trust Unit are assumed to be exercised for cash proceeds. Trust Units issuable in exercise of options have been added to the Trust Units outstanding on a fully diluted basis.

The REIT has installment notes which provide the REIT with monthly payments with effective interest rates ranging from 2.6% to 4.0% on certain assumed mortgages. These installment notes mature on various dates between June 1, 2013 and September 1, 2016. NBF estimates the present value of the installment notes to be \$20.3 million.

For the purposes of NBF's valuation, TransGlobe's other non-real estate assets and liabilities, including working capital, were valued at their book value.

Distinct Material Value

NBF is aware that Starlight and other buyers of all of the Trust Units, including CAPREIT, PSP Investments and Timbercreek, will likely realize operational and financial benefits from the Transaction. NBF assumed that potential buyers would pay for 50% of the value of these benefits in an open and unrestricted market. Accordingly, NBF has reflected an amount of \$18.1 million to \$24.7 million for these benefits accruing to TransGlobe as distinct material value.

NAV Summary

The following table summarizes NBF's NAV analysis of the REIT (applying the NOI capitalization approach and DCF approach to the income producing properties):

	NOI Capitalization Approach		DCF Approach	
	Low	High	Low	High
<i>(C\$ millions, except per unit amounts)</i>				
Income Producing Properties.....	\$2,284.9	\$2,430.6	\$2,283.4	\$2,472.5
Net Working Capital.....	(24.8)	(24.8)	(24.8)	(24.8)
Present Value of Installment Notes.....	20.3	20.3	20.3	20.3
Capitalized G&A.....	(49.4)	(49.4)	(49.4)	(49.4)
Credit Facility.....	(35.9)	(35.9)	(35.9)	(35.9)
Convertible Debentures.....	(49.6)	(49.6)	(49.6)	(49.6)
Mortgages Payable.....	(1,184.6)	(1,184.6)	(1,184.6)	(1,184.6)
Mark-to-Market Adjustment.....	(42.8)	(34.9)	(42.8)	(34.9)
Cash from Exercise of Options.....	6.0	6.0	6.0	6.0
Distinct Material Value.....	18.1	24.7	18.1	24.7
Net Asset Value.....	\$942.2	\$1,102.4	\$940.6	\$1,144.3
Fully-Diluted Units Outstanding.....	72.9	72.9	72.9	72.9
NAV per Unit.....	\$12.92	\$15.11	\$12.90	\$15.69

NAV Sensitivity Analysis

In completing the NAV analysis, NBF performed a variety of sensitivity analyses. Variables included cap rates and vacancy rates. A change of 0.15% in cap rates for TransGlobe's income producing properties change NAV by approximately \$0.87 per Trust Unit. The results of these sensitivity analyses are reflected in NBF's judgment as to the appropriate values resulting from the NAV approach.

Precedent Transactions Approach

The following table illustrates the premium to NAV, AFFO multiples and implied cap rates at which transactions have been completed involving Canadian public real estate entities with significant income producing properties.

<u>Announcement Date</u>	<u>Target</u>	<u>Acquiror</u>	<u>Enterprise Value</u> (C\$ mm)	<u>Premium to NAV⁽¹⁾</u>	<u>AFFO Multiple⁽²⁾</u>	<u>Implied Cap Rate⁽³⁾</u>
January 17, 2012.....	Whiterock REIT	Dundee REIT	\$1,427.2	25.0%	14.4x	6.8%
November 28, 2011...	Canmarc	Cominar	\$1,899.3	21.0%	16.1x	6.5%
December 14, 2010...	Realex Properties	Dundee REIT	\$384.4	(18.3%)	10.7x	9.0%
October 4, 2010.....	Parkbridge	BCIM	\$796.3	21.2%	19.5x	6.5%
August 1, 2007.....	CHIP REIT	BCIM	\$1,197.1	28.6%	15.8x	6.6%
July 12, 2007.....	Legacy REIT	InnVest REIT	\$2,480.1	(3.2%)	19.7x	6.7%
January 15, 2007.....	Sunrise REIT	Ventas Inc.	\$2,280.1	45.5%	21.4x	6.2%
December 4, 2006.....	Alexis Nihon REIT	Homburg	\$1,009.7	31.6%	17.9x	7.3%
October 5, 2006.....	Retirement REIT	PSP Investment Board	\$2,800.0	3.3%	14.5x	8.3%
August 30, 2006.....	Summit REIT	ING Real Estate	\$3,228.5	29.1%	18.1x	6.3%
April 28, 2006.....	TGS REIT	GWL Realty	\$355.8	23.2%	23.5x	6.4%
June 1, 2005.....	O&Y REIT	BPO Properties, CPPIB	\$1,472.2	26.7%	14.1x	6.9%
March 30, 2004.....	ResREIT	CAP REIT	\$965.0	20.0%	15.1x	7.0%

Notes:

- (1) Premium to NAV is based on research analysts' consensus at the time of announcement of the applicable transaction
- (2) AFFO multiple is based on research analysts' consensus forward year one forecasts at the time of the transaction
- (3) Implied cap rate is equal to NOI divided by the applicable transaction enterprise value

In selecting the appropriate AFFO multiples, cap rates and premiums to NAV to apply to the REIT, NBF considered the characteristics of the entities involved in the transactions referred to above including, among other things, the size, quality and mix of their assets. Several of the precedent transactions involved entities whose properties were primarily in a different asset class or whose assets were larger and perceived to be of higher quality than the REIT's. Based on the foregoing, NBF selected appropriate ranges of AFFO multiples, premiums to NAV and implied cap rates for the REIT. This analysis implies values per Trust Unit for the REIT as follows:

AFFO Multiple.....	17.0x	19.0x
Implied Value per Unit.....	\$13.64	\$15.25
Premium to NAV.....	20.0%	25.0%
Implied Value per Unit.....	\$14.25	\$14.85
Implied Cap Rate.....	6.0%	5.7%
Implied Value per Unit.....	\$12.83	\$14.45

In summary, the precedent transaction analysis implies an average value of \$13.58 to \$14.85 per Trust Unit.

Comparables Approach

In applying this valuation methodology to TransGlobe, NBF reviewed the public market trading multiples of multi-residential property real estate entities with significant income producing properties, as illustrated in the following table:

	<u>Unit Price⁽¹⁾</u>	<u>Market Cap.</u>	<u>Premium to NAV⁽²⁾</u>	<u>Analyst Cap Rate⁽³⁾</u>	<u>Implied Cap Rate</u>	<u>Dist. Yield</u>	<u>Payout Ratio⁽³⁾</u>	<u>P/12E FFO⁽³⁾</u>	<u>P/12E AFFO⁽³⁾</u>	<u>Debt/GBV⁽⁴⁾</u>
Boardwalk REIT... ..	\$57.73	\$3,030.2	12.4%	5.6%	5.2%	3.2%	75.5%	20.7x	23.4x	44.3%
CAP REIT.....	\$23.29	\$1,940.3	10.4%	5.7%	5.4%	4.6%	88.1%	16.5x	19.0x	50.3%
Northern Property REIT.	\$32.35	\$1,025.0	17.1%	7.6%	6.9%	4.7%	76.9%	14.0x	16.3x	45.8%
Killam Properties.....	\$12.53	\$623.8	2.7%	6.3%	6.2%	4.6%	92.7%	16.6x	20.0x	57.3%
Mainstreet Equity.....	\$23.76	\$264.1	(19.2%)	6.0%	6.4%	-	-	17.3x	22.3x	54.3%
Morguard N.A. REIT ⁽⁵⁾ ...	\$10.40	\$257.1 ⁽⁶⁾	-	-	5.6% ⁽⁷⁾	5.8%	95.0%	15.8x ⁽⁸⁾	16.5x ⁽⁹⁾	57.0%
InterRent REIT.....	\$3.85	\$172.1	(16.1%)	6.2%	6.6%	3.1%	60.0%	15.6x	19.3x	47.5%

Notes:

- (1) Closing unit prices as at April 24, 2012
- (2) NAV based on research analysis consensus estimates available as of April 24, 2012
- (3) Research consensus estimates available as of April 24, 2012
- (4) Includes any debt convertible into units
- (5) All metrics based on information provided in issuer's IPO prospectus
- (6) Excludes potential units issued through an over-allotment option
- (7) Weighted average of the appraisal cap rates
- (8) Based on current price and December 31, 2011, FFO/Unit
- (9) Based on current price and December 31, 2011, AFFO/Unit

NBF considered the characteristics of the publicly traded multi-residential property real estate entities above including, among other things, the size, quality and mix of their assets, market capitalization, analyst coverage, forward trading multiples of FFO and AFFO, current yields, payout ratios, cap rates, leverage, asset management arrangements and governance. Based on the foregoing, NBF selected appropriate ranges of normalized FFO multiples per unit, normalized AFFO multiples per unit and implied cap rates from the comparable sample referred to above.

These ranges of normalized FFO multiples per unit, normalized AFFO multiples per unit and implied cap rates from the comparable sample are as follows:

FFO Multiple.....	11.5x	13.5x
Implied Value per Unit.....	\$11.79	\$13.84
AFFO Multiple.....	15.0x	17.0x
Implied Value per Unit.....	\$12.04	\$13.64
Implied Cap Rate.....	6.2%	6.0%
Implied Value per Unit.....	\$11.82	\$12.83

Based on analysis of current public market trading multiples of multi-residential property real estate entities, NBF has also assumed a realistic premium to NAV range of 0.0% to 10.0% for TransGlobe's Unit price.

The comparables analysis implies an average value of \$11.88 to \$13.07 per Trust Unit.

Comparables with Premium Approach

In order to apply the comparables with the premium valuation approach to the Trust Units, NBF reviewed change of control premiums paid in the Canadian public market for real estate entities. The application of a change of control premium considers value in the context of the purchase or sale of a comparable company to estimate the "en bloc" value of a particular company. Based on the analysis, NBF believes 20.0% represents an appropriate premium for a change of control transaction. NBF applied a 20.0% premium to the value ranges determined using the comparables approach, which implies a valuation range per Trust Unit of \$14.26 to \$15.68.

Valuation Summary

The following is a summary of the range of "en bloc" fair market values of the Trust Units resulting from the NAV approach, precedent transaction approach, and the comparables with premium approach:

	<u>Low</u>	<u>High</u>
NAV Analysis using NOI Capitalization Approach	\$12.92	\$15.11
NAV Analysis using DCF Approach	\$12.90	\$15.69
Precedent Transactions Approach	\$13.58	\$14.85
Comparables with Premium Approach	\$14.26	\$15.68

Valuation Conclusion

In arriving at an opinion of fair market value of the Trust Units, NBF has not attributed any particular weight to any specific factor but has made qualitative judgments based on its experience in rendering such opinions and on circumstances prevailing as to the significance and relevance of each factor. NBF did, however, ascribe the greatest amount of importance to the NAV approach.

Based upon and subject to the foregoing, NBF is of the opinion that, as of the date hereof, the fair market value of the Trust Units is in the range of \$13.25 to \$15.25 per Unit.

Fairness Opinion

Factors Considered

In considering the fairness, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates, of the consideration payable to the holders of Trust Units pursuant to the Transaction, NBF reviewed, considered and relied upon or carried out, among other things, those items listed under "Scope of Review" and the following:

- (i) NBF's valuation of the REIT; and
- (ii) such other information, investigations and analyses considered necessary or appropriate in the circumstances.

Pursuant to the Transaction, holders of Trust Units would receive consideration equivalent to \$14.25 in cash per Trust Unit through a combination of a special cash distribution and redemption proceeds, which is in the fair market value range of the Trust Units as of the date hereof as determined by NBF in the Valuation.

Fairness Conclusion

Based upon and subject to the foregoing, NBF is of the opinion that, as of the date hereof, the consideration payable to holders of Trust Units pursuant to the Transaction is fair, from a financial point of view, to holders of Trust Units other than the Transaction Participants and their respective affiliates.

Yours very truly,

A handwritten signature in black ink that reads "National Bank Financial Inc." in a cursive, flowing script.

NATIONAL BANK FINANCIAL INC.



TD Securities Inc.
TD Tower
66 Wellington Street West, 9th Floor
Toronto, Ontario M5K 1A2

April 25, 2012

The Special Committee of the Board of Trustees
TransGlobe Apartment Real Estate Investment Trust
5935 Airport Road, Suite 600
Mississauga, Ontario L4V 1W5

To the Special Committee:

TD Securities Inc. (“TD Securities”) understands that TransGlobe Apartment Real Estate Investment Trust (the “REIT”) is considering entering into an agreement (the “Acquisition Agreement”) with PD Kanco LP and Starlight Investments Ltd. (collectively with their affiliates, “Starlight”), entities controlled by Mr. Daniel Drimmer, pursuant to which holders of trust units of the REIT (“Trust Units”), other than Starlight and Public Sector Pension Investment Board (collectively with its affiliates, “PSP Investments”), would be entitled to receive aggregate cash consideration of \$14.25 per Trust Unit (the “Consideration”) through a combination of a special cash distribution and a redemption of Trust Units (the “Transaction”). Starlight and PSP Investments collectively hold approximately 26% of the outstanding Trust Units (on a non-diluted basis, but including certain issued and outstanding class B limited partnership units).

Pursuant to the Acquisition Agreement, Starlight will enter into asset purchase agreements with each of CAPREIT Limited Partnership (together with its affiliates, “CAPREIT”) and Timbercreek Asset Management Inc. (together with its affiliates, funds or investors, “Timbercreek”) and Starlight will cause the purchase of, and the REIT will cause the CAPREIT Pool Assets and Timbercreek Pool Assets (as such terms are defined in the Acquisition Agreement) to be sold to CAPREIT and Timbercreek, respectively. In addition, the REIT will enter into a subscription agreement with PSP-RE Partners Inc. (together with its affiliates, “PSP Holdco”) on the closing of the Transaction, under which the REIT will agree to sell, and PSP Holdco will agree to purchase, a specified number of Trust Units and the REIT will redeem all Trust Units held by PSP Holdco in exchange for an 82.5% interest in the PSP Pool Assets (as such term is defined in the Acquisition Agreement). Starlight, PSP Investments, PSP Holdco, CAPREIT and Timbercreek are herein referred to as “Transaction Participants”.

The description above is summary in nature. The specific terms and conditions of the Transaction will be set out in the Acquisition Agreement and will be fully described in the REIT’s management information circular (the “Management Information Circular”) to be mailed to holders of Trust Units and holders of special voting units of the REIT (the “Unitholders”) in connection with the Transaction.

TD Securities understands that the Board of Trustees of the REIT (the “Board of Trustees”) has established a committee (the “Special Committee”) to consider the Transaction and to make recommendations to the Board of Trustees.

ENGAGEMENT OF TD SECURITIES

TD Securities was first contacted by the REIT in respect of a potential engagement in connection with the Transaction on January 10, 2012. TD Securities was engaged by the REIT pursuant to an engagement agreement dated February 14, 2012 (the “Engagement Agreement”) to provide financial advice and assistance to the REIT and to the Special Committee and, if requested, to prepare and deliver to the Special Committee and the Board of Trustees an opinion (the “Opinion”) as to the fairness of the Consideration to be received by the holders of Trust Units, other than the Transaction Participants,

pursuant to the Transaction, from a financial point of view. TD Securities has not prepared a valuation of the REIT or any of its securities or assets and the Opinion should not be construed as such.

The terms of the Engagement Agreement provide that TD Securities will receive a fee for its services, a portion of which is payable on delivery of the Opinion and a portion of which is contingent on a change of control of the REIT or certain other events, and is to be reimbursed for its reasonable out-of-pocket expenses. Furthermore, the REIT has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the Engagement Agreement.

Pursuant to the Engagement Agreement, on April 25, 2012, at the request of the Special Committee, TD Securities orally delivered the Opinion to the Special Committee and the Board of Trustees based on the scope of review and subject to the analyses, assumptions, limitations and qualifications set out herein. This Opinion provides the same opinion, in writing, as of April 25, 2012. Subject to the terms of the Engagement Agreement, TD Securities consents to the inclusion of the Opinion in the Management Information Circular, with a summary thereof, in a form acceptable to TD Securities, and to the filing thereof by the REIT with the applicable Canadian securities regulatory authorities.

CREDENTIALS OF TD SECURITIES

TD Securities is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment management and investment research. TD Securities has participated in a significant number of transactions involving public and private companies and has extensive experience in preparing valuations and fairness opinions.

The Opinion represents the opinion of TD Securities and its form and content have been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither TD Securities nor any of its affiliates is an issuer insider, associated entity or affiliated entity (as those terms are defined in Multilateral Instrument 61-101 of the Ontario Securities Commission and the Québec Autorité des marchés financiers) of the REIT or the Transaction Participants or any of their respective associates or affiliates (collectively, the “Interested Parties”). Neither TD Securities nor any of its affiliates is an advisor to any of the Interested Parties with respect to the Transaction other than to the REIT pursuant to the Engagement Agreement.

During the 24 months preceding the date on which TD Securities was engaged in respect of the Transaction, TD Securities acted as co-lead underwriter or co-manager for the REIT’s \$247 million initial public offering of Trust Units on May 14, 2010, \$110 million offering of subscription receipts on January 13, 2011, \$58 million offering of Trust Units on May 31, 2010 and \$50 million offering of convertible debentures and \$194 million offering of subscription receipts on July 29, 2011. During the 24 months preceding the date on which TD Securities was engaged in respect of the Transaction, TD Securities participated in various equity or debt offerings or provided advisory or other financial services for entities affiliated with CAPREIT, Timbercreek and PSP Investments.

TD Securities acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party, and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, TD

Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Transaction, the REIT, or any other Interested Party.

The fees paid to TD Securities in connection with the foregoing activities, together with the fees payable to TD Securities pursuant to the Engagement Agreement are not financially material to TD Securities. No understandings or agreements exist between TD Securities and the REIT or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the REIT, or any other Interested Party. The Toronto-Dominion Bank ("TD Bank"), through one or more affiliates, is a lender to the REIT and provides, and may continue to provide in the future, in the ordinary course of its business, banking services to the REIT or any other Interested Party.

SCOPE OF REVIEW

In connection with the Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

1. a draft dated April 25, 2012 of the Acquisition Agreement;
2. drafts dated April 25, 2012 of the voting and support agreements between the REIT and certain of the Transaction Participants;
3. drafts dated April 25, 2012 of the guarantee and agreements between the REIT and certain of the Transaction Participants;
4. a draft dated April 25, 2012 of the subscription agreement to be entered into between the REIT and PSP Holdco;
5. a draft dated April 20, 2012 of a memo describing the structure of the Transaction;
6. audited financial statements of the REIT and management's discussion and analysis contained therein, for the fiscal period ended December 31, 2011;
7. annual report of the REIT, including the audited financial statements and management's discussion and analysis contained therein, for the fiscal period ended December 31, 2010;
8. quarterly interim reports of the REIT including the unaudited financial statements and management's discussion and analysis contained therein, for the 48 day period ended June 30 and the three month period ended September 30, in the year 2010, and for each of the three month periods ended March 31, June 30 and September 30, in the year 2011;
9. annual information form of the REIT dated March 23, 2012;
10. notice of meeting and management information circular dated August 2, 2011 for the special meeting of the Unitholders held on August 31, 2011;
11. final long form prospectus of the REIT regarding its initial public offering of the Trust Units dated May 7, 2010;
12. final short form prospectus of the REIT dated January 6, 2011;

13. short form base shelf prospectus of the REIT dated May 11, 2011 and prospectus supplements of the REIT dated May 24, 2011 and July 25, 2011;
14. consolidated and property level 2012 budget for the REIT prepared by management of the REIT dated January 17, 2012;
15. unaudited projected financial and operational information for the REIT for the years ending December 31, 2012 through December 31, 2017 prepared by management of the REIT;
16. various other property specific information of the REIT, including property operating statements, vacancy summaries, rent rolls, flash reports and lease agreements;
17. independent appraisals for select REIT properties;
18. mortgage loan agreements and operating facility agreements entered into by the REIT;
19. various third party reports, including environmental, property and building condition reports;
20. discussions with senior management of the REIT with respect to the information referred to above, long term prospects for the REIT and other issues deemed relevant;
21. discussions with members of the Special Committee;
22. discussions with legal counsel to the Special Committee and the REIT with respect to various legal matters relating to the REIT and other matters considered relevant;
23. a review of National Bank Financial's independent valuation range for the Trust Units delivered orally to the Board of Trustees on April 25, 2012 (the "NBF Valuation Range");
24. various research publications prepared by equity research analysts regarding the REIT and other selected public entities considered relevant;
25. public information relating to the business, operations, financial performance and trading history of the REIT and other selected public entities considered relevant;
26. public information with respect to certain other Canadian real estate transactions of a comparable nature considered relevant; and
27. other financial, legal and operating information and materials assembled by management of the REIT and such other corporate, industry, and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

TD Securities has not, to the best of its knowledge, been denied access by the REIT to any information requested by TD Securities. TD Securities did not meet with the auditors of the REIT and has assumed the accuracy and fair presentation of, and has relied upon, the consolidated financial statements of the REIT and the reports of the auditors thereon.

PRIOR VALUATIONS

The REIT has represented to TD Securities that, among other things, it has no knowledge of any prior valuations or appraisals relating to the REIT or any affiliate or any of their respective material assets or liabilities made in the preceding 24 months and in the possession or control of the REIT other than those which have been provided to TD Securities or, in the case of valuations or appraisals known to the REIT

which it does not have within its possession or control, notice of which has not been given to TD Securities.

ASSUMPTIONS AND LIMITATIONS

With the Special Committee's acknowledgement and agreement as provided for in the Engagement Agreement, TD Securities has relied upon the accuracy and completeness of all data and information filed by the REIT with securities regulatory or similar authorities (including on the System for Electronic Document Analysis and Retrieval ("SEDAR")) or provided to it by the REIT and its personnel, advisors, or otherwise, including the certificate identified below (collectively, the "Information"). The Opinion is conditional upon such accuracy, completeness and fair presentation. Subject to the exercise of professional judgment, and except as expressly described herein, TD Securities has not attempted to verify independently the accuracy or completeness of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein and on bases reflecting the best currently available estimates and judgments of management of the REIT as to the matters covered thereby and which, in the opinion of the REIT, are (or were at the time of preparation and continue to be) reasonable in the circumstances. TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

Senior officers of the REIT have represented to TD Securities in a certificate dated April 25, 2012, among other things, that after due inquiry: (i) the REIT has no information or knowledge of any facts public or otherwise not specifically provided to TD Securities relating to the REIT which would reasonably be expected to affect materially the Opinion to be given by TD Securities; (ii) with the exception of forecasts, projections or estimates referred to in subparagraph (iv) below, the Information as filed under the REIT's profile on SEDAR and/or provided to TD Securities by or on behalf of the REIT or its representatives in respect of the REIT and its subsidiaries in connection with the Transaction is or, in the case of historical Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the Information not misleading in the light of circumstances in which it was presented; (iii) to the extent that any of the Information identified in subparagraph (ii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current information not provided to TD Securities by the REIT and there has been no material change, financial or otherwise in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the REIT and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Opinion; (iv) any portions of the Information provided to TD Securities (or filed on SEDAR) which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of the REIT, are (or were at the time of preparation and continue to be in all material respects) reasonable in the circumstances; (v) there have been no valuations or appraisals relating to the REIT or any subsidiary or any of their respective material assets or liabilities made in the preceding 24 months and in the possession or control of the REIT other than those which have been provided to TD Securities or, in the case of valuations known to the REIT which it does not have within its possession or control, notice of which has not been given to TD Securities; (vi) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of the REIT or any of its subsidiaries during the preceding 24 months which have not been disclosed to TD Securities; (vii) since the dates on which the Information was provided to TD Securities (or filed on SEDAR), no material transaction has been entered into by the REIT or any of its subsidiaries; (viii) other than as disclosed in the Information, neither the REIT nor any of its subsidiaries has any material contingent liabilities and there are no actions, suits, claims, proceedings,

investigations or inquiries pending or threatened against or affecting the Transaction, the REIT or any of its subsidiaries at law or in equity or before or by any federal, national, provincial, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect the REIT or its subsidiaries or the Transaction; (ix) subject to a change in financial reporting regarding the new application of International Financial Reporting Standards, all financial material, documentation and other data concerning the Transaction, the REIT and its subsidiaries, including any projections or forecasts provided to TD Securities, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of the REIT; (x) there are no agreements, undertakings, commitments or understanding (whether written or oral, formal or informal) relating to the Transaction, except as have been disclosed in complete detail to TD Securities; (xi) the contents of any and all documents prepared by or on behalf of the REIT in connection with the Transaction for filing with regulatory authorities or delivery or communication to securityholders of the REIT (collectively, the “Disclosure Documents”) have been, are and will be true, complete and correct in all material respects and have not and will not contain any misrepresentation (as defined in the *Securities Act* (Ontario)) and the Disclosure Documents have complied, comply and will comply with all requirements under applicable laws; (xii) the REIT has complied in all material respects with the Engagement Agreement; and (xiii) to the best of its knowledge, information and belief after due inquiry, there is no plan or proposal for any material change (as defined in the *Securities Act* (Ontario)) in the affairs of the REIT which have not been disclosed to TD Securities. For the purposes of paragraphs (v) and (vi), “material assets”, “material liabilities” and “material property” includes assets, liabilities and property of the REIT or its subsidiaries having a gross value greater than or equal to \$20,000,000.

In preparing the Opinion, TD Securities has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to TD Securities, all conditions precedent to be satisfied to complete the Transaction can and will be satisfied, that all approvals, authorizations, consents, permissions, exemptions or orders of relevant regulatory authorities required in respect of or in connection with the Transaction will be obtained, without adverse condition or qualification, that all steps or procedures being followed to implement the Transaction are valid and effective, that all required documents will be distributed to the Unitholders in accordance with applicable laws, and that the disclosure in such documents will be accurate in all material respects and will comply, in all material respects, with the requirements of all applicable laws. In its analysis in connection with the preparation of the Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities or the REIT.

The Opinion has been provided for the use of the Special Committee and the Board of Trustees and is not intended to be, and does not constitute, a recommendation as to how holders of Trust Units should vote in respect of the Transaction. The Opinion may not be used by any other person or relied upon by any other person other than the Special Committee and the Board of Trustees without the express prior written consent of TD Securities. The Opinion does not address the relative merits of the Transaction as compared to other transactions or business strategies that might be available to the REIT. In considering fairness, from a financial point of view, TD Securities considered the Transaction from the perspective of holders of Trust Units generally, other than the Transaction Participants, and did not consider the specific circumstances of any particular holder of Trust Units, including with regard to income tax considerations. The Opinion is rendered as of April 25, 2012, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of the REIT and its subsidiaries and affiliates as they were reflected in the Information provided to TD Securities. Any changes therein may affect the Opinion and, although TD Securities reserves the right to change or withdraw the Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or to update the Opinion after such date. TD Securities has not undertaken an independent evaluation, appraisal or physical inspection of any assets or liabilities of the REIT or its subsidiaries. TD Securities is not an

expert on, and did not render advice to the Special Committee regarding, legal, accounting, regulatory or tax matters.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. Accordingly, the Opinion should be read in its entirety.

OVERVIEW OF THE COMPANY

The REIT is an unincorporated, open-ended real estate investment trust established to own multi-suite residential rental properties across Canada. The REIT owns a geographically diverse portfolio of 176 residential properties comprising approximately 21,771 suites in 81 High Rise, 81 Mid Rise and 196 Low Rise and 8 townhouse complexes principally located in urban centres in Alberta, Ontario, Quebec, New Brunswick and Nova Scotia.

APPROACH TO FAIRNESS

TD Securities' primary methodology in considering the fairness of the Consideration, from a financial point of view, to be received by holders of Trust Units, other than the Transaction Participants, in connection with the Transaction was a comparison of the Consideration to the results of the net asset value ("NAV") analysis of the REIT. TD Securities' secondary methodology was a comparison of the multiple of adjusted funds from operations ("AFFO"), the premium to analyst consensus NAV and the premiums to recent market prices of the Trust Units implied by the Consideration to the multiples and premiums implied by precedent transactions.

TD Securities also reviewed the trading multiples and metrics of public companies involved in the multi-residential real estate industry to determine whether a public market value analysis might exceed the values implied by the NAV analysis or precedent transaction methodologies. However, TD Securities concluded that public company multiples and trading metrics implied values for the REIT that were below the values implied by the NAV analysis and precedent transaction methodologies. Given the foregoing and that public company values generally reflect minority discount values rather than "en bloc" values, TD Securities did not rely on this methodology.

In addition to the foregoing, TD Securities considered but did not rely on the fact that the Consideration was within the NBF Valuation Range. TD Securities also considered specific terms and conditions in the voting and support agreements whereby Starlight and PSP Investments, representing approximately 26% of the outstanding Trust Units (on a non-diluted basis, but including certain issued and outstanding class B limited partnership units), would support an Acceptable Superior Proposal (as such term is defined in the Acquisition Agreement) received by the REIT under certain terms and conditions.

NAV Analysis of the REIT

The NAV approach involves attributing indicative values to each of the REIT's assets and liabilities, using assumptions and methodologies appropriate in each case, and reflects the different risks, growth prospects and profitability of each of the REIT's major assets. The sum of total assets less total liabilities yields the NAV.

There are six key components to analyzing the NAV of a real estate entity:

1. real estate portfolio;
2. other assets;
3. debt;
4. capitalized general and administrative ("G&A") expenses;
5. income taxes; and
6. other liabilities.

Real Estate Portfolio

TD Securities utilized a discounted cash flow ("DCF") approach and a direct capitalization rate ("cap rate") approach to assess each of the REIT's properties. The DCF approach reflects the growth prospects and risks inherent in each property by taking into account the amount, timing, and relative certainty of projected unlevered free cash flows expected to be generated by the property. As a basis for the development of the cash flows required for this analysis, TD Securities reviewed the detailed financial models for all properties provided by management of the REIT and the relevant underlying assumptions including but not limited to, vacancy rates, average monthly rents, other revenue streams, abatements, operating costs, management fees, capital expenditures and the impact of initiatives such as sub-metering. These assumptions were reviewed in comparison to industry research reports, forecasts by research analysts, independent appraisals and other sources considered relevant. Appropriate discount rates and terminal value cap rates were selected based on precedent private market transactions and TD Securities' knowledge of current real estate pricing parameters. For the direct cap rate approach, appropriate cap rates were selected and applied to the adjusted, normalized and pro forma 2012 net operating income ("NOI") for each property based on precedent private market transactions and TD Securities' knowledge of current real estate pricing parameters.

The indicative property values resulting from the above analyses were reviewed based on value per door and precedent transaction pricing to ensure these measures were also consistent with market pricing parameters. As part of its NAV analysis of the REIT, TD Securities also considered the impact of adjusting the foregoing property values for a portfolio premium to reflect the fact that property portfolios such as that owned by the REIT are, in certain cases, able to achieve premium valuations in the current real estate market environment.

The following is a summary of the average discount rates and terminal value cap rates selected by TD Securities and applied to the free cash flow projections of each of the REIT's properties, the average direct cap rates selected by TD Securities and applied to the NOI of each of the REIT's properties and the portfolio premiums applied to the resulting indicative property values.

	<u>Discount Rate</u>	<u>Terminal Cap Rate</u>	<u>Direct Cap Rate</u>	<u>Portfolio Premium</u>
High	6.6%	5.9%	5.6%	5.0%
Low	7.2%	6.2%	5.9%	3.0%

Debt

An indicative value of the REIT's debt was derived based on the current principal amount outstanding and a mark to market adjustment based on current Government of Canada Bond yields and an appropriate lending spread for the REIT. An indicative value of the REIT's convertible debentures was derived based on the current market trading price of such convertible debentures.

Capitalized G&A Expenses

The NAV methodology requires that a downward adjustment be made to NAV to reflect the value impact of corporate, non-recoverable G&A expenses. TD Securities reduced the amount of corporate G&A expenses to be included in the NAV analysis to reflect 50% of the synergies that could be readily achieved by an acquiror of the REIT and has determined the value impact of such expenses using a multiple deemed appropriate.

Income Taxes

No downward adjustment has been made to the NAV analysis of the REIT to reflect income taxes as TD Securities considered that the REIT, as a real estate investment trust under the *Income Tax Act* (Canada), has a tax efficient structure, and that there are several potential purchasers of the REIT that are non-taxable financial institutions or also have tax efficient structures.

Other Assets and Other Liabilities

The REIT's other assets and liabilities that were considered to have economic value were reflected in TD Securities' NAV analysis at book value.

Results of NAV Analysis

Based on the foregoing and taking into account sensitivity analysis on the variables discussed above, TD Securities determined that the Consideration is within the range of indicative values determined through the NAV analysis of the REIT.

Analysis of Valuation Multiples

TD Securities compared the valuation multiples implied by the Consideration to the valuation multiples implied by selected precedent transactions involving Canadian real estate investment trusts and real estate companies. TD Securities identified and reviewed 13 precedent transactions involving Canadian real estate investment trusts and real estate companies for which there was sufficient public information to derive valuation multiples. TD Securities considered the multiple of the Consideration to AFFO and the premium implied by the Consideration to analyst consensus NAV to be the primary valuation metrics when considering precedent transactions.

The following is a summary of the valuation metrics implied by the precedent transactions compared to the valuation metrics implied by the Consideration:

(All figures expressed in C\$ millions unless otherwise stated)

<u>Announcement Date</u>	<u>Target</u>	<u>Acquiror</u>	<u>Enterprise Value</u>	<u>P / FY+1 AFFO</u>	<u>Premium / Analyst NAV</u>
17-Jan-2012	Whiterock REIT	Dundee REIT	\$1,431	14.4x	25.0%
28-Nov-2011	CANMARC REIT	Cominar REIT	\$1,891	16.1x	21.0%
14-Dec-2012	Realex Properties	Dundee REIT	\$383	10.7x	(18.3%)
4-Oct-2010	Parkbridge Lifestyle	bcIMC	\$798	19.5x	21.2%
1-Aug-2007	CHIP REIT	bcIMC	\$1,194	15.8x	28.6%
12-Jul-2007	Legacy Hotels REIT	InnVest REIT, Caisse, Westmont	\$2,481	19.7x	(3.2%)
15-Jan- 2007	Sunrise Senior REIT	Ventas Inc	\$2,280	21.4x	45.5%
4-Dec-2006	Alexis Nihon REIT	Homburg/Cominar REIT	\$1,013	17.9x	31.6%
5-Oct-2006	Retirement Residences REIT	PSP Investment Board	\$2,799	14.5x	3.3%
30-Aug-2006	Summit REIT	ING Real Estate Canada Trust	\$3,225	18.1x	29.1%
28-Apr-2006	TGS NA REIT	Great West Life Assurance	\$356	23.5x	23.2%
1-Jun-2005	O&Y REIT	Brookfield Consortium	\$1,472	14.1x	26.7%
30-Mar-2004	Residential Equities REIT	CAP REIT	\$959	15.1x	20.0%
Average				17.0x	19.5%
26-Apr-2012	TGA REIT	Starlight	\$2,350	17.8x	20.0%

TD Securities did not consider the target entity in any specific transaction to be directly comparable to the REIT (although TD Securities noted that Residential Equities REIT had assets primarily in the multi-suite residential asset class) given differences in the types and locations of properties owned by each target entity and their associated growth and risk characteristics. In addition, TD Securities noted that a significant amount of time had passed since the dates on which many of the identified transactions were completed. However, TD Securities determined that the valuation metrics implied by the Consideration are above the average of the valuation metrics implied by the precedent transactions.

Implied Premium Analysis

TD Securities calculated premiums implied by the Consideration to the trading prices of the Trust Units prior to announcement of the Transaction and compared such premiums to those implied by the selected precedent transactions involving Canadian real estate investment trusts and real estate companies.

<u>Announcement Date</u>	<u>Target</u>	<u>Acquiror</u>	<u>Trading Premiums</u>		<u>VWAP 30-Day</u>
			<u>Closing Price 1-Day</u>	<u>30-Day</u>	
17-Jan-2012	Whiterock REIT	Dundee REIT	13.6%	23.5%	21.9%
28-Nov-2011	CANMARC REIT	Cominar REIT	24.2%	28.3%	25.5%
14-Dec-2012	Realex Properties	Dundee REIT	3.1%	7.1%	4.8%
4-Oct-2010	Parkbridge Lifestyle	bcIMC	30.4%	38.0%	35.5%
1-Aug-2007 ⁽¹⁾	CHIP REIT	bcIMC	21.8%	11.0%	16.1%
12-Jul-2007 ⁽²⁾	Legacy Hotels REIT	InnVest REIT, Caisse, Westmont	12.1%	25.5%	20.6%
15-Jan- 2007	Sunrise Senior REIT	Ventas Inc	49.3%	68.0%	60.8%
4-Dec-2006	Alexis Nihon REIT	Homburg, Cominar REIT	24.9%	41.1%	33.7%
5-Oct-2006	Retirement Residences REIT	PSP Investment Board	7.2%	15.5%	10.9%
30-Aug-2006	Summit REIT	ING Real Estate Canada Trust	17.9%	17.0%	18.3%
28-Apr-2006 ⁽³⁾	TGS NA REIT	Great West Life Assurance	18.1%	15.1%	17.8%
1-Jun-2005 ⁽⁴⁾	O&Y REIT	Brookfield Consortium	6.2%	15.0%	13.2%
30-Mar-2004 ⁽⁵⁾	Residential Equities REIT	CAP REIT	10.7%	17.7%	15.7%
Average			18.4%	24.8%	22.7%
26-Apr-2012	TGA REIT	Starlight	15.4%	15.1%	18.8%

- (1) Premiums based on March 28, 2007 announcement of a strategic review.
- (2) Premiums based on March 1, 2007 announcement of a strategic review.
- (3) Premiums based on February 6, 2006 announcement of a sale process.
- (4) Premiums based on February 15, 2005 announcement of a sale process.
- (5) Based on cash option offer price.

TD Securities determined that the premiums implied by the Consideration are within the range of the premiums implied by the precedent transactions.

CONCLUSION

Based upon and subject to the foregoing and such other matters that TD Securities considered relevant, TD Securities is of the opinion that, as of April 25, 2012, the Consideration to be received by the holders of Trust Units, other than the Transaction Participants, pursuant to the Transaction is fair, from a financial point of view, to such holders of Trust Units.

Yours very truly,

A handwritten signature in black ink that reads "TD Securities Inc." in a cursive, flowing script.

TD SECURITIES INC.

APPENDIX E - BOARD OF TRUSTEES MANDATE

As of April 8, 2010

1. Purpose

The Board of Trustees (the “**Board**”) of TransGlobe Apartment Real Estate Investment Trust (the “**REIT**”) shall have explicit responsibility for the stewardship and oversight of the REIT and its business, including responsibility for strategic planning, review of operations, disclosure and communication policies, oversight of financial and other internal controls, corporate governance, trustee orientation and education, senior management compensation and oversight, and trustee compensation and assessment.

2. Duties and Responsibilities

The Board shall have the specific duties and responsibilities outlined below.

Declaration of Trust

The Board shall be responsible for exercising its powers and taking whatever actions as may be necessary or desirable in order to carry out the provisions of the REIT’s Declaration of Trust and ensuring that the exercise of such powers or taking of such actions is not inconsistent with the provisions of the REIT’s Declaration of Trust.

Strategic Planning

(a) Strategic Plans

The Board will adopt a strategic plan for the REIT. At least annually, the Board shall review and, if advisable, approve the REIT’s strategic planning process and the REIT’s annual strategic plan. 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.

(b) 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.

(c) 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

(a) 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.

(b) Verification of Controls

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

Human Resource Management

(a) General

At least annually, the Board shall review a report of the Governance, Compensation and Nominating Committee concerning the REIT's approach to human resource management and executive compensation.

(b) Succession Review

At least annually, the Board shall review the succession plans of the REIT for the Lead Trustee and executive officers, including the appointment, training and monitoring of such persons.

(c) Integrity of Senior Management

The Board shall, to the extent feasible, 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

(a) General

At least annually, the Board shall review a report of the Governance, Compensation and Nominating Committee concerning the REIT's approach to corporate governance.

(b) Trustee Independence

At least annually, the Board shall review a report of the Governance, Compensation and Nominating Committee that evaluates the trustee independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

(c) 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 as well as to the directors, officers and employees of general partners of the REIT's subsidiary limited partnerships. At least annually, the Board shall review the report of the Governance, Compensation and Nominating Committee relating to compliance with, or material deficiencies from, the Code and approve changes it considers appropriate. The Board shall review reports from the Governance, Compensation and Nominating Committee concerning investigations and any resolutions of complaints received under the Code.

(d) Board of Trustees 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

(a) General

The Board shall adopt 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.

(b) **Unitholders**

The REIT endeavors to keep its unitholders informed of its progress through an annual report, annual information form, quarterly interim reports 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.

3. Composition

General

The composition and organization of the Board, including: the number, qualifications and remuneration of trustees; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are required by applicable law and the REIT's Declaration of Trust and Regulations, 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 must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership.

Trustees who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Governance, Compensation and Nominating Committee.

Independence

A majority of the Board must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as replaced or amended from time to time (including any successor rule or policy thereto).

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 chair of the Governance, Compensation and Nominating Committee as soon as reasonably practicable.

Chair of the Board

The Chair of the Board need not be an independent trustee. If Chair of the Board is not independent, then the independent trustees shall select from among their number a trustee who will act as "Lead Trustee" and the primary responsibilities of the Lead Trustee will be to (i) seek to ensure that appropriate structures and procedures are in place so that the Board may function independently of management of the REIT; and (ii) lead the process by which the independent trustees seek to ensure that the Board represents and protects the interests of all unitholders. 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.

4. Committees of the Board

The Board has established the following committees: the Audit Committee, the Governance, Compensation and Nominating Committee, and the Investment Committee. Subject to applicable law and the REIT's Declaration of Trust, the Board may establish other Board committees or merge or dispose of any Board committee.

Committee Mandates

The Board shall approve mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each mandate shall be reviewed by the Governance, Compensation and Nominating Committee and any suggested amendments brought to the Board for consideration and approval.

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.

Board/Committee Communication

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

5. 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 Regulations.

Secretary and Minutes

The 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 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 Advisers

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 advisers to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisers 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 advisers.

Service on Other Boards and Audit Committee

Trustees may serve on the boards of other public issuers 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.

6. Management

Position Descriptions for Trustees

The Board shall approve position descriptions for the Chair and the chair of each Board committee. At least annually, the Board shall review such position descriptions.

Position Description for Chief Executive Officer

The Board shall approve a position description for the Chief Executive Officer, which includes delineating management's responsibilities. At least annually, the Board shall review a report of the Governance, Compensation and Nominating Committee reviewing this position description.

7. Trustee Development and Evaluation

Each new trustee shall participate in an initial orientation program to be established by the Governance, Compensation and Nominating Committee 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 and Regulations, it is not intended to establish any legally binding obligations.

Adopted: April 8, 2010

