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

PROSPECTUS

Initial Public Offering and Secondary Offering January 17, 2013

AGELLAN COMMERCIAL REIT

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

$134,619,430

13,461,943 Units

This prospectus qualifies the distribution to the public of 13,461,943 units ("**Units**") of Agellan Commercial Real Estate Investment Trust (the "**REIT**"), an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario.

The REIT has been formed to own and operate a diversified portfolio of income producing industrial, office and retail properties in the United States and Canada. On closing of the Offering ("**Closing**"), the REIT will directly or indirectly acquire (collectively, the "**Acquisitions**") 23 properties comprising 18 industrial properties containing 2.8 million square feet of gross leasable area ("**GLA**"), four office properties containing 1.4 million square feet of GLA and one retail property containing 45 thousand square feet of GLA (collectively, the "**Initial Properties**"). See "The Initial Properties". The Offering is conditional on, among other things, the Underwriters' satisfaction that the Acquisitions will be completed prior to or in connection with Closing.

In connection with Closing, four subsidiaries (the "**CarVal Retained Interest Holders**") of certain indirect beneficial owners of the vendors of the Initial Properties (the "**Vendors**") will acquire Units issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT representing, in the aggregate, an approximate 26.5% interest in the REIT (an approximate 18.9% interest in the REIT if the Over-Allotment Option is exercised in full). The CarVal Retained Interest Holders are entities managed by CarVal Investors, LLC ("**CarVal**"). In addition, certain entities managed by the principals of Agellan Capital Partners Inc. ("**ACPI**") or an affiliate (the "**ACPI Retained Interest Holders**") will acquire Units issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT representing, in the aggregate, a further approximate 0.5% interest in the REIT (a further approximate 0.4% interest in the REIT if the Over-Allotment Option is exercised in full). In connection with Closing, certain principals of ACPI or entities controlled by such persons (collectively, the "**ACPI Principals**") will acquire an additional 441,664 Units by subscription directly from the REIT. The Units acquired by the Vendors as partial consideration for the sale of the Initial Properties to the REIT, as well as the Units subscribed for by the ACPI Principals, are also qualified by this prospectus. See "Retained Interest" and "Plan of Distribution".

CarVal is a leading global alternative investment fund manager with approximately $8 billion of assets under management in 62 countries. ACPI is a privately held real estate investment management company that acquires and manages commercial real estate assets across the United States and Canada on behalf of its clients. Founded in 2003, ACPI has transacted over $1.3 billion of commercial real estate assets on behalf of its clients and has managed commercial real estate assets totalling up to approximately eight million square feet. For the last 10 years, ACPI has been the asset manager for approximately $725 million of CarVal's real estate transactions in both the United States and Canada. ACPI currently acts as the asset manager of 22 of the 23 Initial Properties and will become the asset manager of the REIT following Closing. See "Management of the REIT".

Price $10.00 per Unit

	Price to the Public(1)	Underwriters' Fee	Net Proceeds to the REIT(2)
Per Unit	$10.00	$0.575	$9.425
Total(3)(4)	$134,619,430	$7,740,617	$126,878,813

Notes:

(1) The price of the Units was established by negotiation between the REIT, the Vendors and the Underwriters.

(continued on next page)

AGELLAN COMMERCIAL REIT

- Attractive and stable **yield**
- Diversified portfolio and platform for **future growth**
- High-quality tenant profile
- Opportune time to invest in U.S. commercial real estate
- Track record and **experience of management and the Board**
- Alignment of interests

- Cross-border diversified REIT with an attractive mix of **industrial, office and retail properties**
- Created to capitalize on the **market opportunity** in **Canada and the U.S.**
- Assets located in **attractive, high-growth markets**
- 23 properties (47 buildings) totaling approximately **4.2 million square feet**
- Key markets: **Texas, Ontario, Illinois**

Overview of Initial Properties

ONTARIO
- 41% of NOI
- 3 multi-tenant office properties

INDIANA
- 4% of NOI
- 1 multi-tenant industrial property

ILLINOIS
- 21% of NOI
- 1 multi-tenant office property

TEXAS
- 28% of NOI
- 79% multi-tenant
- 21% single-tenant
- 15 industrial properties

QUEBEC
- 2% of NOI
- 1 multi-tenant retail property

OHIO
- 1% of NOI
- 1 multi-tenant industrial property

MARYLAND
- 3% of NOI
- 1 single-tenant industrial property

(continued from cover)

(2) Before deducting expenses of the Offering estimated at $5,924,892, including costs relating to the Acquisitions, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

(3) Certain investors, including the ACPI Principals, have subscribed for 466,944 Units that will be issued directly by the REIT in connection with Closing. 5,160,319 Units will also be issued to the Vendors prior to or in connection with Closing in partial consideration for the sale of the Initial Properties to the REIT. Except for an additional fee of $14,536 to be paid by the REIT to the Underwriters in respect of certain of these Units, there will be no Underwriter's fee payable in respect of these Units, which are also qualified by this prospectus, and such Units are not included in the "Total" row above.

(4) The REIT and the Retained Interest Holders have granted to the Underwriters an option, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional 2,019,292 Units on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. A portion of the Units to be purchased upon the exercise of the Over-Allotment Option will be sold by the Retained Interest Holders on a *pro rata* basis in order to reduce the Retained Interest to approximately 19.3% and the remainder will be issued by the REIT. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the REIT" will be $154,812,340, $8,901,710 and $132,448,690, respectively. The net proceeds to the Retained Interest Holders will be $13,461,940. The Underwriters' Fee in respect of the Over-Allotment Option will be paid by the REIT. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. The net proceeds to the REIT of the Over-Allotment Option will be used by the REIT either to reduce debt or for general trust purposes. See "Plan of Distribution" and "Retained Interest".

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	2,019,292 Units	30 days from Closing	$10.00 per Unit

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See "Risk Factors". The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Units under the symbol ACR.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before March 12, 2013. See "Plan of Distribution".

A return on a purchaser's investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of a purchaser's initial investment is at risk, and the anticipated return on a purchaser's investment is based on many performance assumptions. Although the REIT intends to make distributions from AFFO to Unitholders, these distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of the REIT's properties, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. The market value of the Units will decline if the REIT is unable to meet its AFFO targets in the future, and that decline may be material. See "Presentation of Financial Information — Non-IFRS Measures". It is important for a purchaser of Units to consider the particular risk factors, described in the "Risk Factors" section of this prospectus, which may affect the REIT and its business, the real estate industry and the Offering, and therefore the stability of distributions that a purchaser of Units receives.

The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax will depend, in part, on the composition for tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders' Units). The REIT estimates that approximately 53% of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred returns of capital in 2013. The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

Other than the 5,601,983 Units to be issued to the Vendors and certain other investors, including the ACPI Principals, directly by the REIT, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., TD Securities Inc., GMP Securities L.P., National Bank Financial Inc., Raymond James Ltd., Scotia Capital Inc. and Canaccord Genuity Corp., as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP and Krieg DeVault LLP (with respect to U.S. income tax matters), and on behalf of the Underwriters by Torys LLP. The Underwriters may engage in market stabilization activities as described under "Plan of Distribution". Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is expected to occur on January 25, 2013, but in any event no later than February 8, 2013. Registrations and transfers of Units will be effected electronically through the non-certificated inventory ("**NCI**") system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Plan of Distribution" and "Declaration of Trust — Non-Certificated Inventory System".

The Underwriters may offer the Units at lower prices than stated above. See "Plan of Distribution".

Certain of the Vendors and Retained Interest Holders, which have acted as Promoters, are organized under the laws of a foreign jurisdiction and reside outside of Canada. Although such Promoters have appointed ACPI as their agent for service of process in Ontario and have signed a formal submission to jurisdiction in the form prescribed under applicable Canadian securities laws, it may not be possible for investors to enforce judgments obtained in Canada against the Promoters. See "Risk Factors".

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

BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that has committed to provide to the REIT certain credit facilities at Closing. Consequently, the REIT may be considered a "connected issuer" of BMO Nesbitt Burns Inc. under applicable Canadian securities laws. See "Debt Strategy and Indebtedness — Credit Facilities" and "Plan of Distribution — General".

All capitalized terms referred to above are defined elsewhere in this prospectus, including in the Glossary at page 149.

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MEANING OF CERTAIN REFERENCES

In this prospectus, it is assumed that the Offering has been completed and the transactions described under "The Acquisitions" have been completed, except where the context otherwise requires. References to the "REIT" in this prospectus include its Subsidiaries, unless the context otherwise requires. References to dollars or "$" are to Canadian currency and references to U.S. dollars or "U.S.$" are to United States currency.

Certain terms used in this prospectus are defined under "Glossary".

Unless otherwise indicated, the disclosure in this prospectus assumes that the Over-Allotment Option is not exercised.

References to "management" in this prospectus mean the persons acting in the capacities of the REIT's Chief Executive Officer, President and Interim Chief Financial Officer. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Torys LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act), the Units will be a qualified investment for trusts governed by an RRSP, registered education savings plan, RRIF, deferred profit sharing plan, registered disability savings plan and a TFSA (collectively, "**Exempt Plans**").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant of such Exempt Plan, as the case may be, (i) deals at arm's length with the REIT, for purposes of the Tax Act, (ii) does not have a "significant interest" (as defined in the Tax Act) in the REIT, and (iii) does not have a "significant interest" (as defined in the Tax Act) in a corporation, partnership or trust with which the REIT does not deal at arm's length. Generally, a holder or annuitant will have a significant interest in the REIT if the holder or annuitant and/or persons not dealing at arm's length with the holder own, directly or indirectly, 10% or more of the fair market value of the Units. The Department of Finance (Canada) released draft legislation on December 21, 2012 (the "**December 2012 Proposals**") that proposes to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP or RRIF. Prospective purchasers who intend to hold Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of their knowledge of the industrial, office and retail real estate markets in which the REIT will operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the commercial real estate industry in the United States and Canada has been developed through its experience and participation in the industry. Management believes that their industry data is accurate and that their estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data.

Statements contained in this prospectus based on management's knowledge of the commercial real estate industry in the United States and Canada include statements as to the benefits of investing in a commercial real estate platform that is diversified with respect to both geography and asset class, statements as to the current benefits of investment in commercial real estate in the United States and statements regarding the commercial real estate rental market in the United States. Where no specific source is provided in respect of such statements, management believes that no one published source relating to that specific statement is currently

available, though sources provided elsewhere in the prospectus may underlie management's assumptions in respect of such statements.

Statements as to the benefits of investment in a commercial real estate platform that is diversified with respect to both geography and asset class, including the potential to deliver attractive risk-adjusted returns particularly given the volatile global economy and prevailing low interest rate environment, are based on management's assumptions that: (i) a diversified portfolio by geography protects investors from the impact of local economic and political factors that may impact job growth and consumer spending, which in turn could negatively impact occupancy and rent growth within a specific region; (ii) diversity by asset class provides investors with stability of returns as certain asset classes have historically performed better than others at different times in the economic cycle; (iii) investment in real estate can act as a natural hedge against inflation, where improvements in the underlying economies that typically result in increasing prices and interest rates will also generally result in increased operating performance from occupancy and rental rate growth; and (iv) real estate yields have historically provided an attractive alternative to government bond yields.

Statements as to the current benefits of investing in commercial real estate in the United States and the rental market in the United States are based on management's assumptions that the favourable commercial real estate conditions in the United States described in the prospectus, including trends in real estate prices, rental rates and vacancy rates, and a favourable exchange rate environment, will continue.

The assumptions noted above are based in part on management's experience and understanding of the commercial real estate industry in the United States and Canada and in part on data obtained from third party sources noted below, which data and third-party sources are set forth elsewhere in this prospectus. See "The REIT — Market Opportunity", "Real Estate Market Characteristics" and "The Initial Properties".

Third-party sources, which include Statistics Canada, the Ontario Ministry of Finance, the United States Census Bureau, the United States Bureau of Economic Analysis, the United States Bureau of Labour Statistics, the Ohio Department of Development, International Property Databank, Reis, Inc., Bloomberg L.P. and CBRE Limited, generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although management believes it to be reliable, none of the REIT, the Promoters nor the Underwriters has independently verified any of the data from management or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

In addition, this prospectus includes information regarding tenants of the Initial Properties that has been obtained, where available, from publicly available information, and otherwise from the relevant tenant. None of the REIT, the Promoters nor the Underwriters has independently verified any such information.

CERTAIN INFORMATION

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

RELIANCE

Prospective investors should rely only on information contained in this prospectus and should not rely on parts of the information contained in this prospectus to the exclusion of others. None of the REIT, the Promoters nor the Underwriters has authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. Neither the REIT nor the Underwriters is making an offer to sell Units in any jurisdiction where such an offer or sale is prohibited. Unless otherwise stated, the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Non-IFRS Measures

Funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**") and net operating income ("**NOI**") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO and NOI are supplemental measures of performance for real estate businesses. The REIT believes that AFFO is an important measure of economic performance and is indicative of the REIT's ability to pay distributions, while FFO and NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. See "Forecast Non-IFRS Reconciliation" for a reconciliation of NOI, FFO and AFFO to net income.

"FFO" is defined as net earnings in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities and the Class B Units, if any; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) changes in fair value of financial instruments which are economically effective hedges but which do not qualify for hedge accounting; (vii) foreign exchange gains/losses on monetary items not forming part of a net investment in a foreign operation; (viii) deferred income tax expense; and (ix) adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for any differences resulting from recognizing property revenues on a straight-line basis, and (iii) adjusting for reserve for normalized maintenance capital expenditures, tenant incentives and leasing costs, as determined by the Trustees. Other adjustments may be made to AFFO as determined by the Trustees in their discretion.

"NOI" is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents rental revenue from properties less property operating expenses as presented in the statements of income prepared in accordance with IFRS or Canadian GAAP. Accordingly, NOI excludes certain expenses included in the determination of net income such as interest expense and amortization.

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the closing of the Acquisitions;
- the closing of the other transactions expected to occur on or in connection with Closing, which are described in this prospectus;
- the intention of the REIT to pay stable, predictable and growing distributions to Unitholders;
- the ability of the REIT to execute its growth strategies;

- the forecast financial results of the REIT for the periods set out in the "Financial Forecast" section of this prospectus;
- the expected tax treatment of the REIT and of the REIT's distributions to Unitholders;
- the expected level of foreign tax, if any, payable on amounts that give rise to the REIT's distributable income;
- the REIT's access to available sources of debt and/or equity financing;
- the percentage of cash distributions to be paid to Unitholders that will be tax deferred in 2013; and
- the expected industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date of this prospectus, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the continual availability of capital and the current economic conditions and currency exchange rates remaining unchanged.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". These forward-looking statements are made as of the date of this prospectus and, except as expressly required by applicable law, the REIT assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

EXCHANGE RATE INFORMATION

The Initial Properties include properties located in Illinois, Indiana, Maryland, Ohio and Texas. Accordingly, the REIT is exposed to the impact of fluctuations in the Canadian/U.S. dollar exchange rate. The REIT discloses certain financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end closing spot rates of exchange for U.S.$1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Nine months ended September 30		Year ended December 31		
	2012	2011	2011	2010	2009
	($)	($)	($)	($)	($)
Highest closing spot rate during the period	1.0397	1.0482	1.0549	1.0745	1.2991
Lowest closing spot rate during the period	0.9683	0.9428	0.9428	0.9946	1.0259
Average closing spot rate for the period	1.0023	0.9781	0.9891	1.0303	1.1420
Closing spot rate at the end of period	0.9832	0.9833	1.0170	0.9946	1.0510

On October 1, 2012, the effective date of the financial forecast, the 20-day average closing spot rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was U.S.$1.00 equals $0.9788. U.S. dollar cash flows in the forecast period are assumed to convert to Canadian dollars at a rate of 0.9955 ($0.9955 per U.S.$1.00).

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and is qualified in its entirety by, and should be read together with, the more detailed information and financial data and statements contained elsewhere in this prospectus. All capitalized terms referred to, but not defined, in this summary are defined elsewhere in this prospectus, including in the "Glossary" section of this prospectus.

THE REIT

Overview

Agellan Commercial Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The REIT has been created for the purpose of acquiring and owning industrial, office and retail properties in select target markets in the United States and Canada.

Objectives of the REIT

The REIT's objectives are to: (i) provide Unitholders with stable, predictable and growing cash distributions on a tax-efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per Unit, including through accretive acquisitions.

See "The REIT — Objectives of the REIT".

Market Opportunity

The REIT will invest in income producing properties in the United States and Canada in the industrial, office and retail asset classes. Management believes that investment in a commercial real estate platform that is diversified with respect to both geography and asset class has the potential to deliver attractive risk-adjusted returns, particularly given the volatile global economy and prevailing low interest rate environment.

In addition to providing investors with exposure to an attractive portfolio of Initial Properties, the REIT will also target external growth in markets that offer high quality commercial real estate at compelling relative valuations. Given current property market conditions in the United States and Canada, management believes that the REIT should focus its near — to medium-term acquisition efforts on the United States market for a number of reasons, including (i) compelling trends in exchange rates, improving operating fundamentals and attractive commercial real estate valuations in the United States and (ii) the relative availability of high quality, income-producing commercial real estate in the United States.

See "The REIT — Market Opportunity".

Investment Highlights

- ***Attractive and Stable Yield.*** The REIT intends to pay stable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 7.75%, based on an AFFO payout ratio of 90%. See "Distribution Policy" and "Presentation of Financial Information — Non-IFRS Measures".
- ***Diversified Portfolio and Platform for Future Growth.*** The REIT's portfolio of properties will initially consist of the Initial Properties, being 23 properties with 47 buildings and approximately 4.2 million square feet of GLA primarily located in Ontario, Texas and the mid-western United States. The Initial Properties are well-diversified geographically, with those located in Canada accounting for approximately 43% of forecast NOI for the 12-month period ended December 31, 2013 and those located in the United States accounting for approximately 57% of forecast NOI for the same period. The Initial Properties are also diversified by asset class, with approximately 62% and 36% of forecast NOI attributable to office and industrial properties, respectively.

In addition to compelling geographic diversification, the Initial Properties will also provide the REIT with a platform upon which to build a much larger portfolio through both organic growth and acquisitions.

- ***High-Quality Tenant Profile.*** The REIT will have a well-diversified tenant profile reflecting an attractive mix of national, regional and local tenants. Several of the REIT's largest tenants, such as Shoppers Drug Mart, Domino's Pizza, Health Care Service Corporation and IBM, rent space pursuant to long term, triple-net leases. Furthermore, tenants with an investment grade credit rating represent approximately 38% of the base rent of the Initial Properties during the forecast period. See "The Initial Properties — Tenant Mix".

- ***Opportune Time to Invest in U.S. Commercial Real Estate.*** The REIT is well-positioned to take advantage of the prevailing real estate and economic trends in the United States. Given the current state of the United States economy, management believes that there will be numerous opportunities to acquire attractively priced commercial real estate in the United States over the near term. In particular, while vacancy rates in the United States are currently higher than they are in Canada, according to CBRE Research, vacancies in the United States are expected to decrease over the next few years as the United States economy strengthens, making this an ideal time to enter the United States commercial real estate market. Further, the Canadian dollar is currently very strong against the U.S. dollar relative to historical averages, and management believes the REIT will be in a position to acquire commercial real estate in the United States while bearing a relatively low risk of currency devaluation. These factors combine to create an attractive opportunity to invest in commercial real estate in the United States. See "The REIT — Market Opportunity".

- ***Track Record and Experience of Management and the Board.*** The REIT will be managed by ACPI, which boasts a team of talented senior professionals with experience in asset management, property management, acquisitions, dispositions, financing and leasing. The senior principals of ACPI collectively have over 100 years of commercial real estate and capital markets experience. ACPI also has extensive experience with the Initial Properties, having managed 22 of the 23 assets.

  ACPI was founded in 2003 and has an established track record of delivering above-market returns to its clients, which include pension funds, institutions and private investors. Furthermore, the REIT believes that ACPI's cross-border asset management expertise and extensive relationship network across the asset classes in which it operates create a significant competitive advantage for the REIT, allowing it to pursue external growth opportunities in both the United States and Canada.

  Further, the majority-independent Board is comprised of Trustees with extensive experience in the real estate industry, governance and audit matters and the President of the REIT will be employed internally. Among other things, the President will work with the Board to evaluate growth opportunities presented to the REIT by ACPI.

- ***Alignment of Interests.*** In exchange for providing managerial services to the REIT, ACPI will earn a base asset management fee expressed as a percentage of the GBV of the REIT's assets. ACPI will not charge any acquisition, disposition, financing, leasing, construction or development fees, but rather will earn an incentive fee equal to 15% of any excess AFFO greater than 103% of forecast AFFO as set forth under "Financial Forecast". This fee arrangement will align ACPI's interests with those of Unitholders and incentivize ACPI to deliver accretive per Unit growth to Unitholders. In addition, the External Management Agreement will only automatically renew after its initial five year term if the REIT's AFFO per Unit for the year ended December 31, 2017 is greater than 115% of the forecast AFFO per Unit as set forth under "Financial Forecast". See "Management of the REIT — External Management Agreement".

  Furthermore, on Closing, the ACPI Retained Interest Holders will hold 95,082 Units and the ACPI Principals will subscribe for an additional 441,664 Units, all of which will be subject to a contractual hold period of 18 months following Closing. This retained ownership position will serve to further align the interests of ACPI with those of the other Unitholders. See "Retained Interest" and "Governance of the REIT".

Finally, the compensation package for the REIT's internally-employed President has been designed to be aligned with the REIT's performance, including incentives designed to motivate the President towards creating sustainable, long-term, profitable growth. See "Executive Compensation — Compensation of the President".

See "The REIT — Investment Highlights" and "Risk Factors".

Growth Strategies

The REIT intends to pursue the following growth strategies to achieve its objectives:

- Optimize the performance, value and cash flow of its portfolio through active management.
- Acquire industrial, office and retail properties at attractive yields.

Among other things, management believes that the REIT's external growth strategy will be facilitated by (i) compelling market conditions in the United States, (ii) ACPI's extensive relationships with brokers, managers, owners and other industry players in both the United States and Canada, (iii) an experienced acquisition team and (iv) access to capital.

See "Growth Strategies of the REIT".

Overview of Initial Properties

The Initial Properties consist of 23 commercial properties comprising 47 buildings and approximately 4.2 million square feet of GLA, located in Ontario, Québec, Texas, Ohio, Maryland, Indiana and Illinois. The Initial Properties are well-located within their respective markets and provide an attractive platform from which to grow given their stable characteristics, which include high occupancy and tenant retention rates, as well as staggered lease and debt maturities.

The Initial Properties are well-diversified geographically, with those located in Canada accounting for approximately 43% of forecast NOI for the 12-month period ended December 31, 2013 and those located in the United States accounting for approximately 57% of forecast NOI for the same period. The Initial Properties are also diversified by asset class, with approximately 62%, 36% and 2% of the portfolio's forecast NOI for the 12-month period ended December 31, 2013 attributable to office, industrial and retail assets, respectively. The REIT believes that this level of asset class diversification reduces risk while providing flexibility for future growth across different asset classes. In addition, the geographic and tenant diversification within the portfolio of Initial Properties mitigates concentration risk and supports the stability of the REIT's cash flows.

As at October 1, 2012, the Initial Properties were 89.2% leased (92.6% effective occupancy after giving effect to the Vendor Leases). At the start of the forecast period, the Initial Properties have an average remaining lease term of approximately 4.4 years and, in particular, the REIT's industrial properties have a lease term of 3.7 years, while the office properties have a lease term of 6.2 years.

The REIT's tenant base will be well-diversified, consisting of an approximately equal mix of single- and multi-tenant properties based on occupied GLA. Of the single-tenant properties, many of the tenants have large national or multi-national footprints. The top 10 tenants in the Initial Properties comprise approximately 45% of GLA and account for approximately 58% of in-place base rental revenue. Approximately 38% of the REIT's tenants currently have investment grade ratings from one or more major credit rating agencies.

See "The Initial Properties".

List of Initial Properties

Initial Property	City	Province/ State	Asset Class	Year Built/ Renovated	Approx. GLA (000 sq. feet)	Number of Buildings	Occupancy[1]	Managed by ACPI Since
Canada								
20 Valleywood Drive	Markham	Ontario	Office	1987	35	1	100%	2005
243, 245, 251, 255 Consumers Road	Toronto	Ontario	Office	1971/1978 and 2008	813	4	80%	2007
240 Bank Street	Ottawa	Ontario	Office	1967/1988	39	1	50%	2006
195-215 Bellehumeur	Gatineau	Quebec	Retail	1988	45	3	100%	2006
Sub-Total Canadian Initial Properties					**932**	**9**	**80.5%**	
United States								
1000 & 1100 Warrenville Rd	Naperville	Illinois	Office	1981/1988 and 2007	487	2	96%	n/a[2]
2151 Airwest Boulevard	Plainfield	Indiana	Industrial	2000	434	1	88%	2004
8271 Anderson Court	Odenton	Maryland	Industrial	2001	70	1	100%	2004
3671-3701, 3707-3743 Interchange and 3949 Business Park	Columbus	Ohio	Industrial	1974/1996	184	3	95%	2006
2100 East St. Elmo Road	Austin	Texas	Industrial	1982	50	1	100%	2006
2130, 2150, 2170 Woodward Street	Austin	Texas	Industrial	1984	187	3	100%	2006
4120 Freidrich Lane	Austin	Texas	Industrial	1984	73	1	72%	2006
2120 West Braker Lane	Austin	Texas	Industrial	1984	46	1	56%	2006
1201 John Burgess Road	Fort Worth	Texas	Industrial	1999	254	1	100%	2004
5800 W Kiest Blvd	Dallas	Texas	Industrial	1981/1999	344	1	100%	2006
2301 Minimax Drive	Houston	Texas	Industrial	1967	120	1	100%	2006
5975 South Loop East	Houston	Texas	Industrial	1980	149	4	83%	2006
9001-9101 Jameel Road	Houston	Texas	Industrial	1990	95	2	85%	2006
6300-6320 Rothway Street	Houston	Texas	Industrial	1990	75	3	91%	2006
6100 & 6120 West by Northwest	Houston	Texas	Industrial	1990	123	2	79%	2006
1400-1412 North Sam Houston	Houston	Texas	Industrial	1982	119	4	73%	2006
232, 302-350 West 38th Street	Houston	Texas	Industrial	1981	80	2	100%	2006
2055, 2105, 2155 Silber Road	Houston	Texas	Industrial	1979	199	3	75%	2006
6500 & 6600 Long Point Road	Houston	Texas	Industrial	1979	190	2	100%	2006
Sub-Total U.S. Initial Properties					**3,278**	**38**	**91.6%**	
Total Portfolio					**4,210**	**47**	**89.2%**	

Notes:

(1) Occupancy as at October 1, 2012, not including the Vendor Leases. Over the course of the forecast period, the average occupancy for Parkway Place and Plaza Bellehumeur, including the Vendor Leases, is expected to be 91.5% and 100%, respectively.

(2) Not managed by ACPI or its affiliates.

Assessment and Valuation of the Initial Properties

ACPI retained CBRE Limited (the "**Appraiser**") to provide an independent estimate of the fair market value of each of the Initial Properties. The Appraisals were each given as at certain effective dates in July and August of 2012, with the majority as at July 1, 2012. Based on the Appraisals, the sum of the individual market values of the Initial Properties was estimated to be $437.8 million. The estimated aggregate market value of the Initial Properties on a portfolio basis as at July 1, 2012 ranged between $450.9 million and $459.7 million, which includes a portfolio premium of 3% to 5%.

See "Assessment and Valuation of the Initial Properties".

Acquisition of the Initial Properties

The REIT will directly and indirectly acquire the Initial Properties from the Vendors pursuant to the Purchase Agreements for aggregate consideration of approximately $421.1 million, which purchase price will be satisfied by the REIT through the payment of $312.9 million in cash, the issuance of 5,160,319 Units and the assumption of approximately $56.6 million of Assumed Mortgages, all in accordance with the steps set forth

under “The Acquisitions — Transaction Steps”. The acquisition of the Initial Properties will reflect customary purchase price adjustment provisions, including for pre-paid expenses, pre-paid rent and working capital.

The Purchase Agreements will contain representations and warranties typical of those contained in purchase agreements for similar real property assets negotiated between sophisticated purchasers and vendors acting at arm’s length. The Purchase Agreements will also contain representations and warranties that, to the best of the Vendors’ knowledge, this prospectus does not contain a misrepresentation (as defined in the Securities Act) relating to the Initial Properties and other assets being acquired, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. The representations and warranties relating to this prospectus will survive for a period of 36 months following Closing. All other representations and warranties will survive for a period of 18 months following Closing; provided, however, that the representations and warranties regarding due authorization shall survive indefinitely and the representations and warranties regarding certain tax matters (other than land transfer taxes) shall survive for the applicable statutory reassessment period.

In the Purchase Agreements, each Vendor will severally indemnify the REIT for breaches of representations and warranties, up to the value of the Units (at the Offering Price) issued to such Vendor in partial consideration for the transfer of its applicable Initial Property. In addition, pursuant to the Guarantee and Pledge Agreement each Retained Interest Holder will guarantee the obligations under the Purchase Agreements and the Underwriting Agreement of the Vendor(s) whose Units such Retained Interest Holder acquires in connection with Closing, up to the value of the aggregate of all such Units (at the Offering Price) of such Retained Interest Holder (determined without regard to any cap on any Vendor’s liability under such agreements). The obligations under the guarantees with respect to the prospectus representation will be joint and several. As security for such guarantees, the Retained Interest Holders will pledge to the REIT for the initial 18-month period following Closing the Units comprising their Retained Interest. In addition, the REIT will obtain a seven-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, the Promoters and the REIT, subject to certain limits, deductibles and other terms and conditions. See “The Acquisitions — Purchase Agreements”.

There can be no assurance of recovery by the REIT from the Vendors or the Retained Interest Holders for any breach of the representations and warranties provided by the Vendors under the Purchase Agreements, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Purchase Agreements and purchasers of Units under this prospectus will not have any contractual rights under the Purchase Agreements. Purchasers of Units will, however, have certain statutory rights of action against the REIT and the Promoters under applicable securities laws. See “Retained Interest”, “Risk Factors” and “Purchasers’ Statutory Rights”.

The closing of the Acquisitions will be conditional upon, among other things, the completion of the Offering, the receipt of all necessary consents and waivers from third parties, including lenders under the Assumed Mortgages, and the receipt of a satisfactory title opinion or title insurance policy dated as of Closing in favour of the applicable purchaser.

A purchaser of Units should refer to the terms of the Purchase Agreements for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations under the Purchase Agreements.

See “The Acquisitions”.

Leases With Vendor Lease Tenants

Two of the Initial Properties, being Parkway Place and Plaza Bellehumeur, will be acquired by the REIT subject to leases with the applicable Vendors or entities established by the applicable Vendors as tenants (the “**Vendor Lease Tenants**”). Lease payments will consist of minimum rent and additional rent and will be paid on a monthly basis in advance. The Vendor Lease Tenants will rent certain vacant suites (totalling approximately 117,300 square feet) in each of Parkway Place and Plaza Bellehumeur at current market rates for the term of each Vendor Lease totalling approximately $3.3 million per year or an estimated total of $16.3 million. The

Vendor Lease in respect of Parkway Place has a term of five years; the Vendor Lease in respect of Plaza Bellehumeur has a term ending in March, 2017. The Vendor Lease Tenants will have typical sublease and assignment rights and any subtenant would need to be approved by the REIT, acting reasonably. The Vendor Lease Tenants will be responsible for the cost of tenant improvements, tenant inducements and leasing commissions for new tenants, expected to be approximately $3.9 million on the entire space subject to the Vendor Leases. As security for its obligations under each Vendor Lease, the applicable Vendor Lease Tenant will place in escrow an amount of cash having a value equal to the maximum aggregate undiscounted future minimum and additional rent payments to be made pursuant to the Vendor Lease over its term (estimated to be $16.3 million). This cash will be drawn upon for monthly base rent, additional rent and leasing and tenant improvement costs and the remainder will be held in escrow until the obligations under the applicable Vendor Lease have been satisfied. The escrow agreement will contain release provisions that will be triggered upon the satisfaction of such obligations.

See "The Initial Properties — Leases with Vendor Lease Tenants".

Governance and Management of the REIT

Board of Trustees and Executive Officers

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees and executive officers of the REIT:

Name and Municipality of Residence	Position with the REIT	Principal Occupation
Paul J. Massicotte[(1)(2)(4)(5)(6)] Montreal, QC	Trustee	Member of the Senate of Canada
Frank Camenzuli Toronto, ON	Trustee and Chief Executive Officer	Chief Executive Officer of ACPI
Richard Dansereau[(1)(2)(6)] Saint-Lambert, QC	Trustee	Managing Director, Stonehenge Partners
Robert P. Perry[(2)] Minneapolis, MN	Trustee	Senior Managing Director, CarVal
Sara Yamotahari[(1)(3)(6)] Toronto, ON	Trustee	Senior Vice President and Head of Tax, OMERS
Derek Dermott Oakville, ON	President	President of the REIT
Rosalia Lau Toronto, ON	Interim Chief Financial Officer[(7)]	Chief Financial Officer of ACPI
Terra Attard Toronto, ON	Secretary	Senior Vice President, Asset Management and Operations of ACPI

Notes:

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Nominating Committee.

(3) Chair of the Audit Committee.

(4) Chair of the Corporate Governance and Nominating Committee.

(5) Chair of the Board.

(6) Independent Trustee.

(7) Ms. Lau is an employee of ACPI and will be fulfilling the role of Chief Financial Officer of the REIT on an interim basis until a permanent replacement is recruited by ACPI. ACPI has initiated a search for a permanent Chief Financial Officer whose appointment will be approved by the Board following Closing.

See “Governance of the REIT” and “Management of the REIT”.

Arrangements with ACPI

On Closing, the REIT and ACPI will enter into certain agreements governing their relationship following Closing. These agreements are described below. See also “Management of the REIT” and “Retained Interest”.

External Management Agreement

Following Closing, ACPI will be the asset manager of the properties owned by the REIT and will provide the REIT with certain asset management, advisory and general administrative services, including the services of the Chief Executive Officer, Chief Financial Officer and Secretary. For its services under the External Management Agreement, ACPI will be entitled to:

(i) a base management fee, calculated and payable on a monthly basis, equal to 0.40% of the GBV of the REIT’s assets; and

(ii) an annual incentive fee equal to the product of (a) 15% of any excess AFFO per Unit greater than 103% of forecast AFFO per Unit and (b) the weighted average number of issued and outstanding Units over the applicable fiscal year, measured and paid on an annual basis in Units.

In addition, five years following Closing, ACPI will be entitled to a Unit price performance fee (the “**Unit Price Performance Fee**”) equal to the product of (i) the volume weighted average closing price of the Units on the TSX or any stock exchange on which the Units are then listed for the 20 trading days immediately preceding the date that is five years following the Closing Date, less $13.00 and (ii) one million. Alternatively, if the External Management Agreement is terminated, the Unit Price Performance Fee will equal the product of (i) the volume weighted average closing price of the Units on the TSX or any stock exchange on which the Units are then listed for the 20 trading days immediately preceding the date of termination, less $13.00 and (ii) one million. For greater certainty, the Unit Price Performance Fee shall not be payable to ACPI in the event that the REIT terminates ACPI as the external manager for cause or ACPI terminates the External Management Agreement.

See “Management of the REIT — External Management Agreement”.

Property Management Agreements

Property management services in respect of the REIT’s properties will be provided by ACPI, an affiliate of ACPI (the “**Property Manager**”) and third party providers. At Closing, ACPI, which currently provides property management services in respect of four of the Initial Properties located in the United States, and the Property Manager, which currently provides property management services in respect of the two Initial Properties located in the Greater Toronto Area, will continue to provide certain property management services to the REIT in respect of those Initial Properties. Under the Property Management Agreements with ACPI and the Property Manager, which will each have a term of no more than one year with typical renewal provisions, ACPI and the Property Manager, as applicable, will be paid a property management fee of $20,000 per annum for each of the single-tenant Initial Properties that it currently manages. For each additional single-tenant property that may be managed in the future by ACPI or the Property Manager, ACPI or the Property Manager, as applicable, will be paid a property management fee of $30,000 per annum. For all multi-tenant properties that may be managed by ACPI or the Property Manager in the future, and for all properties managed by third party providers, a market property management fee will apply. If the REIT and ACPI or the Property Manager, as the case may be, are unable to agree on the property management fee for a particular multi-tenant property in the future, the REIT will be free to engage any third party property manager that it deems appropriate. In the event that the External Management Agreement is terminated, the Property Management Agreements may also be terminated by the REIT upon the payment of 12 months’ property management fees based on the last completed fiscal year.

For greater certainty, other than the property management arrangements already in place, none of which has a term of more than one year, the REIT will have full discretion at all times to decide whether to retain ACPI, the Property Manager or a third party property manager to manage any of its properties.

See “Management of the REIT — Property Management Agreements”.

Non-Competition and Non-Solicit Agreement

Pursuant to the Non-Competition and Non-Solicit Agreement, ACPI will not, without the consent of the Independent Trustees, directly solicit an existing tenant of a REIT property to move to a non-REIT property in which ACPI has an ownership interest or that it manages for another client. Without the prior approval of the Independent Trustees, ACPI will not be entitled to act as the promoter of, or asset manager to, any publicly-traded real estate business, nor will ACPI and its directors, officers and employees independently engage in or receive the benefits from business activities that are competitive with the affairs of the REIT, other than those previously existing arrangements that have been disclosed to the Board and investments of up to 5% of the issued and outstanding equity securities of any public issuer. Further, ACPI will conduct itself professionally, ethically and otherwise as a prudent manager would with respect to the entire property acquisition process. It will offer all acquisition opportunities for income producing office, industrial and retail properties in Canada or the United States to the REIT at the same time as such opportunities are offered to ACPI's other fiduciary, managed or client accounts. If, and to the extent that, ACPI proposes an acquisition opportunity to the REIT where the opportunity is being sourced from another fiduciary, managed or other client account of ACPI, ACPI will ensure that the Independent Trustees receive all of the material terms and conditions of the proposed transaction and all of the material information about the property that ACPI may legally provide. If the REIT elects not to proceed with an acquisition opportunity presented by ACPI, ACPI may propose such opportunity to any other person. The Non-Competition and Non-Solicit Agreement will be in effect so long as ACPI is the external asset manager of the REIT. The obligation not to solicit existing tenants will continue for 12 months if the External Management Agreement is terminated due to an event of default (as defined therein) by ACPI.

See "Management of the REIT — Non-Competition and Non-Solicit Agreement".

Debt Strategy and Indebtedness

The REIT intends to maintain a balanced debt profile, taking into account market conditions and the financial characteristics of each property. The REIT's future debt strategy will be to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of its portfolio. The REIT's preference is to have staggered debt maturities to mitigate interest rate risk and limit re-financing exposure in any particular period. The REIT also intends to enter into long-term loans at fixed rates when borrowing conditions are favourable.

The REIT will use debt level indicators and cash flow measures to assess its ability to meet its financing obligations. It intends to target a total indebtedness level between 55% and 60% of GBV. Acquiring unencumbered properties will provide added flexibility to the REIT's capital structure as the REIT will be able to place financing on such properties at a later date to take advantage of a buying opportunity or to replace expiring debt when refinancing options are limited or expensive.

The REIT intends to finance the Acquisitions and the ongoing operations of the Initial Properties through assumed mortgages and with a combination of fixed rate secured term debt with staggered maturities and floating rate secured revolving debt. The REIT's aggregate indebtedness will include:

- an amortizing term loan of U.S.$86.0 million with a fixed interest rate, secured by each of the Initial Properties located in the United States other than the Initial Property located 1000 and 1100 Warrenville Road, Naperville, Illinois;
- a revolving credit facility of up to a maximum amount of $120 million with a floating interest rate, secured by the Initial Properties located in Canada other than the Initial Property located at 240 Bank Street, Ottawa, Ontario. Subsequent to the Offering, the undrawn portion of this revolving facility will be available for general purposes, including short-term financing of future acquisitions, in both Canadian and U.S. dollars; and
- two mortgages with fixed interest rates assumed in connection with the purchase of the Initial Property located at 240 Bank Street, Ottawa, Ontario (principal amount of approximately $2.5 million) and the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois (principal amount of approximately $54.2 million).

See "Debt Strategy and Indebtedness".

Financial Forecast

The financial forecast information set forth below is based upon the financial forecast prepared by management, using assumptions with an effective date of October 1, 2012. The forecast has been prepared on the basis that the Initial Properties will be acquired at Closing and using assumptions that reflect management's intended course of action for the REIT for the periods covered, given management's judgement as to the most probable set of economic conditions. The forecast assumes that the Over-Allotment Option is not exercised, no acquisitions are completed during the period and the capital structure at Closing is maintained throughout the forecast period. **The assumptions used in the preparation of the forecast, although considered reasonable at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that the actual results achieved by the REIT for the forecast period will vary from the forecast results and the variations may be material. See "Forward-Looking Statements" and "Financial Forecast".**

	Three-month period ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
			(in thousands of $)		
Revenue					
Gross revenue	$14,180	$14,467	$14,624	$14,638	$57,909
Expenses					
Property operating	3,733	3,742	3,756	3,800	15,031
Property taxes	2,115	2,115	2,115	2,117	8,462
General and administrative	707	707	707	705	2,826
Finance costs	2,380	2,375	2,369	2,362	9,486
Deferred income taxes	809	809	809	807	3,234
	$ 9,744	$ 9,748	$ 9,756	$ 9,791	$39,039
Net income and comprehensive income	**$ 4,436**	**$ 4,719**	**$ 4,868**	**$ 4,847**	**$18,870**

Forecast Non-IFRS Reconciliation

The following table reconciles forecast net income to FFO, AFFO and NOI. See "Non-IFRS Measures" and "Financial Forecast".

	Three-month period ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of $)				
Net income for the period	$ 4,436	$ 4,719	$ 4,868	$ 4,847	$ 18,870
Add/(Deduct)					
Fair value adjustments to investment properties	—	—	—	—	
Fair value adjustments to financial instruments	—	—	—	—	
Deferred income taxes	809	809	809	807	3,234
FFO	**$ 5,245**	**$ 5,528**	**$ 5,677**	**$ 5,654**	**$ 22,104**
Add/(Deduct)					
Amortization of fair value adjustment on assumed debt	$ (153)	$ (154)	$ (155)	$ (157)	$ (619)
Amortization of deferred financing costs	96	97	97	96	386
Straight-line rent	(382)	(382)	(382)	(381)	(1,527)
Unit price performance fee expense	10	10	10	10	40
Leasing cost & tenant improvement reserve	(705)	(705)	(705)	(704)	(2,819)
Capital expenditure reserve	(282)	(282)	(282)	(282)	(1,128)
AFFO	**$ 3,829**	**$ 4,112**	**$ 4,260**	**$ 4,236**	**$ 16,437**
FFO/Unit	$ 0.27	$ 0.29	$ 0.30	$ 0.30	$ 1.16
AFFO/Unit	$ 0.20	$ 0.22	$ 0.22	$ 0.22	$ 0.86
NOI Reconciliation					
Gross Revenue	$14,180	$14,467	$14,624	$14,638	$ 57,909
Property operating expenses	(5,848)	(5,857)	(5,871)	(5,917)	(23,493)
Net operating income	**$ 8,332**	**$ 8,610**	**$ 8,753**	**$ 8,721**	**$ 34,416**

Below is a reconciliation of the pro forma NOI for the twelve months ended September 30, 2012 to the forecast NOI for the twelve months ending December 31, 2013. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of rental activity, market rental rates and the items that make up inflation and other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors

should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

NOI for the twelve months ended September 30, 2012[(1)]	**$27,912**
In-place leasing activity and other	722
Maximum lease payments under Vendor Leases[(2)]	3,310
Contractual NOI in forecast period	**$31,944**
Speculative leasing of non-vendor leased space in forecast period	945
Forecast NOI[(3)]	**$32,889**

Notes:

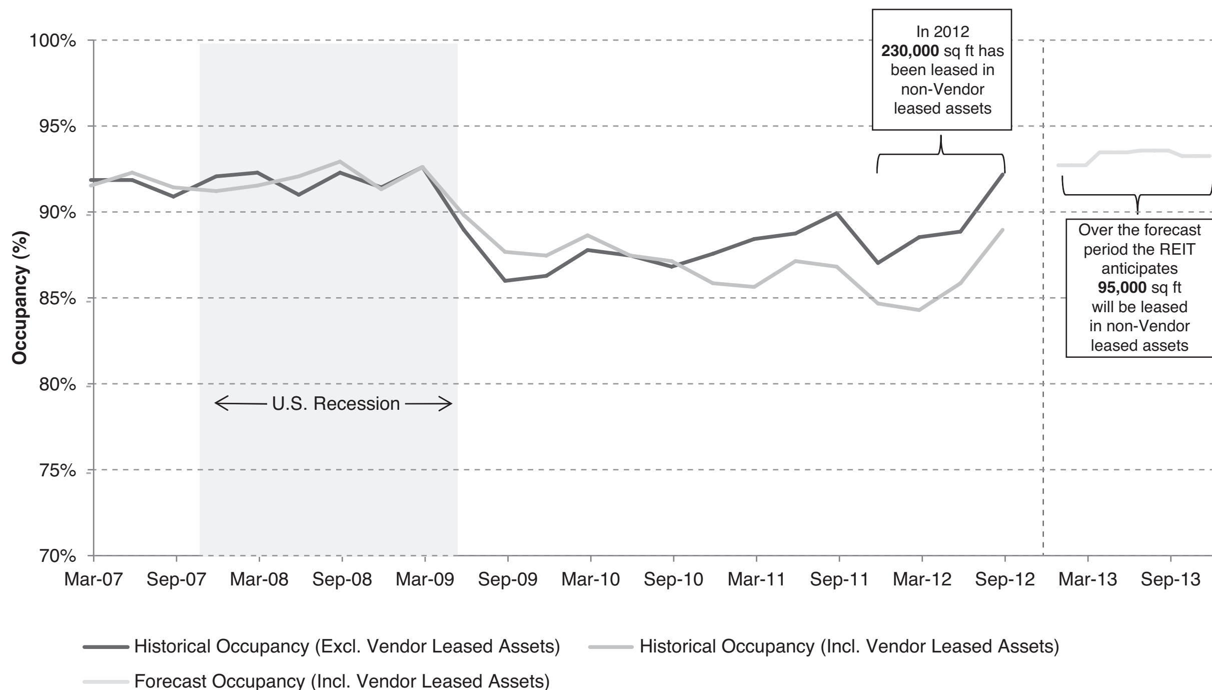
(1) Based on NOI for the nine month period ended September 30, 2012, the nine month period ended September 30, 2011 and the twelve month period ended December 31, 2011 of $22,262, $22,294 and $28,272, respectively, adjusted for straight-line rent of $41, $666 and $953 for each period, respectively.

(2) The maximum lease payments under the Vendor Leases is $3,310. However, it is expected that a portion of the space covered by the Vendor Leases will be leased to subtenants during the forecast period. Therefore, $1,815 of payments under the Vendor Leases are included in the forecast.

(3) Based on NOI for the forecast twelve month period ending December 31, 2013 of $34,416, adjusted for straight-line rent of $1,527 for the same period.

The following table depicts the historical and forecast occupancy for the Initial Properties:

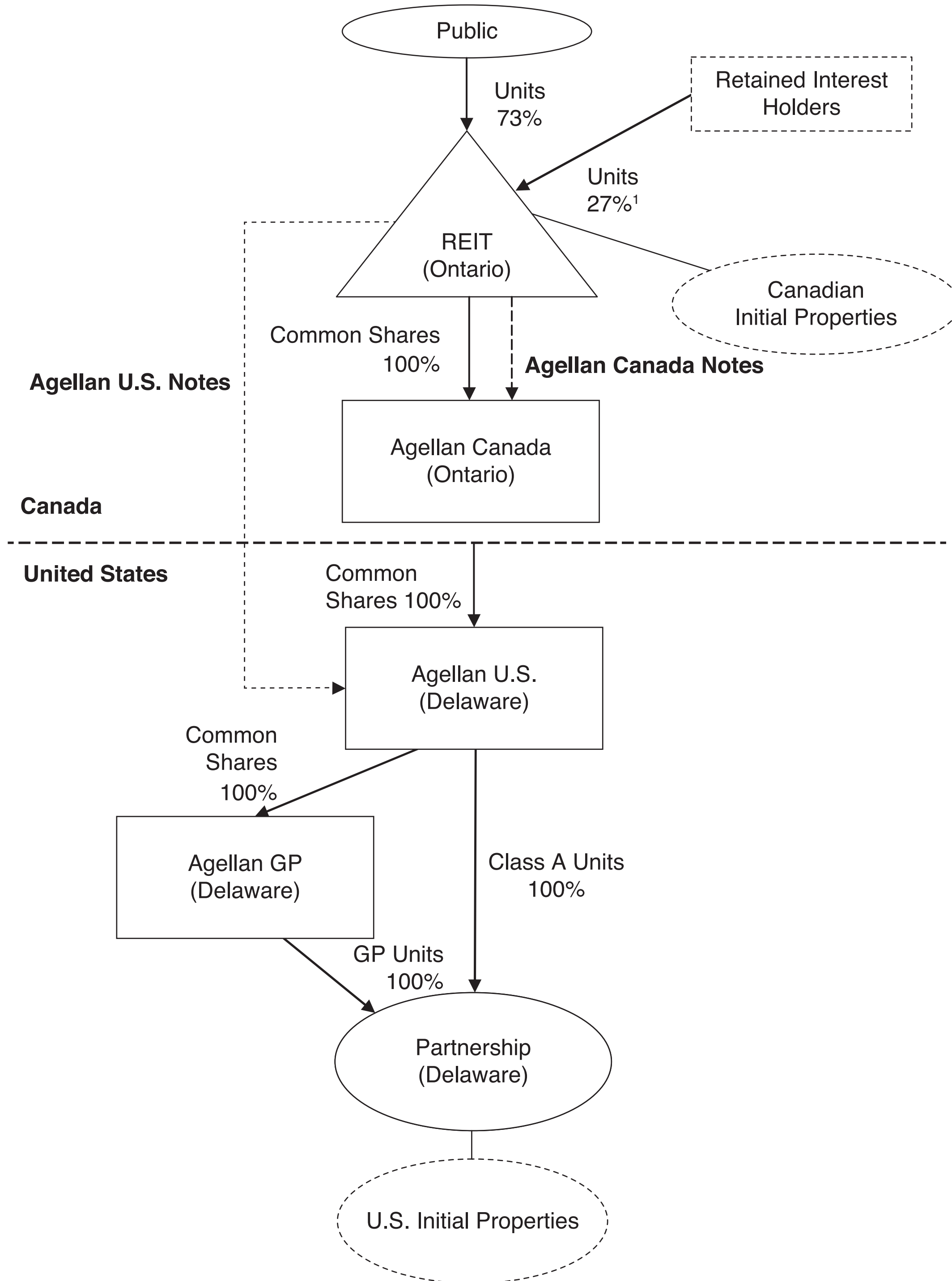
Initial Properties — Historical & Forecast Occupancy



The Initial Properties experienced significant lease-up in 2012, having leased-up approximately 800,000 square feet of total space, including approximately 325,000 square feet representing new tenants and approximately 475,000 square feet representing renewals. In addition, there is currently leasing activity with prospective tenants representing approximately 290,000 square feet of space.

POST-CLOSING STRUCTURE

The following chart sets out the simplified organizational structure of the REIT immediately following Closing:



Note:

(1) On Closing, the CarVal Retained Interest Holders will hold an approximate 26.5% interest in the REIT (or an approximate 18.9% interest in the REIT if the Over-Allotment Option is exercised in full). The ACPI Retained Interest Holders will hold an additional approximate 0.5% interest in the REIT (or an approximate 0.4% interest in the REIT if the Over-Allotment Option is exercised in full).

THE OFFERING

Offering: 13,461,943 Units.

Amount: $134,619,430.

Price: $10.00 per Unit.

Over-Allotment Option: The REIT and the Retained Interest Holders have granted to the Underwriters an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an aggregate of 2,019,292 additional Units at a price of $10.00 per Unit solely to cover over-allotments, if any, and for market stabilization purposes. See "Plan of Distribution".

Use of Proceeds: The net proceeds of the Offering will be used by the REIT to acquire, directly and indirectly, the Initial Properties and to pay for costs associated with the Offering and the Acquisitions. The Offering is conditional on, among other things, the Underwriters' satisfaction that the Acquisitions are completed prior to or in connection with Closing.

The net proceeds to the REIT of the Over-Allotment Option will be used by the REIT either to reduce debt or for general trust purposes. See "Plan of Distribution".

Unit Attributes: The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of unitholders. See "Declaration of Trust".

Retained Interest: In connection with Closing, the CarVal Retained Interest Holders will acquire Units issued to the Vendors as partial consideration for the sale of the Initial Properties representing, in the aggregate, an approximate 26.5% interest in the REIT (an approximate 18.9% interest in the REIT if the Over-Allotment Option is exercised in full). The CarVal Retained Interest Holders are entities controlled by CarVal. In addition, the ACPI Retained Interest Holders will acquire Units issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT representing, in the aggregate, a further approximate 0.5% interest in the REIT (a further approximate 0.4% interest in the REIT if the Over-Allotment Option is exercised in full). Further, the ACPI Principals will acquire an additional 441,664 Units by subscription directly from the REIT. The Retained Interest Holders will be contractually obligated to hold the Units comprising the Retained Interest for 18 months from the date of Closing and will pledge those Units to the REIT as security for a guarantee of certain obligations of the Vendors. The ACPI Principals will also be contractually obligated to hold the Units subscribed for at Closing for 18 months. CarVal will be granted the right to nominate one Trustee, subject to the CarVal Retained Interest Holders maintaining, in the aggregate, a specified ownership threshold. See "Retained Interest" and "Management of the REIT".

The CarVal Retained Interest Holders will have demand and "piggy-back" registration rights with respect to public offerings by the REIT. See "Retained Interest — Registration Rights".

Distribution Policy: The REIT initially intends to adopt a distribution policy pursuant to which it will make cash distributions to Unitholders on each monthly Distribution Date equal to, on an annual basis, approximately 90% of estimated AFFO

	for the period ended December 31, 2013. Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. The first distribution for the period from Closing to February 28, 2013 will be paid on March 15, 2013. The REIT intends to make subsequent monthly distributions in the estimated amount of $0.06458 per Unit commencing April 15, 2013. Distributions will be made in cash, subject to an election by a Unitholder to have the Unitholder's distributions automatically reinvested in additional Units under the REIT's DRIP. Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions. See "Distribution Policy".
Distribution Reinvestment Plan:	Following Closing, and subject to regulatory approval, the REIT intends to adopt a plan pursuant to which Unitholders will be entitled to elect to have all cash distributions of the REIT payable to such Unitholders automatically reinvested in additional Units at a price per Unit calculated by reference to the volume weighted average of the trading price for the Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal to 3% of each distribution that was reinvested by them. See "Distribution Policy — Distribution Reinvestment Plan".
Risk Factors:	An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT's properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry, the REIT and its business and the Offering. See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

THE REIT

Overview

The REIT is an unincorporated, open-end real estate investment trust created by the Declaration of Trust under, and governed by, the laws of the Province of Ontario. The registered and head office of the REIT is located at 156 Front Street, Toronto, Ontario, M5J 2L6. The REIT has been created for the purpose of acquiring and owning industrial, office and retail properties in select target markets in the United States and Canada. On Closing, the REIT will directly and indirectly acquire interests in a portfolio of 23 properties located in the United States and Canada comprising 18 industrial properties containing 2.8 million square feet of GLA, four office properties containing 1.4 million square feet of GLA and one retail property containing 45 thousand square feet of GLA. Of the 23 Initial Properties, 22 have been managed by ACPI on behalf of CarVal. The remaining Initial Property, which is located at 1000 and 1100 Warrenville Road, Naperville, Illinois, has been managed by another company on behalf of CarVal.

The Initial Properties located in the United States consist of 18 industrial properties, 15 of which are located in Houston, Austin and Dallas, Texas. In addition, there is one industrial property located in the metropolitan statistical areas ("**MSAs**") of each of Columbus, Ohio, Baltimore, Maryland and Indianapolis, Indiana, as well as one office property located in the MSA of Chicago, Illinois. The Initial Properties located in Canada consist of three office properties located in Toronto and Ottawa, Ontario, and one retail property located in Ottawa's National Capital Region. See "The Initial Properties".

The REIT's asset manager will be ACPI, a privately held real estate investment management company that acquires and manages commercial real estate assets across the United States and Canada. Founded in 2003, ACPI has transacted over $1.3 billion of commercial real estate on behalf of its clients and has managed commercial real estate totalling up to approximately eight million square feet. ACPI's client base includes pension funds, financial institutions, international corporations and private entities. See "Management of the REIT".

Objectives of the REIT

The objectives of the REIT are to:

- Provide Unitholders with stable, predictable and growing cash distributions on a tax-efficient basis;
- Enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and
- Expand the asset base of the REIT and increase the REIT's AFFO per Unit, including through accretive acquisitions.

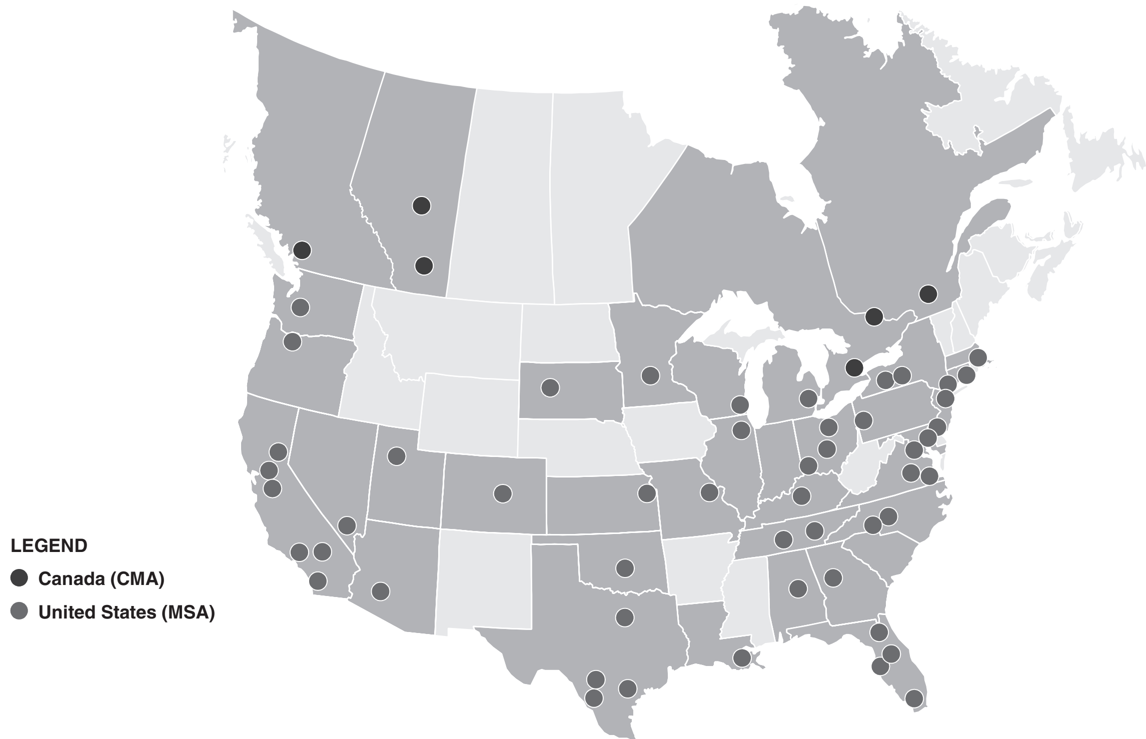
Market Opportunity

The REIT will invest in income producing properties in the United States and Canada in the industrial, office and retail asset classes. Management believes that an investment in a commercial real estate platform that is diversified with respect to both geography and asset class has the potential to deliver attractive risk-adjusted returns, particularly given the volatile global economy and prevailing low interest rate environment.

In addition to providing investors with exposure to an attractive portfolio of Initial Properties, the REIT will also target external growth in markets that offer quality commercial real estate assets at compelling relative valuations. Given current property market conditions in the United States and Canada, management believes that the REIT should focus its near — to medium-term acquisition efforts on the United States market for a number of reasons, including the following:

(1) *Large Number of U.S. Markets*: The United States economy is much larger than the Canadian economy and, accordingly, presents considerably more opportunities to pursue accretive external growth. The United States currently has 51 MSAs with populations greater than one million people. In contrast, Canada has only six census metropolitan areas ("**CMAs**") with a population greater than one million people. Furthermore, while many markets in the United States with populations in excess of

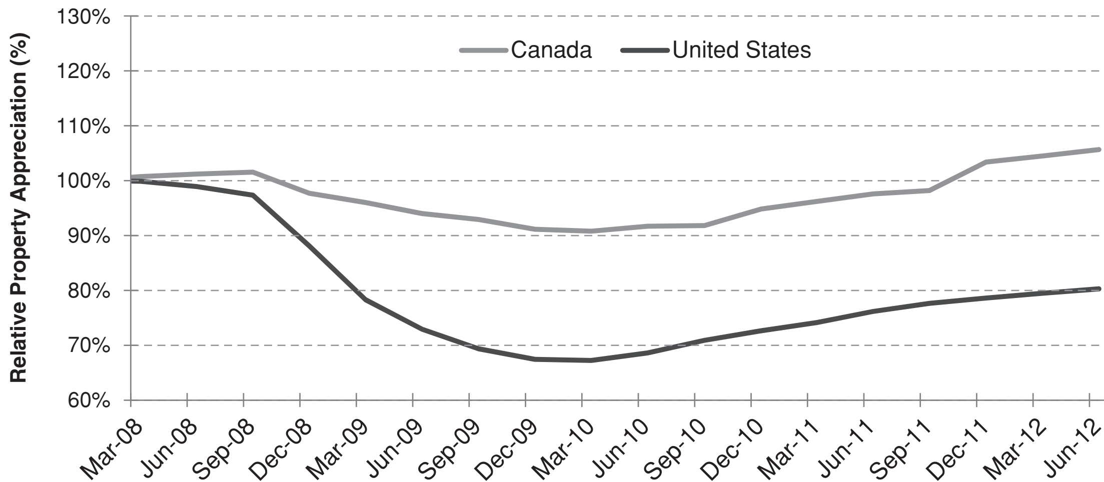
one million people are considered to be "secondary markets" by United States standards, such markets are, in fact, either of similar size or larger than many of Canada's major markets.



(2) *Compelling Trends and Relative Valuations*: The current exchange rate environment provides Canadian investors with an attractive opportunity to acquire assets in the United States. Over the past three decades, the Canadian dollar has, on average, traded at U.S.$0.80, which is significantly lower than the prevailing spot exchange rate. Management believes that the buying opportunity created by the current relative strength of the Canadian dollar is unique relative to historical averages.

In addition, the United States real estate market has underperformed the Canadian market since 2007 and management believes that the United States market currently represents a relatively attractive investment opportunity. Over the last five years, there has been a significant disparity in property appreciation between the United States and Canada. In particular, commercial property prices in the United States still remain more than 20% below where they were prior to the recession of 2008/2009 while, in comparison, Canadian commercial property prices are currently at or above 2007 levels.

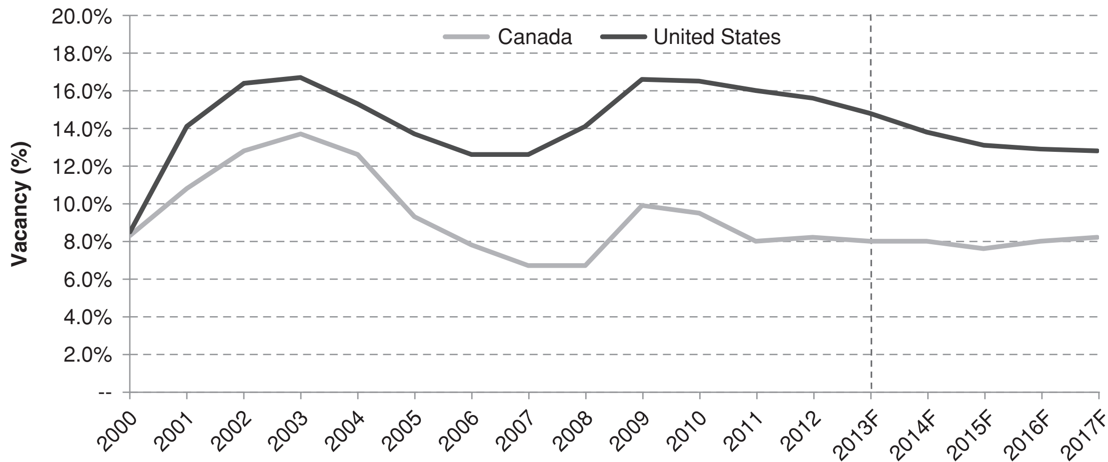
Commercial Property Relative Valuation



Source: International Property Databank

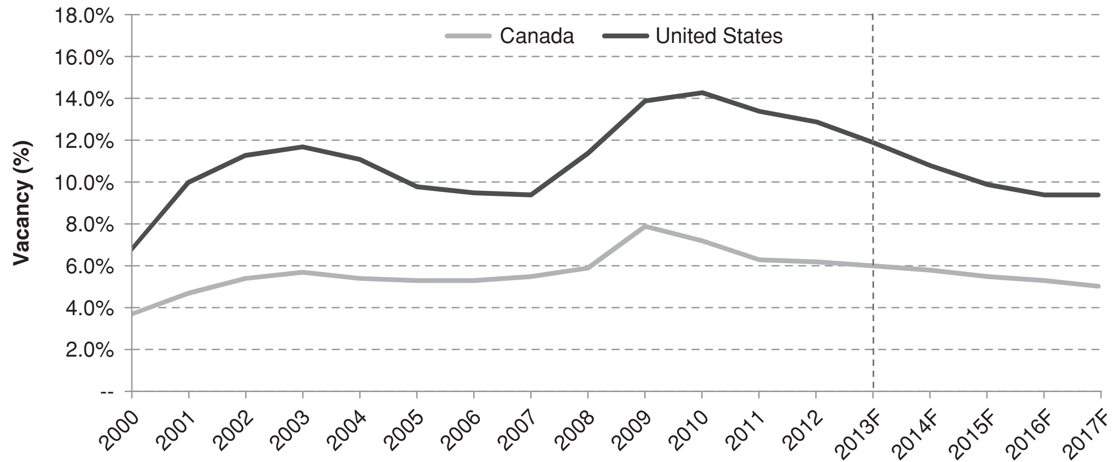
Lastly, management also believes that improving operating fundamentals in the industrial and office asset classes in the United States makes it an opportune time to invest. As depicted in the graphs below, Canadian office and industrial vacancies are much closer to pre-recessionary levels than comparable vacancies in markets in the United States. According to CBRE Limited, office and industrial vacancies in the United States are forecast to continue to decrease over the next three years. Management expects that declining vacancies, combined with limited new construction in the United States markets in which the REIT operates, will result in upward pressure on rental rates and property valuations.

Office Vacancies



Source: CBRE Research

Industrial Vacancies



Source: CBRE Research

(3) *Availability of Supply*: Management believes that since the recession of 2008/2009, real estate acquisition activity in the United States has been primarily driven by large national and international pension funds, private equity funds and real estate investment trusts in the United States. These investors have focused their acquisition efforts primarily on trophy or class "A" assets, defined by management as "the best looking buildings occupying the best positions with superior quality mechanics, having premier tenants and typically commanding the highest rents in the area", in an effort to reduce perceived risk. Management believes that this phenomenon has resulted in reduced liquidity for, and an increased supply of, class "B" assets, defined by management as assets typically offering moderate, acceptable finishes with adequate (but not state of art) mechanical systems, in a good location, competing for a wide range of tenants at rents which are typically average for the area, which are capable of providing attractive and stable risk-adjusted returns. Management futher believes that this supply-demand imbalance for class "B" assets has been exacerbated as certain real estate vehicles in the United States have been selling assets in order to focus on their core portfolios and/or to repay debt. Furthermore, in management's judgment, the current lending environment is lacking in high loan-to-value financing and is forcing owners of quality properties to liquidate assets for the purposes of servicing debt repayment obligations. The lack of high leverage financing has also reduced the number of competing buyers, further enhancing the opportunity for well-capitalized investors to enter these markets and acquire commercial real estate at compelling valuations. Based on the foregoing, management believes that the REIT will have ample opportunity to acquire quality income-producing assets in the United States at a significant discount to both peak value and replacement cost.

In addition to the foregoing factors, it should also be noted that ACPI, the REIT's asset manager, has significant experience acquiring and managing real estate in both the United States and Canada, and has a strong track record of investing in and operating retail, office and industrial assets. This combination of geographic and asset class expertise will afford the REIT the flexibility to pursue acquisitions in whichever markets offer the most compelling relative valuations. Furthermore, through its experience in both the United States and Canada, ACPI has cultivated a broad network of relationships with the brokerage community, vendors of assets and key tenants. ACPI intends to leverage this network to provide the REIT with compelling acquisition opportunities and attractive tenancies.

Investment Highlights

- ***Attractive and Stable Yield.*** The REIT intends to pay stable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 7.75%, based on an AFFO payout ratio of 90%. See "Distribution Policy" and "Presentation of Financial Information — Non-IFRS Measures".

- ***Diversified Portfolio and Platform for Future Growth.*** The REIT's portfolio of properties will initially consist of the Initial Properties, being 23 properties with 47 buildings and approximately 4.2 million square feet of GLA primarily located in Ontario, Texas and the mid-western United States. The Initial Properties are well-diversified geographically, with those located in Canada accounting for approximately 43% of forecast NOI for the 12-month period ended December 31, 2013 and those located in the United States accounting for approximately 57% of forecast NOI for the same period. The Initial Properties are also diversified by asset class, with approximately 62% and 36% of forecast NOI attributable to office and industrial properties, respectively.

  In addition to compelling geographic diversification, the Initial Properties will also provide the REIT with a platform upon which to build a much larger portfolio through both organic growth and acquisitions.

- ***High-Quality Tenant Profile.*** The REIT will have a well-diversified tenant profile reflecting an attractive mix of national, regional and local tenants. Several of the REIT's largest tenants, such as Shoppers Drug Mart, Domino's Pizza, Health Care Service Corporation and IBM, rent space pursuant to long term, triple-net leases. Furthermore, tenants with an investment grade credit rating represent approximately 38% of the base rent of the Initial Properties during the forecast period. See "The Initial Properties — Tenant Mix".

- ***Opportune Time to Invest in U.S. Commercial Real Estate.*** The REIT is well-positioned to take advantage of the prevailing real estate and economic trends in the United States. Given the current state of the United States economy, management believes that there will be numerous opportunities to acquire attractively priced commercial real estate in the United States over the near term. In particular, while vacancy rates in the United States are currently higher than they are in Canada, according to CBRE Research, vacancies in the United States are expected to decrease over the next few years as the United States economy strengthens, making this an ideal time to enter the United States commercial real estate market. Further, the Canadian dollar is currently very strong against the U.S. dollar relative to historical averages, and management believes the REIT will be in a position to acquire commercial real estate in the United States while bearing a relatively low risk of currency devaluation. These factors combine to create an attractive opportunity to invest in commercial real estate in the United States. See "The REIT — Market Opportunity".

- ***Track Record and Experience of Management and the Board.*** The REIT will be managed by ACPI, which boasts a team of talented senior professionals with experience in asset management, property management, acquisitions, dispositions, financing and leasing. The senior principals of ACPI collectively have over 100 years of commercial real estate and capital markets experience. ACPI also has extensive experience with the Initial Properties, having managed 22 of the 23 assets.

  ACPI was founded in 2003 and has an established track record of delivering above-market returns to its clients, which include pension funds, institutions, international corporations and private entities. Furthermore, the REIT believes that ACPI's cross-border asset management expertise and extensive relationship network across the asset classes in which it operates create a significant competitive advantage for the REIT, allowing it to pursue external growth opportunities in both the United States and Canada.

  Further, the majority-independent Board is comprised of Trustees with extensive experience in the real estate industry, governance and audit matters and the President of the REIT will be employed internally. Among other things, the President will work with the Board to evaluate growth opportunities presented to the REIT by ACPI.

- ***Alignment of Interests.*** In exchange for providing managerial services to the REIT, ACPI will earn a base asset management fee expressed as a percentage of the GBV of the REIT's assets. ACPI will not charge any acquisition, disposition, financing, leasing, construction or development fees, but rather will earn an incentive fee equal to 15% of any excess AFFO greater than 103% of forecast AFFO as set forth under "Financial Forecast". This fee arrangement will align ACPI's interests with those of Unitholders and incentivize ACPI to deliver accretive per Unit growth to Unitholders. In addition, the External

Management Agreement will only automatically renew after its initial five year term if the REIT's AFFO per Unit for the year ended December 31, 2017 is greater than 115% of the forecast AFFO per Unit as set forth under "Financial Forecast". See "Management of the REIT — External Management Agreement".

Furthermore, on Closing, the ACPI Retained Interest Holders will hold 95,082 Units and the ACPI Principals will subscribe for an additional 441,664 Units, all of which will be subject to a contractual hold period of 18 months following Closing. This retained ownership position will serve to further align the interests of ACPI with those of the other Unitholders. See "Retained Interest" and "Governance of the REIT".

Finally, the compensation package for the REIT's internally-employed President has been designed to be aligned with the REIT's performance, including incentives designed to motivate the President towards creating sustainable, long-term, profitable growth. See "Executive Compensation — Compensation of the President".

GROWTH STRATEGIES OF THE REIT

Growth Strategies

The REIT intends to pursue the following growth strategies to achieve its objectives:

- ***Optimize the performance, value and cash flow of its portfolio.*** The REIT will manage its properties to optimize their performance, value and long-term cash flow generation capabilities. The REIT intends to maximize the economic potential of each individual property through an intensive and creative "hands on" approach to asset and property management. The REIT will benefit from ACPI's well-established track record of value-enhancement and intimate understanding of the Initial Properties and their respective markets. Management will continue to develop its market intelligence by reviewing real estate markets in the United States and Canada with top area brokers. Furthermore, the REIT will focus on maintaining strong relationships with existing tenants, which should allow the REIT to avoid the additional marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental income resulting from periods of vacancy and tenant renovations.

- ***Acquire industrial, office and retail properties at attractive yields.*** The REIT's core strategy is to invest in income-producing commercial properties that (i) are located in key economic centres in the United States and Canada, (ii) provide attractive yields and (iii) have the potential to deliver predictable and growing cash flows. In furtherance of this objective, the acquisition of the Initial Properties will provide the REIT with an initial presence in a number of attractive markets in both the United States and Canada, as well as a platform for future growth.

  Following the completion of the Offering, the REIT will seek to expand its asset base through accretive acquisitions of high-quality commercial real estate in growing markets within the United States and Canada. In addition to improving the REIT's AFFO per Unit, it is expected that such external acquisitions will further improve the sustainability of distributions, strengthen the REIT's tenant profile and mitigate concentration risk. Management also anticipates that such accretive growth will reduce the REIT's cost of capital, further enhancing its ability to competitively bid on acquisition opportunities.

  Commercial real estate markets in the United States offer more acquisition opportunities than Canadian markets due to a greater number of urban centres, a much larger economy and significantly less concentrated ownership of real estate. Notably, the United States has approximately 51 MSAs with populations above one million people, compared to only six CMAs with populations above one million people in Canada. Furthermore, management believes that favourable commercial real estate conditions in the United States combined with a favourable exchange rate environment makes this an opportune time for the REIT to pursue acquisitions in the United States. See "The REIT — Market Opportunity".

Factors Facilitating External Growth

Among other things, management believes that the REIT's external growth strategy will be facilitated by:

- ***Extensive Relationships.*** ACPI has an existing relationship network with brokers, managers, owners and other industry players in both the United States and Canada. The REIT expects to use its relationship network to source acquisitions. Furthermore, potential sellers will likely seek out the REIT as a credible buyer with access to capital.

- ***An Experienced Cross-Border Acquisition Team.*** ACPI's knowledge of the REIT's target markets will enable the REIT to identify and capitalize on attractive acquisition opportunities. Since its inception, ACPI and its principals have transacted over $1.3 billion worth of industrial, office and retail real estate in both the United States and Canada. This experience will provide the REIT with the flexibility to pursue acquisitions in whichever markets in the United States and Canada and asset classes offer the most compelling relative valuations.

- ***Access to Capital.*** In acquiring properties, the REIT expects to compete against both public and private purchasers. As a public real estate investment trust, the REIT believes that its access to public capital will provide it with an advantage over those competing property purchasers that are entirely dependent on private sources of financing.

REAL ESTATE MARKET CHARACTERISTICS

Market Overview

The following economic information was assembled from government and industry sources considered by the REIT to be reliable.

Canada

	2007	2008	2009	2010	2011
Canada (Pop. 34,500,000)					
Real GDP Growth	2.2%	0.7%	(2.8)%	3.2%	2.4%
Export Growth	2.1%	8.4%	(26.5)%	11.9%	12.0%
Retail Sales Growth	5.9%	3.7%	(2.9)%	5.6%	4.1%
Unemployment Rate	6.1%	6.1%	8.3%	8.0%	7.5%
Population Growth	1.1%	1.2%	1.2%	1.2%	1.0%

Source: Statistics Canada

In 2011, the Canadian economy continued to recover from the 2008/2009 recession, realizing moderate real GDP growth of 2.4%. This pace of economic expansion continued in 2012, with real GDP growth in the first and second quarters of 2012 reaching 1.8% and 1.9%, respectively, on an annualized basis.[1] While persistent uncertainty regarding the strength of the global economy and the ultimate outcome of the European sovereign debt crisis have been overhanging factors that have limited the pace of Canada's economic recovery, the country's strong financial system, relatively low unemployment rate and low interest rate environment provide a platform for future growth and a favourable business environment for owners of commercial real estate.

Ontario

	2007	2008	2009	2010	2011
Ontario (Pop. 13,500,000)					
Real GDP Growth	2.0%	(0.6)%	(3.2)%	3.0%	2.1%
Export Growth	(0.1)%	(7.7)%	(23.3)%	16.3%	6.5%
Retail Sales Growth	3.8%	3.9%	(2.5)%	5.4%	3.6%
Unemployment Rate	6.4%	6.6%	9.0%	8.7%	7.8%
Population Growth	1.0%	1.1%	1.1%	1.2%	1.1%
Greater Toronto Area (Pop. 5,600,000)					
Office Occupancy Rate	92.8%	93.2%	90.6%	90.9%	92.1%
Office Average Rental Growth	11.1%	1.9%	3.5%	(2.5)%	(0.4)%
Greater Ottawa Area (Pop. 1,200,000)					
Office Occupancy Rate	94.4%	95.4%	95.3%	94.8%	94.0%
Office Average Rental Growth	14.7%	10.7%	(10.6)%	(6.3)%	6.9%

Source: Statistics Canada, CBRE

Ontario's economy is robust and well-diversified, with both the service and manufacturing sectors playing important roles in the province's economic growth. Ontario's economy is largely export-focused, with trade with the United States a particularly important part of its economy. More than 75% of the province's foreign exports are sold to the United States.[2] Recent data suggests that economic recovery in the United States is supporting export activity and economic growth; in the first half of 2012, exports to international markets were up 9.1%

(1) Source: Statistics Canada.

(2) Source: Ontario Ministry of Finance October 2012 Fact Sheet.

compared to the same period a year earlier.[3] This suggests that the province is well-positioned for future growth, which management believes should result in improving conditions for commercial real estate owners. While rents and occupancy rates for office and industrial assets in major Ontario markets suffered during the 2008/2009 recession, operating fundamentals within these asset classes have generally improved and continue to exhibit positive trends.

United States

	2007	2008	2009	2010	2011
U.S. (312,000,000)					
Real GDP Growth	1.9%	(0.3)%	(3.1)%	2.4%	1.8%
Export Growth	11.9%	12.1%	(18.0)%	21.0%	15.8%
Retail Sales Growth	3.4%	(0.9)%	(7.4)%	5.6%	7.9%
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%
Population Growth	1.0%	0.9%	0.9%	0.8%	0.7%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS

The United States economy is still in recovery from the 2008/2009 recession. While the pace of the economic recovery has been moderate, the country nonetheless continues to experience positive economic growth and declining unemployment. This pace of slower growth is projected to continue in the coming years and, in response, the U.S. Federal Reserve has indicated its willingness to maintain low benchmark interest rates into the foreseeable future.[4]

Texas

	2007	2008	2009	2010	2011
Texas (Pop. 25,700,000)					
Real GDP Growth	5.4%	0.5%	(1.8)%	5.2%	3.3%
Export Growth	11.5%	14.3%	(15.2)%	26.8%	(8.8)%
Retail Sales Growth	4.5%	(3.0)%	2.9%	6.0%	5.6%
Unemployment Rate	4.4%	4.9%	7.5%	8.2%	7.9%
Population Growth	2.0%	2.0%	2.0%	1.8%	1.7%
Houston (Pop. 6,100,000)					
Industrial Occupancy Rate	91.7%	91.0%	89.6%	89.4%	90.7%
Industrial Average Rental Growth	0.5%	—	(5.7)%	(2.2)%	1.1%
Austin (Pop. 1,700,000)					
Industrial Occupancy Rate	87.6%	85.8%	83.1%	83.2%	85.7%
Industrial Average Rental Growth	3.1%	0.4%	(5.0)%	(3.1)%	(0.6)%
Dallas — Fort Worth (Pop. 6,500,000)					
Industrial Occupancy Rate	87.5%	87.2%	87.2%	87.2%	87.2%
Industrial Average Rental Growth	2.9%	(0.6)%	(7.2)%	(4.5)%	(0.6)%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS, Bloomberg

Texas' economy is one of the largest in the United States and has been growing rapidly following the 2008/2009 recession. Strong economic growth in Texas has been fuelled by rapid population growth and an unprecedented energy boom in south-central and west Texas. New technologies and the discovery of vast energy resources across North America have further fuelled all energy-related sectors in Texas. A great deal of this growth has occurred in Houston, which, according to the official website of the City of Houston, is home to more

(3) Source: Ontario Ministry of Finance Quarterly Update — June 30, 2012.

(4) Source: U.S. Federal Reserve, Press Release October 24, 2012.

than 5,000 energy related firms and is considered by many to be the energy capital of the world. As of May 2012, Texas had the lowest unemployment rate among the top ten largest state economies and led the rest of the United States in job creation with more than 237,000 jobs created over the prior 12 months. Furthermore, by December 2011, Texas had regained all of the jobs lost during the recession, compared to just 34% of jobs regained in the United States as a whole.[(5)] Against this backdrop of strong economic growth, operating fundamentals within the industrial asset class have been improving. In recent years, occupancy rates have been stable or improving, while rental rates have been exhibiting positive trends. Management believes these fundamentals are expected to continue to improve as the Texas economy expands.

Ohio

	2007	2008	2009	2010	2011
Ohio (Pop. 11,500,000)					
Real GDP Growth	0.3%	(2.4)%	(6.2)%	2.7%	1.1%
Export Growth	11.5%	7.2%	(25.3)%	21.5%	12.0%
Retail Sales Growth	0.3%	(5.8)%	0.7%	4.2%	3.4%
Unemployment Rate	5.6%	6.6%	10.1%	10.0%	8.7%
Population Growth	0.2%	0.1%	0.1%	0.1%	0.1%
Columbus (Pop. 1,900,000)					
Industrial Occupancy Rate	90.6%	89.3%	88.6%	88.7%	89.2%
Industrial Average Rental Growth	2.0%	(0.3)%	(2.2)%	(2.9)%	(0.6)%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS, Bloomberg

Ohio is located in the industrial region of the United States, strategically situated on major inland waterways and the interstate roadway system. The state's role as an industrial hub is largely related to is proximity to major economic centres — indeed, approximately 59% of the populations of the United States and Canada live within 600 miles of Ohio.[(6)] The economy is focused on manufacturing, with leading producers of rubber, plastics, fabricated metals and electrical equipment/appliances located within the state.[(6)] Ohio is also a leading producer of steel and automotives.[(6)] As indicated in the table above, while the state's economy suffered during the 2008/2009 recession, economic growth has returned, albeit at a measured pace. Vacancies and rental rates have begun to show signs of improvement and management believes that trend should improve as the economic recovery gains momentum in the United States.

Indiana

	2007	2008	2009	2010	2011
Indiana (Pop. 6,500,000)					
Real GDP Growth	2.6%	(2.5)%	(7.0)%	5.9%	1.1%
Export Growth	14.5%	2.1%	(13.6)%	25.2%	12.6%
Retail Sales Growth	(0.8)%	(3.0)%	(0.3)%	4.9%	3.4%
Unemployment Rate	4.6%	5.9%	10.4%	10.1%	9.0%
Population Growth	0.7%	0.7%	0.5%	0.5%	0.4%
Indianapolis (Pop. 1,700,000)					
Industrial Occupancy Rate	90.1%	89.4%	88.5%	88.2%	90.3%
Industrial Average Rental Growth	2.5%	1.1%	(7.2)%	(3.4)%	0.9%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS, Bloomberg

(5) Source: U.S. Bureau of Labor Statistics.

(6) Source: Ohio Department of Development.

Indiana is strategically located in the mid-western United States, with more than 80% of United States domestic markets within one day's drive.[7] Indiana has the second largest motor vehicle industry in the United States and third largest life sciences sector.[7] Indiana's proximity to major markets in the United States and Canada, as well as its exposure to the manufacturing, professional services and life science industries have provided the state with a solid platform for future growth.[7] As indicated in the table above, industrial occupancy levels in Indianapolis have remained relatively stable despite the U.S. recession. Furthermore, industrial rents have begun to show signs of improvement, which leads management to believe that the asset class should experience an improvement in operating fundamentals as the state's economy continues to recover.

Maryland

	2007	2008	2009	2010	2011
Maryland (Pop. 5,800,000)					
Real GDP Growth	1.6%	1.3%	(1.6)%	2.9%	0.9%
Export Growth	17.7%	27.2%	(19.0)%	10.2%	7.0%
Retail Sales Growth	(0.1)%	(5.6)%	(0.0)%	6.2%	2.4%
Unemployment Rate	3.4%	4.3%	7.4%	7.8%	7.1%
Population Growth	0.5%	0.6%	0.8%	1.0%	0.7%
Baltimore (Pop. 2,700,000)					
Industrial Occupancy Rate	87.3%	85.8%	85.4%	85.4%	85.5%
Industrial Average Rental Growth	2.3%	(0.9)%	(2.2)%	(1.6)%	0.5%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS, Bloomberg

Maryland has a diversified and resilient economy focused on transportation, government services, defence/aerospace and bio-research.[8] While Maryland was negatively impacted by the 2008/2009 recession, economic activity within the state fell by less than the national average, as indicated in the tables above. Furthermore, during the recent recovery, state GDP and employment growth exceeded national averages. Maryland's unemployment rate at the end of 2011 of 7.1% was significantly below the national average, and unemployment claims have declined by 30% over the past three years.[9] As indicated in the table above, the performance of industrial real estate in Baltimore has remained relatively stable, with only a minor impact on vacancies and rents. The 2010 and 2011 data in the table above suggests that operating fundamentals in major markets are improving, which management believes provides a positive environment for owners of industrial real estate within the state.

Illinois

	2007	2008	2009	2010	2011
Illinois (12,875,000)					
Real GDP Growth	1.2%	(1.3)%	(4.0)%	3.0%	1.3%
Export Growth	16.0%	9.8%	(22.5)%	19.6%	30.3%
Retail Sales Growth	3.1%	(6.4)%	3.4%	7.8%	4.6%
Unemployment Rate	5.1%	6.4%	10.0%	10.5%	9.8%
Population Growth	0.4%	0.4%	0.4%	0.4%	0.2%
Chicago (Pop. 9,000,000)					
Office Occupancy Rate	84.4%	83.9%	81.9%	81.1%	81.4%
Office Average Rental Growth	5.8%	2.1%	(4.2)%	(2.3)%	0.8%

Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labour Statistics, REIS, Bloomberg

(7) Source: Indiana — Economic Development Fact Sheet.

(8) Source: Maryland Department of Economic and Business Development

(9) Source: Maryland — Economic Overview and Outlook.

Illinois has experienced steady growth since the 2008/2009 recession and has recently begun to regain a number of the jobs that it lost during the downturn, as indicated in the table above. Despite the recession, Illinois remains one of the United States' broadest and most diverse economies and is anchored by the Chicago MSA, with a focus on financial services, transportation and education and health services.[10] As shown in the table above, the office asset class within the state did experience an increase in vacancies and falling rents from 2007 to 2009; however, beginning in 2010, occupancy rates have stabilized and rental rates have begun to increase.

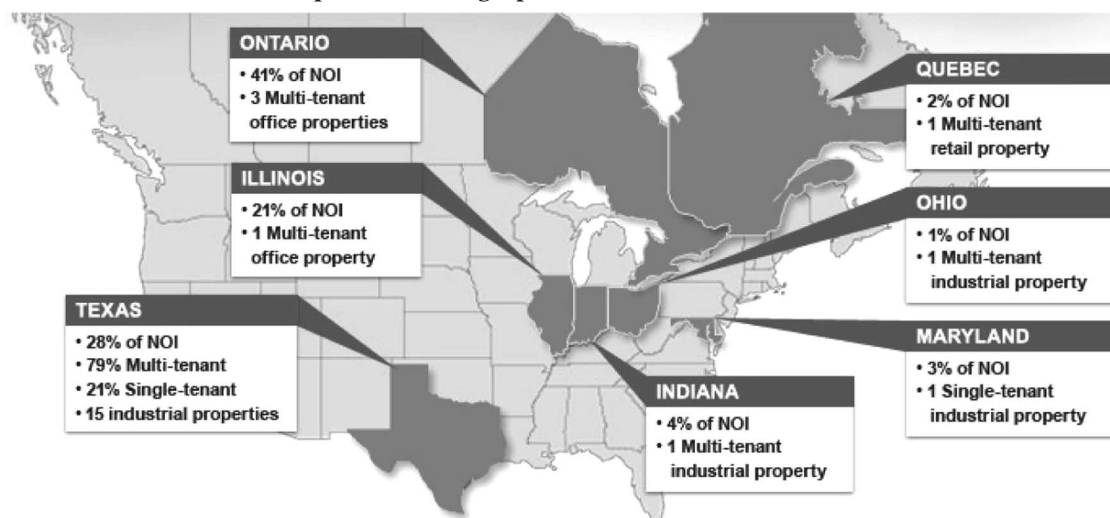
THE INITIAL PROPERTIES

On Closing, the REIT will directly and indirectly acquire a diversified portfolio of income-producing industrial, office and retail properties in the United States and Canada. The 23 Initial Properties comprise an aggregate of approximately 4.2 million square feet of GLA in 47 buildings.

The Initial Properties are well-located within their respective markets and provide an attractive platform from which to grow given their stable characteristics, which include high occupancy and tenant retention rates, as well as staggered lease and debt maturities. In addition, the geographic and tenant diversification within the portfolio of Initial Properties mitigates concentration risk and supports the stability of the REIT's cash flows.

The following map illustrates the geographic diversification of the Initial Properties. The map also depicts the relative NOI contributions of the Initial Properties located in each province and state to total forecast NOI for the REIT over the 12-month period ending December 31, 2013. The map also provides a breakdown of the Initial Properties by asset class and tenant type.

Initial Properties — Geographic and Asset Class Diversification



Composition of the Initial Properties

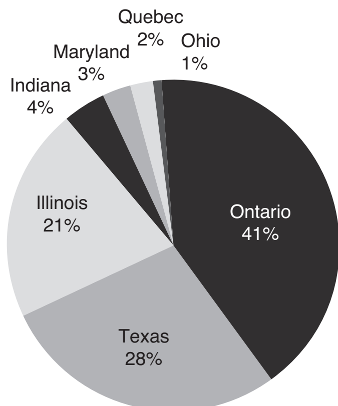
Geographic Composition

The Initial Properties consist of 23 properties comprising 47 buildings and approximately 4.2 million square feet of GLA, primarily located in Ontario, Texas and the mid-western United States. The Initial Properties are located in major markets, often in close proximity to major commercial arteries with easy highway access and high visibility. Approximately 57% and 43% of the forecast NOI for the 12-month period ending December 31, 2013 is anticipated to be derived from the United States and Canada, respectively.

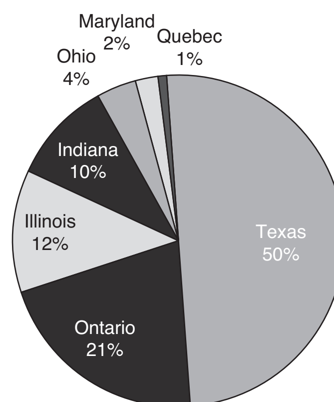
(10) Source: Standard and Poor's Rating Services.

The following charts illustrate the geographic distribution of the Initial Properties, measured by forecast NOI and GLA.

Portfolio NOI by Province / State



Portfolio GLA by Province / State

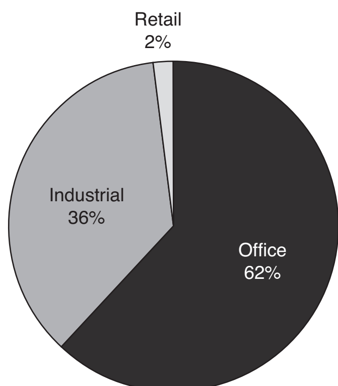


Classification Mix

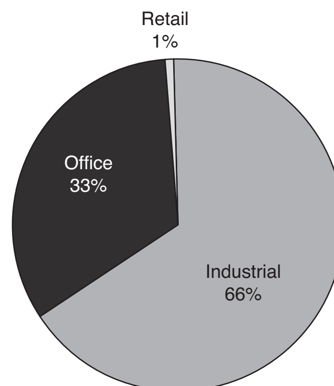
The portfolio of the Initial Properties is diversified by asset class, with approximately 62%, 36% and 2% of the portfolio's forecast NOI for the 12-month period ended December 31, 2013 attributable to office, industrial and retail assets, respectively. The REIT believes that this level of asset class diversification reduces risk while providing flexibility for future growth across different asset classes of commercial real estate.

The following charts illustrate the composition of the Initial Properties, measured by forecast NOI and GLA.

Classification by NOI



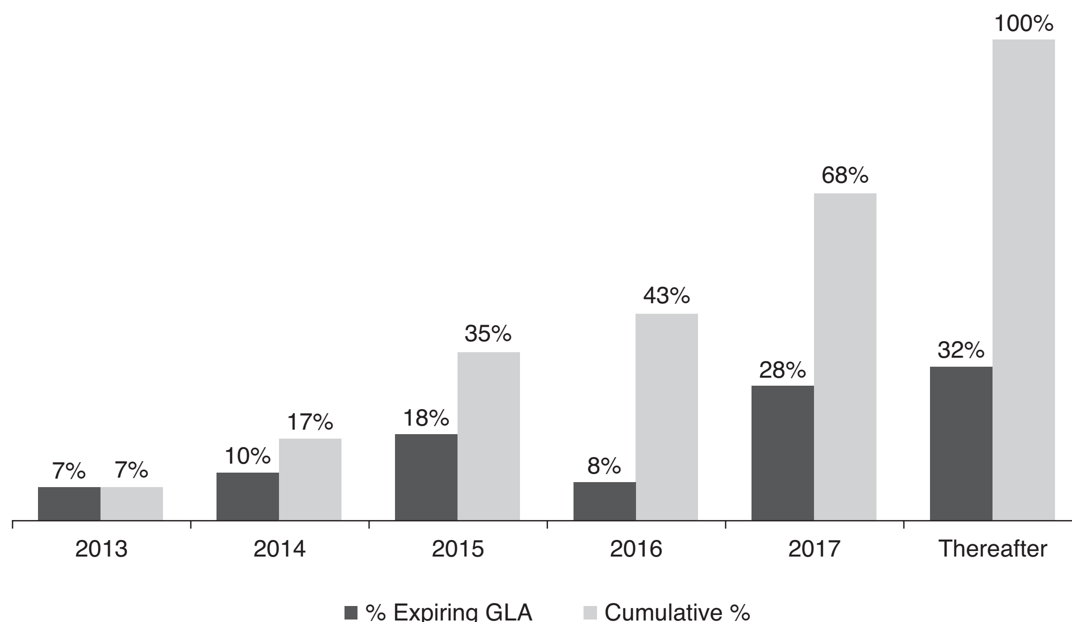
Classification by GLA



Occupancy and Leasing

As at October 1, 2012, the Initial Properties were 89.2% leased (92.6% effective occupancy after giving effect to the Vendor Leases). At January 1, 2013, the start of the forecast period, the Initial Properties had an average remaining lease term of approximately 4.4 years. On a weighted-average basis, the REIT's industrial properties had a lease term of 3.7 years on January 1, 2013, while the office properties have a lease term of 6.2 years as of the same date.

The following chart sets out the percentage of GLA of the Initial Properties subject to lease expiries during the periods shown.



Tenant Mix

The REIT's tenant base will be well-diversified, consisting of an approximately equal mix of single- and multi-tenant properties as measured by GLA. Of the single-tenant properties, many of the tenants have large national or multi-national footprints. The ten largest tenants in the Initial Properties account for approximately 58% of in-place base rental revenue for the forecast period ended December 31, 2013 and comprise approximately 45% of GLA. Moreover, approximately 38% of the tenants at the Initial Properties currently have investment grade ratings from one or more major credit rating agencies.

Tenant	Credit Rating (S&P/Moody's/ DBRS/Fitch)	Initial Property	Tenant Since	% of In-Place Base Rental Revenue[1]	GLA ('000 sq. feet)	% of GLA	Average Remaining Lease Term[2]	Average Remaining Lease Term[3]
Shoppers Drug Mart Corporation	(BBB+/—/AL/—)	243, 245, 251, 255 Consumers Road	1995	15.5%	272	6.5%	7.5	22.5
Health Care Service Corporation	(AA−/A1/—/A+)	1000 & 1100 Warrenville Road	2006	13.3%	257	6.1%	10.9	25.9
IBM Canada Limited	(AA−/Aa3/—/A+)	243, 245, 251, 255 Consumers Road	1989	6.2%	168	4.0%	2.2	7.2
SuperValu Inc.	(B/B3/—/CCC)	1201 John Burgess Road	2001	5.1%	254	6.0%	5.8	19.8
Life Technologies Corporation	(BBB/Baa3/—/BBB)	2130 - 2170 Woodward Street	2006	3.4%	117	2.8%	2.2	7.2
Domino's Pizza, Inc.	—	8271 Anderson Court	2001	3.2%	70	1.7%	3.4	13.4
Paychex, Inc.	—	1000 & 1100 Warrenville Road	2007	3.1%	59	1.4%	2.2	8.2
Cardinal Cabinets LLC	—	5800 West Kiest Boulevard	2005	3.0%	344	8.1%	4.2	14.2
CEVA Logistics	—	2151 Airwest Boulevard	2001	2.8%	283	6.7%	4.7	14.7
CH2M Hill, Inc.	—	243, 245, 251, 255 Consumers Road	1989	2.4%	58	1.4%	4.2	14.2
Total / Average				**58.0%**	**1,882**	**44.7%**	**6.3**	**16.6**

Notes:

(1) Forecast revenue for the twelve month period ended December 31, 2013.

(2) Excluding any renewal options.

(3) Including any renewal options.

The following information relating to certain tenants of the Initial Properties has been obtained from company websites, company filings, Bloomberg, Thomson Reuters and other publicly available information. Neither the REIT nor the Underwriters has independently verified any of such information.

Shoppers Drug Mart Corporation

Shoppers Drug Mart Corporation ("**Shoppers**") is a publicly-traded Canadian company (TSX: SC) with a market capitalization of approximately $8.3 billion. Shoppers' headquarters is located at Parkway Place, where it has been a tenant since 1995, comprising 271,871 square feet (33% of GLA). Its lease expires in June, 2020, and includes three options to renew for additional five year periods. Shoppers is the largest full-service retail drug store chain in Canada with more than 1,181 stores located in every province of Canada, as well as in the Yukon and Northwest Territories. Shoppers is an investment grade tenant and is rated "BBB+" by Standard and Poor's and "AL" by DBRS.

Health Care Service Corporation

Health Care Service Corporation ("**Health Care Service**") is the largest customer-owned health insurer in the United States, with annual revenues of approximately $999 million. Health Care Service employs more than 18,700 individuals and serves more than 13 million members across several states in the mid-western and south-western United States. Its membership plan has grown by approximately 650,000 members per year on average since 2003. Hallmark Services Corporation supports Health Care Service by providing a wide range of administrative services for the health insurance market. Health Care Service is an investment grade corporation with a rating of "AA−" from Standard & Poor's, "A1" from Moody's and "A+" from Fitch. Health Care Service, along with its subsidiary, Hallmark Services Corporation, leases 256,776 square feet of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois (52% of GLA), where it has been a tenant since 2006. Its lease expires in November, 2023, and includes an option to renew for an additional 15-year period.

IBM Canada Limited

IBM Canada Limited is a subsidiary of IBM Corporation ("**IBM**") a publicly-traded (NYSE: IBM) technology, computer services and consulting company with a market capitalization of approximately $221 billion. IBM was founded in 1911 and manufactures computer hardware and software, infrastructure services, hosting services and provides business consulting services globally. IBM employs approximately 430,000 employees in over 170 countries. IBM is an investment grade corporation with a rating of "Aa3" from Moody's, "AA−" from Standard & Poor's and "A+" from Fitch. IBM occupies 168,173 square feet of Parkway Place (21% of GLA), where it has been a tenant since 1989. The portion of Parkway Place occupied by IBM Canada Limited houses one of its major co-locations and data storage facilities, the relocation of which would be costly to the tenant. Its lease, which includes a covenant pursuant to which the REIT may be restricted from allowing other computer service providers to occupy space at Parkway Place, matures in March, 2015, and includes an option to renew for an additional five-year period.

Supervalu Inc.

Supervalu Inc. ("**Supervalu**"), a publicly-traded company (NYSE: SVU) with a market capitalization of approximately $470 million, is headquartered in Eden Prairie, Minnesota and is a leader in grocery and pharmacy retailing as well as grocery supply chain management in the United States. The grocery retailing segment consists of a 2,400 store network including both traditional retail and hard-discount retail stores under a variety of banners. Supervalu's supply chain, logistics and support service management serves more than 4,300 retail end points. Supervalu employs approximately 135,000 individuals across the United States. Supervalu leases 100% of the Initial Property located at 1201 John Burgess Road, Fort Worth, Texas (253,800 square feet), where it has been a tenant since 2001. Its lease expires in October, 2018, and includes two options to renew for additional seven-year periods.

Life Technologies Corporation

Life Technologies Corporation ("**Life Technologies**"), a publicly-traded company (NASDAQ: LIFE) with a market capitalization of approximately $8.3 billion, develops biotechnology products and services for genomic medicine, transplant diagnostics and genetic research analysis used in the medical and agriculture industries. Life Technologies' portfolio of products and services includes scientific research systems, laboratory instruments, reagents, technologies for capillary electrophoresis based sequencing, mass spectrometry sample preparation, and cell culture. Life Technologies has more than 4,000 patents and 50,000 unique scientific products which supply customers in more than 160 countries. It employs more than 10,400 individuals, including 1,500 scientists. Life Technologies is an investment grade company with a rating of "BBB" from Standard & Poor's, "Baa3" from Moody's and "BBB" from Fitch. Life Technologies leases 117,437 square feet of the Initial Property located at 2130 - 2170 Woodward Street, Austin, Texas (63% of GLA), where it has been a tenant since 2006. Its lease expires in February, 2015, and an option to renew for an additional five-year periods.

Domino's Pizza, Inc.

Domino's Pizza, Inc. ("**Domino's**"), a publicly traded corporation (NYSE: DPZ) with a market capitalization of approximately $2.3 billion, operates a global pizza delivery business. Domino's conducts business through a network of more than 10,000 company- and franchise-owned stores in more than 70 international markets. Domino's is the second largest pizza pie chain in the United States and employs more than 145,000 individuals. Founded in 1960, Domino's is headquartered in Ann Arbor, Michigan. Domino's leases 100% of the Initial Property located at 8271 Anderson Court, Odenton, Maryland (approximately 70,000 square feet), where it has been a tenant since 2001. All of Domino's product storage and product distribution activities for the east coast of the United States occur in this facility. Its lease expires in May, 2016, and includes two options to renew for additional five-year periods.

Paychex, Inc.

Paychex, Inc. ("**Paychex**"), a publicly-traded corporation (NASDAQ: PAYX) with a market capitalization of approximately $11.8 billion, provides human resources services including payroll, time and labour management, benefits and health insurance plans to approximately 600,000 businesses across the United States. Paychex was founded in 1971 and currently employs more than 12,000 individuals. Paychex is headquartered in Rochester, New York and has more than 100 offices nationwide. Paychex leases 58,776 square feet of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois (12% of GLA), where it has been a tenant since 2007. Its lease expires in February, 2015, and includes two options to renew for additional three-year periods.

Cardinal Cabinets LLC

Cardinal Cabinets LLC ("**Cardinal**") is a subsidiary of RSI Home Products, Inc. ("**RSI**"), a privately held manufacturer of high-quality kitchen and bath cabinetry products in both unfinished and finished styles across North America. RSI's products are sold to homebuilders, distributors and retailers, which has allowed RSI to become a leading cabinetry brand. RSI is one of the largest manufacturers in the home cabinet industry, employing more than 5,000 individuals and occupying over 3 million square feet of manufacturing space. Cardinal leases 100% of 5800 West Kiest Boulevard (343,617 square feet), where it and the predecessor of its business have been a tenant since 2005. Its lease expires in March, 2017, includes two options to renew for additional five-year periods and is guaranteed by RSI.

CEVA Freight LLC

CEVA Freight LLC is a subsidiary of CEVA Group Plc ("**CEVA**"). CEVA is a leading global supply chain company that provides end-to-end logistics solutions, freight forwarding, distribution management and transportation management for national and multinational companies. CEVA focuses on the automotive, retail, energy, industrial and technology freight logistics sectors, with annual revenue in 2011 of approximately $6.9 billion. CEVA was created as a result of EGL Eagle Global Logistics and TNT Logistics merging in August, 2007. CEVA currently employs more than 51,000 individuals in a global network covering more than 170 countries with 1,200 sites. CEVA is owned by affiliates of Apollo Management LP. CEVA Freight LLC, leases 283,397 square feet of the Initial Property located at 2151 Airwest Boulevard, Plainfield, Indiana (65% of GLA), where it has been a tenant since 2001. Its lease expires in August, 2017, and includes two options to renew for additional five-year periods.

CH2M Hill, Inc.

CH2M Hill, Inc. ("**CH2M Hill**") is a global leader in full-service engineering, consulting, construction and operations, with annual revenues of approximately $511 million. CH2M Hill employs more than 30,000 professionals and in 2010 generated more than U.S.$6.3 billion in revenues worldwide. CH2M Hill has 11 offices located across Canada. Its location at Parkway Place, where it has been a tenant since 1989, serves the Greater Toronto Area and acts as the Canadian head office. CH2M Hill leases 57,833 square feet of Parkway Place (7% of GLA). Its lease matures in March, 2017, and includes two options to renew for additional five-year periods.

List of Initial Properties

Initial Property	City	Province/ State	Asset Class	Year Built/ Renovated	Approx. GLA (000 sq. feet)	Number of Buildings	Occupancy[1]	Managed by ACPI Since
Canada								
20 Valleywood Drive	Markham	Ontario	Office	1987	35	1	100%	2005
243, 245, 251, 255 Consumers Road	Toronto	Ontario	Office	1971/1978 and 2008	813	4	80%	2007
240 Bank Street	Ottawa	Ontario	Office	1967/1988	39	1	50%	2006
195-215 Bellehumeur	Gatineau	Quebec	Retail	1988	45	3	100%	2006
Sub-Total Canadian Initial Properties					**932**	**9**	**80.5%**	
United States								
1000 & 1100 Warrenville Rd	Naperville	Illinois	Office	1981/1988 and 2007	487	2	96%	n/a[2]
2151 Airwest Boulevard	Plainfield	Indiana	Industrial	2000	434	1	88%	2004
8271 Anderson Court	Odenton	Maryland	Industrial	2001	70	1	100%	2004
3671-3701, 3707-3743 Interchange and 3949 Business Park	Columbus	Ohio	Industrial	1974/1996	184	3	95%	2006
2100 East St. Elmo Road	Austin	Texas	Industrial	1982	50	1	100%	2006
2130, 2150, 2170 Woodward Street	Austin	Texas	Industrial	1984	187	3	100%	2006
4120 Freidrich Lane	Austin	Texas	Industrial	1984	73	1	72%	2006
2120 West Braker Lane	Austin	Texas	Industrial	1984	46	1	56%	2006
1201 John Burgess Road	Fort Worth	Texas	Industrial	1999	254	1	100%	2004
5800 W Kiest Blvd	Dallas	Texas	Industrial	1981/1999	344	1	100%	2006
2301 Minimax Drive	Houston	Texas	Industrial	1967	120	1	100%	2006
5975 South Loop East	Houston	Texas	Industrial	1980	149	4	83%	2006
9001-9101 Jameel Road	Houston	Texas	Industrial	1990	95	2	85%	2006
6300-6320 Rothway Street	Houston	Texas	Industrial	1990	75	3	91%	2006
6100 & 6120 West by Northwest	Houston	Texas	Industrial	1990	123	2	79%	2006
1400-1412 North Sam Houston	Houston	Texas	Industrial	1982	119	4	73%	2006
232, 302-350 West 38th Street	Houston	Texas	Industrial	1981	80	2	100%	2006
2055, 2105, 2155 Silber Road	Houston	Texas	Industrial	1979	199	3	75%	2006
6500 & 6600 Long Point Road	Houston	Texas	Industrial	1979	190	2	100%	2006
Sub-Total U.S. Initial Properties					**3,278**	**38**	**91.6%**	
Total Portfolio					**4,210**	**47**	**89.2%**	

Notes:

(1) Occupancy as at October 1, 2012, not including the Vendor Leases. Over the course of the forecast period, the average occupancy for Parkway Place and Plaza Bellehumeur, including the Vendor Leases, is expected to be 91.5% and 100%, respectively.

(2) Not managed by ACPI or its affiliates.

Description of the Initial Properties

Canada — Ontario

20 Valleywood Drive, Markham, Ontario. The property is known as the Gold Building, and was constructed in 1987 in the Allstate Business Park in Markham, Ontario, which is part of the Greater Toronto Area. The building is a single-storey, multi-tenanted building containing approximately 35,254 square feet of office space. The building is located on 2.57 acres, includes 108 parking spaces and is situated adjacent to Buttonville Airport,

the proposed site for a major development, and enjoys ready access to major traffic routes in the Greater Toronto Area, including regional highways 407 and 404.

240 Bank Street, Ottawa, Ontario. The property is known as the Brunswick Building and was constructed in 1967, with a major renovation completed in 1988, in Ottawa, Ontario. The property consists of one six-story, multi-tenanted office building with ground level retail totalling approximately 38,706 square feet. The property is well located in the office district of Canada's national capital, Ottawa, Ontario.

243, 245, 251 and 255 Consumers Road, Toronto, Ontario. The property is known as Parkway Place and consists of four interconnected multi-tenant office buildings constructed between 1971 and 1978, and renovated between 2000 and 2004 and again in 2008, in Toronto, Ontario. The buildings contain a total of approximately 812,602 square feet of GLA and sit on 32.7 acres of land with approximately 2,750 parking spaces. Parkway Place's power configuration is in compliance with the Uptime Institute's stringent requirements for Tier 4 certification for data centre design standards, providing abundant access to power supply. Located at the north-east corner of the intersection of Highway 401 and Don Valley Parkway, Parkway Place benefits from excellent exposure with over three quarters of a kilometre of frontage along the north side of Highway 401. Toronto's downtown core and Pearson International Airport are within 30 and 40 minutes' drive, respectively. Parkway Place is well tenanted, with high-quality covenant tenants including Shoppers Drug Mart, IBM Canada Limited, CH2M Hill and iQor. Certain space within Parkway Place will be subject to a five year Vendor Lease.

Canada — Québec

195-215 Bellehumeur Street, Gatineau, Québec. The property is known as Plaza Bellehumeur, and was originally constructed in 1988. The property consists of three multi-tenant commercial retail buildings containing approximately 45,000 square feet of GLA. The property is positioned at the northeast corner of Rue Bellehumeur and Boulevard Maloney Ouest in Gatineau, Québec. The site is bordered by an active rail line for public transportation on the south side of the property and is across from the "Les Promenades" shopping centre, an approximately 845 thousand square foot shopping mall. Certain space within Plaza Bellehumeur will be subject to a Vendor Lease for the period beginning on Closing and ending in March, 2017.

United States of America — Illinois

1100 and 1000 Warrenville Road, Naperville, Illinois. The property is known as Naperville Woods Office Centre and was constructed between 1981 and 1988, with a major renovation completed in 2007. The property consists of two multi-tenanted office buildings totalling approximately 486,979 square feet on approximately 31 acres. The property has approximately 2,450 parking spaces and is located near the intersection of Naperville Road and Interstate Highway 88, 25 miles west of Chicago's central business district. The property has extensive project landscaping and overlooks the 1,480-acre Herrick Woods Forest Preserve. Major tenants include: Health Care Services Corporation, Paychex North America, US Bank, and the University of Illinois.

United States of America — Indiana

2151 Airwest Boulevard, Plainfield, Indiana. The property is known as Plainfield Business Center IV and was constructed in 2000 in Plainfield, Indiana. The property consists of one multi-tenant industrial building totalling approximately 434,354 square feet of industrial space on approximately 24.9 acres. The clear height is 30 feet and the office finish is approximately 3.5%. The building offers 600 AMP power, ESFR sprinklers and ample parking. The well-located building has immediate access to Quaker Boulevard (267), which leads to Interstate 70 and Highway 40. The site is less than two miles from the Indianapolis International Airport, one of the nation's top 10 Air Express/Cargo airports. Major tenants include CEVA and Audio Video Color Corporation.

United States of America — Maryland

8271 Anderson Court, Odenton, Maryland. The property is known as Arundel Crossing VI and was constructed in 2001 in Odenton, Maryland. The property consists of a single-tenant building consisting of approximately 70,000 square feet of industrial space on approximately 12 acres. The clear height is 20 feet, and the office finish is approximately 17.6%. The building offers 4000 AMP power, ESFR fire sprinkler system and ample parking. Approximately 42% of the warehouse area consists of freezer/cooler space. The site is approximately eight miles south of the Baltimore-Washington International Airport, 17 miles from the

United States Naval Academy, and three miles from Fort Meade and the National Security Agency. The property is 100% leased to Domino's.

United States of America — Ohio

3671-3701 Interchange, 3707-3743 Interchange, 3949 Business Park, Columbus, Ohio. The property is known as Columbus Business Park and was constructed between 1974 and 1996 in Columbus, Ohio. The property consists of three industrial buildings totalling approximately 183,818 square feet on approximately 11.4 acres. The clear height ranges from 25 to 40 feet and the office finish is approximately 15%. The assets are positioned in the western portion of the city in close proximity to the main Highway 270 and Highway 70 interchange.

United States of America — Texas

2100 East St. Elmo Road, Austin, Texas. The property is known as Southpark E, and was constructed in 1982 in Austin, Texas. The property consists of one single tenant building totalling approximately 49,966 square feet of flex industrial space and is situated on approximately 3.6 acres. The clear height is 14 feet and the office finish is approximately 100%. The building is well located in South Austin, in an established business park area with easy access to primary transportation routes, including Interstate Highway 35, US Highway 183 and Highway 71. Tenants include the Cosmos Foundation, Inc. d/b/a Harmony Science Academy.

2130, 2150 and 2170 Woodward Street, Austin, Texas. The property is known as Southpark FOP, and was constructed between 1982 and 1984 in Austin, Texas. The property consists of three single-tenant buildings totalling approximately 187,075 square feet of flex industrial space on approximately 13.8 acres. The clear height is between 16 and 22 feet and the office finish is approximately 95%, which includes significant laboratory space. The buildings are well located in south Austin in an established business park area with easy access to primary transportation routes, including Interstate Highway 35, US Highway 183 and Highway 71. Major tenants include Life Technologies and Asuragen Inc.

4120 Freidrich Lane, Austin, Texas. The property is known as Southpark M, and was constructed in 1984 in Austin, Texas. The property consists of one multi-tenant building totalling approximately 72,550 square feet of flex industrial space on approximately 6.5 acres. The clear height is approximately 16 feet and the office finish is approximately 67%. The buildings are well located in south Austin in an established business park area with easy access to primary transportation routes, including Interstate Highway 35, US Highway 183 and Highway 71.

2120 West Braker Lane, Austin, Texas. The property, known as Braker IV, was constructed in 1984 in Austin, Texas. The property consists of one multi-tenant building totalling approximately 45,913 square feet of flex industrial space on approximately 5.3 acres. The clear height is 14 feet and the office finish is approximately 80%. The property is well located in an established industrial/business park area in North Austin, with easy access to primary transportation routes, including Interstate Highway 35, US Highway 183 and MoPac Expressway.

1201 John Burgess Road, Fort Worth, Texas. The property was constructed between 1997 and 1999 in Fort Worth, Texas. The property consists of a single-tenant building totalling approximately 253,800 square feet of industrial space on approximately 24.4 acres. The clear height is between 32 and 35 feet and the office finish is approximately 7%. The building has 4000 AMP power, an ESFR fire sprinkler system and a secure fenced yard with abundant parking. Approximately 23% of the facility consists of freezer/cooler space, of which approximately 39,700 square feet is freezer. The well-located building offers immediate access to Interstate 35W, via Everman Parkway, less than two miles south of Interstate Highway 20. This property includes approximately 8.5 acres of developable land, which is fenced and paved for parking. The building is 100% leased to Moran Foods Inc, with Supervalu, Inc. as a guarantor.

5800 West Kiest Boulevard, Dallas, Texas. The property is known as the Kiest Distribution Centre and was constructed in 1981, and expanded in 1999, in Dallas, Texas. The property consists of one single-tenant building totalling approximately 343,617 square feet of industrial space on approximately 20.8 acres. The clear height is 24 feet and the office finish is approximately 4.7%. The building is located approximately 12.4 miles from downtown Dallas, offers immediate access to Patriot Parkway, is less than 20 miles from Dallas/Fort Worth International Airport and is approximately 16 miles from Dallas Love Field Airport. The building is 100% leased to Cardinal Cabinets, LLC.

2301 Minimax Drive, Houston, Texas. The property is known as Minimax Business Park, and was constructed in 1967 in Houston, Texas. The property consists of one multi-tenant building totalling approximately 119,821 square feet of industrial space on approximately 5.1 acres. The clear height is 18 feet and the office finish is approximately 12%. The building has excellent access to Loop-610, Interstate Highway 10 and US Highway 290.

5975 South Loop East, Houston, Texas. The property is known as Southport Business Park, and was constructed in 1980 in Houston, Texas. The property consists of four multi-tenant buildings totalling approximately 149,401 square feet of industrial space on approximately 9.6 acres. The clear height is 16 feet and the office finish is approximately 33%. The property has excellent access to Loop 610, Interstate Highway 45 and US Highway 288.

9001-9101 Jameel Road, Houston, Texas. The property is known as Jameel Business Park, and was constructed in 1990 in Houston, Texas. The property consists of two multi-tenant buildings totalling approximately 94,900 square feet of flex industrial space on approximately 5.6 acres. The clear height is 16 feet and the office finish is approximately 71.7%. The buildings are well located with excellent access to Sam Houston Tollway, Highway 290, Interstate I-10, and Loop 610.

6300-6320 Rothway Street, Houston, Texas. The property is known as Rothway Business Centre, and was constructed in 1990 in Houston, Texas. The property consists of three multi-tenant buildings totalling approximately 75,460 square feet of flex industrial space on approximately 5.2 acres. The clear heights are between 12 to 16 feet and the office finish is approximately 100%. The buildings are well located with excellent access to Sam Houston Tollway, Highway 290, Interstate I-10, and Loop 610.

6100 & 6120 West by Northwest, Houston, Texas. The property is known as West by Northwest Business Park, and was constructed in 1990 in Houston, Texas. The property consists of two multi-tenant buildings totalling approximately 122,750 square feet of industrial space on approximately 7.8 acres. The clear height is 16 feet and the office finish is approximately 35%. The buildings are well located with excellent access to Sam Houston Tollway, Highway 290, Interstate I-10, and Loop 610.

1400-1412 North Sam Houston Parkway East, Houston, Texas. The property is known as Northgreen Business Park, and was constructed in 1982 in Houston, Texas. The property consists of four multi-tenant buildings totalling approximately 118,736 square feet of industrial space on approximately 7.1 acres. The clear heights are between 12 to 18 feet, and the office finish is approximately 35%. The buildings have excellent access to Sam Houston Tollway, US Highway 59 and Interstate Highway 45.

232, 302-350 West 38th Street, Houston, Texas. The property is known as Pine Forest Business Park, and was constructed in 1981 in Houston, Texas. The property consists of two multi-tenant buildings totalling approximately 80,091 square feet of industrial space on approximately 4.4 acres. The clear height is 22 feet and the office finish is approximately 18%. The buildings have excellent access to Loop-610, Interstate Highway 10 and US Highway 290.

2055, 2105, 2155 Silber Road, Houston, Texas. The property is known as Silber Business Park and was constructed in 1979 in Houston, Texas. The property consists of three multi-tenant buildings totalling approximately 198,960 square feet of industrial space on approximately 11 acres. The clear height is between 17 and 20 feet and the office finish is approximately 23.1%. The asset has excellent access to Loop-610, Interstate Highway 10 and US Highway 290.

6500 & 6600 Long Point Road, Houston, Texas. The property is known as Longpoint Centre A and C, and was constructed in 1979 in Houston, Texas. The property consists of two multi-tenant buildings totalling approximately 189,650 square feet of industrial space on approximately 7.9 acres. The clear heights are between 18 and 21 feet and the office finish is approximately 11.6%. The buildings have excellent access to Loop-610, Interstate Highway 10 and US Highway 290.

Leases with Vendor Lease Tenants

Two of the Initial Properties, being Parkway Place and Plaza Bellehumeur, will be acquired by the REIT subject to leases with the applicable Vendors or entities established by the applicable Vendors as tenants (the "**Vendor Lease Tenants**"). Lease payments will consist of minimum rent and additional rent and will be paid

on a monthly basis in advance. The Vendor Lease Tenants will rent certain vacant suites (totalling approximately 117,300 square feet) in each of Parkway Place and Plaza Bellehumeur at current market rates for the term of each Vendor Lease totalling approximately $3.3 million per year or an estimated total of $16.3 million. The Vendor Lease in respect of Parkway Place has a term of five years; the Vendor Lease in respect of Plaza Bellehumeur has a term ending in March, 2017. The Vendor Lease Tenants will have typical sublease and assignment rights and any subtenant would need to be approved by the REIT, acting reasonably. The Vendor Lease Tenants will be responsible for the cost of tenant improvements, tenant inducements and leasing commissions for new tenants, expected to be approximately $3.9 million on the entire space subject to the Vendor Leases. As security for its obligations under each Vendor Lease, the applicable Vendor Lease Tenant will place in escrow an amount of cash having a value equal to the maximum aggregate undiscounted future minimum and additional rent payments to be made pursuant to the Vendor Lease over its term (estimated to be $16.3 million). This cash will be drawn upon for monthly base rent, additional rent and leasing and tenant improvement costs and the remainder will be held in escrow until the obligations under the applicable Vendor Lease have been satisfied. The escrow agreement will contain release provisions that will be triggered upon the satisfaction of such obligations.

Vendor Leases

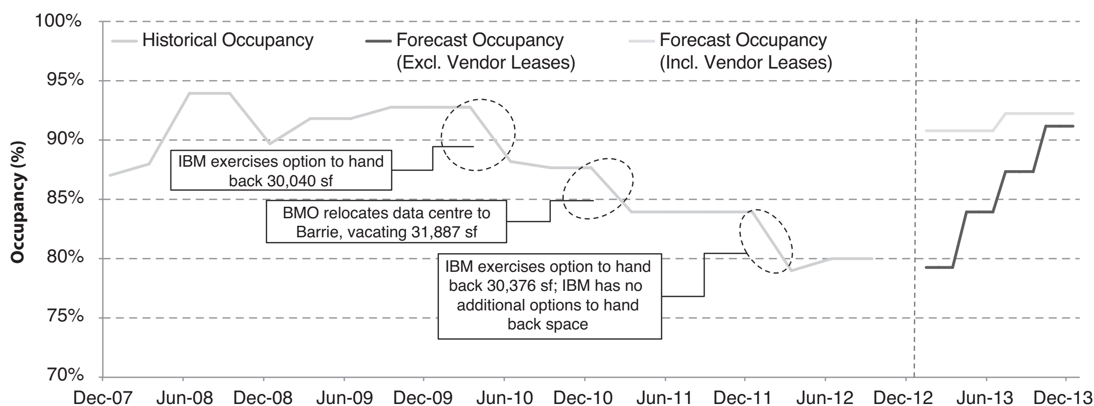
($000s, except per unit amounts, expressed in base currency)	GLA	% of Total GLA	Gross Rent PSF	Annual Potential Payment(1)	Expected Payment in Forecast Period(1)	Total Potential TI/LC Payment	Proposed Term From	Proposed Term To
Property								
Parkway Place	101,409	2.4%	$28.79	$2,920	$1,425	$3,549	Closing	5.0 Years
Plaza Bellehumeur	15,850	0.4%	$24.62	390	390	365	Closing	4.2 Years
Total	**117,259**	2.8%	**$28.23**	**$3,310**	**$1,815**	**$3,914**		

Note:

(1) The Initial Properties experienced significant lease-up in 2012, having leased up approximately 800,000 square feet of total space, including approximately 325,000 square feet representing new tenants and approximately 475,000 square feet representing renewals. In addition, there is currently leasing activity with prospective tenants representing approximately 290,000 square feet of space.

Parkway Place is located in an attractive office node that provides a low cost alternative for tenants seeking space in the City of Toronto. The property is well located at the intersection of the Don Valley Parkway and Highway 401, which is one of the most highly trafficked areas in North America. The property's management offers a daily shuttle bus service to increase access to public transportation. Planned developments in the area are expected to increase amenities and services. The property also has a unique and reliable power source that attracts certain tenants, such as IBM Canada Limited, which uses the facility to house its major co-locations and data storage facilities, the relocation of which would be costly to the tenant.

Parkway Place Occupancy



ASSESSMENT AND VALUATION OF THE INITIAL PROPERTIES

Independent Appraisals

ACPI retained the Appraiser to provide an independent estimate of the fair market value of each of the Initial Properties. The Appraisals for the Initial Properties located in Canada were prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada and Appraisals for the Initial Properties located in the United States were prepared in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. Both the appraisal institutes governing appraisers in the United States and Canada have adopted a similar definition of market value, which is "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." According to the Appraisal Institutes of Canada and the United States, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market (iv) payment is made in terms of cash in Canadian or United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The Appraisals were each given as at certain effective dates in July and August of 2012, with the majority as at July 1, 2012. Based on the Appraisals, the sum of the individual market values of the Initial Properties was estimated to be $437.8 million. The estimated aggregate market value of the Initial Properties on a portfolio basis as at July 1, 2012 ranged between $450.9 million and $459.7 million, including a portfolio premium of 3% to 5%. The market value of the Initial Properties was determined by utilizing both the income approach (direct capitalization and discounted cash flow method) and the direct comparison approach. These are traditional valuation methods used widely by investors when acquiring properties of this nature. The Appraiser 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. The Appraiser visited each of the Initial Properties to assess location and general physical characteristics and estimated the highest and best use for each property. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In appraising the Initial Properties, the Appraiser assumed that title to the Initial Properties was good and marketable and did not take into account engineering, environmental, zoning, planning or related issues. The Appraiser noted in the Appraisals that it had not reviewed capital expenditure budgets and that any outstanding expenditures of a capital nature will affect its value conclusions. Further, the Appraiser noted that it had not reviewed leases and had relied upon the rent roll and financial information as provided by ACPI. Other assumptions listed in the Appraisals that will affect the Appraiser's value conclusions included the assumption that there will be no change in market and economic conditions, physical building condition, legal/planning status or tenancy that would materially impact the value of the subject property between the report date and the effective date of valuation.

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

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of net operating income for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

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

Environmental Site Assessments

Each of the Initial Properties was the subject of a Phase I environmental site assessment report or an update to such a report (collectively, the "**Phase I ESA Reports**") prepared by independent environmental consultants in August and September, 2012. In general, the purpose of these Phase I environmental site assessments and updates was to assess whether evidence of potential or actual environmental contamination exists at the Initial Properties. The Phase I ESA Reports were prepared in general accordance with industry practice for Phase I environmental site assessment reports or updates of such reports. Intrusive sampling and analysis were not part of these Phase I environmental site assessments or updates. Following the completion of the relevant Phase I ESA Reports, environmental site assessments involving intrusive soil and/or groundwater sampling and analysis ("**Phase II ESAs**") were carried out at two of the Initial Properties. The purpose of these Phase II ESAs was to assess the issues of potential or actual environmental concern identified in prior environmental assessments. For those Initial Properties at which a Phase II ESA was conducted, any recommended remediation work was completed by the Vendors and no further remediation was recommended. The independent environmental consultants did not recommend that any further subsurface investigation be conducted for the other Initial Properties.

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

Building Condition Assessments

Each of the Initial Properties has been the subject of certain building condition assessment reports ("**BCA Reports**") prepared by an independent engineering firm for ACPI in August and September of 2012. BCA Reports were prepared for each of the Initial Properties based on a visual walk-through for the purpose of assessing and documenting the existing condition of each of the Initial Properties, with specific attention to the exterior building envelope, but also including structural, mechanical, electrical, roofing and site elements. The BCA Reports catalogue repair work, deferred maintenance and capital maintenance that were observed during on-site reviews of the Initial Properties and provide an opinion of probable costs that could be anticipated for capital requirements relating to deferred maintenance and capital replacement which may be expected during the next ten years. Based on the BCA Reports, management believes that the Initial Properties are generally well-maintained, in accordance with their use.

The BCA Reports identified approximately $19.9 million in estimated capital expenditures relating to deferred maintenance and capital replacements over the next ten years. Of the estimated $8.3 million in costs identified in the BCA Reports over the next five years (average of $1.7 million per year), the REIT estimates $6.9 million, or 83%, will be either recoverable or paid directly by tenants.

($000's)	**Immediate**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**	**Average**
Direct Tenant Work	—	68	252	109	252	214	895	179
Recoverable Expense	30	685	1,648	1,430	689	1,511	5,992	1,198
Non-recoverable Expense	—	14	86	176	99	1,051	1,425	285
Forecast Capital Expenditures	**30**	**766**	**1,986**	**1,715**	**1,040**	**2,775**	**8,312**	**1,662**
Paid by Tenants and Recoverable	*100%*	*98%*	*96%*	*90%*	*90%*	*62%*[(1)]	*83%*	*83%*

Note:

(1) The decrease in recoverable capital expenditures in 2017 is mainly attributable to a roof replacement that is scheduled to occur in 2017 on a large, single-tenant building. The REIT does not have the ability to charge this roof replacement back to the tenant under the terms of its lease agreement.

As part of its annual asset review program, the REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Initial Properties remain competitive. The REIT intends to manage capital expenditures prudently and maintain the physical improvements of the Initial Properties in good condition. The REIT will also expend capital on upgrades where appropriate, especially if it believes that such spending will accelerate lease-up of vacant space and assist in the retention of expiring tenancies.

DEBT STRATEGY AND INDEBTEDNESS

Future Debt Strategy

The REIT intends to maintain a balanced debt profile, taking into account market conditions and the financial characteristics of each property. The REIT's future debt strategy will be to obtain secured mortgage financing on a fixed rate basis, with a term to maturity that is appropriate in relation to the lease maturity profile of its portfolio. The REIT's preference is to have staggered debt maturities to mitigate interest rate risk and limit re-financing exposure in any particular period. The REIT also intends to enter into long-term loans at fixed rates when borrowing conditions are favourable.

The REIT will use debt level indicators and cash flow measures to assess its ability to meet its financing obligations. It intends to target a total indebtedness level between 55% and 60% of GBV. Acquiring unencumbered properties will provide added flexibility to the REIT's capital structure as the REIT will be able to place financing on such properties at a later date to take advantage of a buying opportunity or to replace expiring debt when refinancing options are limited or expensive.

Debt Composition

The REIT intends to finance the Acquisitions and the ongoing operations of the Initial Properties through the Assumed Mortgages and with a combination of fixed rate secured term debt with staggered maturities and floating rate secured revolving debt. The Assumed Mortgages and the Credit Facilities will be comprised of a combination of fixed and floating rate secured debt.

The REIT estimates that its aggregate indebtedness on Closing, including the Assumed Mortgages and the Credit Facilities, will be approximately $247.4 million, including a mark-to-market adjustment of approximately $3.5 million on the Assumed Mortgages and deferred financing costs of $1.4 million on the Credit Facilities. Total indebtedness is expected to represent approximately 58% of GBV at Closing. Excluding the mark-to-market and deferred financing cost adjustments, the REIT's aggregate indebtedness on Closing is expected to be equal to approximately $245.4 million, representing approximately 58% of GBV.

Credit Facilities

The REIT's aggregate indebtedness includes a term loan (the "**Term Loan**") of U.S.$86.0 million secured by each of the Initial Properties located in the United States, other than the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois. The Term Loan will be an amortizing loan and will mature in two tranches, with the first tranche of U.S.$38.4 million maturing seven years following Closing and the second tranche of U.S.$47.6 million maturing ten years following Closing. The first tranche will be subject to a 3.89% per annum fixed rate of interest. The second tranche will be subject to a 3.99% per annum fixed rate of interest. A default by the REIT under the first tranche of the Term Loan will also constitute a default under the second tranche and vice versa.

On Closing, the REIT anticipates that it will enter into a revolving credit facility (the "**Revolving Facility**"), secured by the Canadian Initial Properties other than the Initial Property located at 240 Bank Street, Ottawa, Ontario, to pay fees and transaction expenses in connection with the Offering and partially fund amounts payable in connection with the Acquisitions. Subsequent to the Offering, the undrawn portion of the Revolving Facility will be available for general purposes, including short-term financing of future acquisitions, in both Canadian and U.S. dollars. The Revolving Facility will be available up to a maximum amount of $120 million and will generally bear interest at bankers' acceptance or LIBOR rate plus a spread of 1.75%. The Revolving Facility will mature in two tranches, the first, in the amount of $60 million, maturing two years from Closing, the second, in the amount of $60 million, maturing four years from Closing. A default by the REIT under the first tranche of the Revolving Facility will also constitute a default under the second tranche and vice versa. On Closing, the

REIT intends to draw approximately $102.7 million on the Revolving Facility to partially fund amounts payable in connection with the Acquisitions and to pay fees and transaction expenses in connection with the Offering. On Closing, a portion of the floating rate Revolving Facility will be effectively converted into fixed rate debt through the Interest Rate Swap Agreements. See "Currency and Interest Rate Hedging Arrangements — Interest Rate Swap Arrangements".

Assumed Mortgages

The REIT's aggregate indebtedness will include two mortgages to be assumed by the REIT in connection with its purchase of two of the Initial Properties (the "**Assumed Mortgages**"), the first in respect of the Initial Property located at 240 Bank Street, Ottawa, Ontario of approximately $2.5 million (excluding mark-to-market adjustments) and the second in respect of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois, of approximately U.S.$54.2 million (excluding mark-to-market adjustments). The Assumed Mortgage in respect of the Initial Property located at 240 Bank Street, Ottawa, Ontario matures on May 5, 2015 and has an interest rate of 3.95% per annum. The Assumed Mortgage in respect of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois, which will be assumed by the Partnership and guaranteed by the REIT, matures on June 1, 2018 and has an interest rate of 5.392% per annum.

In the event that a Vendor is not released from its obligations under an Assumed Mortgage and a claim arises as a result of actions attributable to the REIT, the REIT will indemnify such Vendor from any claims made against such Vendor pursuant to such Assumed Mortgage. All costs and expenses relating to the assumption of the Assumed Mortgages will be paid by the REIT.

Debt Maturities

The Credit Facilities and the Assumed Mortgages are characterized by a staggered maturity profile, with less than 50% of total debt repayments scheduled to occur within the first five calendar years of Closing. The following table sets out the principal instalments and maturity balances to be paid over each of the five calendar years following Closing (assuming Closing occurs on December 31, 2012 and assuming such debt is not renewed at maturity). The Term Loan and the Warrenville Assumed Mortgage have been translated into Canadian dollars at the rate of U.S.$1:Cdn$1.

Year	Principal Payments During Period	Principal Repayments on Maturity	Total	% of Total Principal	Weighted Average Annual Interest Rate[1]
2013	$ 2,597	—	$ 2,597	1%	—
2014	$ 2,713	$ 60,000	$ 62,713	26%	3.50%
2015	$ 2,791	$ 2,318	$ 5,109	2%	3.95%
2016	$ 2,894	$ 42,729	$ 45,623	19%	2.97%
2017	$ 3,025	—	$ 3,025	1%	—
2018	$ 2,441	$ 49,250	$ 51,691	21%	5.39%
2019	$ 2,174	$ 32,316	$ 34,490	14%	3.89%
2020	$ 1,246	—	$ 1,246	1%	—
2021	$ 1,297	—	$ 1,297	1%	—
2022	$ 1,349	$ 36,227	$ 37,576	15%	3.99%
Total	**$22,527**	**$222,840**	**$245,367**	**100%**	**3.96%**

Notes:

(1) Represents the weighted average annual interest rates on debt maturity in the year after giving effect to the Interest Rate Swap Agreements.

CURRENCY AND INTEREST RATE HEDGING ARRANGEMENTS

Currency Hedging Arrangements

Given that a portion of the REIT's investments and operations will be conducted in U.S. dollars and the REIT will pay distributions to Unitholders in Canadian dollars, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. Upon Closing or shortly thereafter, the REIT intends to enter into currency hedging arrangements with a Schedule I Canadian chartered bank pursuant to which the counterparty will agree to exchange U.S. dollars for Canadian dollars at an exchange rate to be agreed upon in the hedging arrangements. These currency hedging arrangements will only apply to U.S. dollar cash flows of the REIT after accounting for operating expenses, payments of principal and interest, capital expenditures, tenant improvements and leasing costs payable in U.S. dollars.

The hedging arrangements will be implemented initially for a term of two years. The Board will assess the REIT's currency hedging strategy from time to time.

Interest Rate Swap Arrangements

In order to effectively convert a portion of its floating rate debt into fixed rate debt, the REIT will enter into one or more interest rate swap agreements with one or more Schedule I Canadian chartered banks (collectively, the "**Interest Rate Swap Agreements**"). The Interest Rate Swap Agreements will be effective for a period of two years following Closing. In connection with the Interest Rate Swap Agreements, the REIT may be required to post collateral with the swap counterparties in order to secure its potential payment obligations under the Interest Rate Swap Agreements. On Closing, it is expected that approximately 17% of the REIT's total indebtedness will be floating rate debt.

THE ACQUISITIONS

Transaction Steps

The following is a summary of certain principal transactions that will take place in connection with Closing:

On the day immediately preceding Closing:

(i) The REIT will acquire certain interests in the Canadian Initial Properties in consideration for approximately 9.226 million Units and the assumption of a portion of the Bank Street Assumed Mortgage;

On the day of Closing:

(ii) The REIT will use a portion of the net proceeds of the Offering to: (a) as to approximately $68.55 million, redeem approximately 6.855 million Units issued in step (i) above; and (b) as to approximately $3.571 million, together with the issuance of approximately 0.148 million Units and the assumption of the remainder of the Bank Street Assumed Mortgage, acquire from the applicable Vendors the remaining interests in the Canadian Initial Properties;

(iii) In order to capitalize its Subsidiaries, the REIT will lend U.S.$33.5 million to Agellan U.S. in exchange for Agellan U.S. Notes having an aggregate principal amount equal to U.S.$33.5 million and will lend U.S.$30 million to Agellan Canada in exchange for Agellan Canada Notes having an aggregate principal amount equal to U.S.$30 million;

(iv) The REIT will use the remaining net proceeds of (a) the Offering and (b) the issuance of Units to the Partnership as described in step (vii) below (less any amounts retained for working capital purposes) to subscribe for common shares of Agellan Canada;

(v) Agellan Canada will use the proceeds received from the REIT to subscribe for common shares of Agellan U.S.;

(vi) Agellan U.S. will use the proceeds received from the REIT and Agellan Canada (net of certain expenses) to subscribe for Class A Units of the Partnership;

(vii) The Partnership will use a portion of the proceeds received from Agellan U.S. to subscribe for approximately 2.642 million Units; and

(viii) The Partnership will acquire from the applicable Vendors the U.S. Initial Properties in consideration for approximately U.S.$63.81 million of cash, the delivery of the Units acquired in step (vii) above and the assumption of the Warrenville Assumed Mortgage.

Purchase Agreements

The following is a summary of certain provisions of the Purchase Agreements, which are material contracts for the REIT, and is qualified in its entirety by reference to all of the provisions of such agreements. The Purchase Agreements will be available following Closing on SEDAR at www.sedar.com.

The REIT will directly and indirectly acquire the Initial Properties from the Vendors, pursuant to the Purchase Agreements, for aggregate consideration of approximately $421.1 million, to be satisfied by the payment of $312.9 million in cash, the issuance of 5,160,319 Units and the assumption of approximately $56.6 million of indebtedness in respect of the Initial Properties, in accordance with the steps set forth under "— Transaction Steps". The Acquisitions will reflect customary purchase price adjustment provisions, including for pre-paid expenses, pre-paid rent and working capital.

The Purchase Agreements will contain representations and warranties typical of those contained in purchase agreements for similar real property assets negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge, materiality and disclosure, subject to reasonable exceptions. The representations and warranties will relate to the Vendors and the Initial Properties and will be from the Vendors in favour of the REIT, including, among other things, representations and warranties as to the Vendors' existence and capacity, due authorization, no conflict, compliance with laws, beneficial ownership of the Initial Properties and other assets being acquired free of material encumbrances other than permitted encumbrances, lack of certain unpaid material capital expenditures, lack of certain known material defects or deficiencies in the applicable buildings or mechanical systems, lack of certain outstanding liens, environmental matters, work orders, deficiency notices or infraction notices from a government authority, payments on existing mortgages and no material defaults thereon, leases and tenants, financial statements, that each Initial Property has operated in the ordinary course of business, employment matters, litigation, tax matters, no notice of breach of contracts to be assumed on Closing and material accuracy of information provided to the applicable purchaser. Certain of the Purchase Agreements will also contain representations and warranties in respect of land transfer taxes. In addition, the Vendors of the Canadian Initial Properties will provide representations and warranties in respect of the nominee corporation that holds legal title to the applicable Canadian Initial Property, including such nominee's existence, that it is the registered legal holder of the Canadian Initial Property and wholly-owned by the applicable Vendors, that there are no agreements or other rights obliging the nominee to issue shares, that it has never owned any assets or incurred any liabilities or carried on any business other than to hold registered legal title to the applicable Canadian Initial Property and that it has filed all required tax returns.

The Vendors will also provide representations and warranties that, to the best of their knowledge, this prospectus does not contain a misrepresentation (as defined in the Securities Act) relating to the Initial Properties and other assets being acquired, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. The representations and warranties relating to this prospectus will survive for a period of 36 months following Closing. All other representations and warranties will survive for a period of 18 months following Closing; provided, however, that the representations and warranties regarding due authorization shall survive indefinitely and the representations and warranties regarding tax matters (other than land transfer taxes) shall survive for the applicable statutory reassessment period.

In the Purchase Agreements, each Vendor will severally indemnify the REIT for breaches of representations and warranties, up to the value of the Units (at the Offering Price) issued to such Vendor in partial consideration for the transfer of its applicable Initial Property. In addition, pursuant to the Guarantee and Pledge Agreement each Retained Interest Holder will guarantee the obligations under the Purchase Agreements and the Underwriting Agreement of the Vendor(s) whose Units such Retained Interest Holder acquires in connection with Closing, up to the value of the aggregate of all such Units (at the Offering Price) of such Retained Interest Holder (determined without regard to any cap on any Vendor's liability under such agreements). The obligations under the guarantees with respect to the prospectus representation will be joint and several. As security for such guarantees, the Retained Interest Holders will pledge to the REIT for the

initial 18-month period following Closing the Units comprising their Retained Interest. In addition, the REIT will obtain a seven-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, the Promoters and the REIT, subject to certain limits, deductibles and other terms and conditions.

There can be no assurance of recovery by the REIT from the Vendors or the Retained Interest Holders for any breach of the representations and warranties provided by them under the Purchase Agreements, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Purchase Agreements and purchasers of Units under this prospectus will not have any contractual rights under the Purchase Agreements. Purchasers of Units will, however, have certain statutory rights of action against the REIT and the Promoters under applicable securities laws. See "Retained Interest", "Risk Factors" and "Purchasers' Statutory Rights".

The closing of the Acquisitions will be conditional upon, among other things, the completion of the Offering, the receipt of all necessary consents and waivers from third parties, including the lenders of the Assumed Mortgages, and the receipt of a satisfactory title opinion or title insurance policy dated as of the Closing in favour of the applicable purchaser.

A purchaser of Units should refer to the terms of the Purchase Agreements for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations under the Purchase Agreements.

Parkway Place

Certain vacant surface lands located at Parkway Place, comprising approximately 2.5 acres, are subject to a purchase and sale agreement that will be assigned to the REIT on Closing, along with a non-refundable deposit of $250,000 already paid by the purchaser under the purchase and sale agreement. If the sale of these lands closes, the REIT will pay the net proceeds of the sale to the applicable Vendors (less a portion of the costs to be incurred by the REIT). If the sale does not close, the REIT will return the non-refundable deposit to the applicable Vendors and will retain the lands, which will be subject to a market valuation in the first quarter following the termination of the purchase agreement.

In addition, the Vendors of Parkway Place will have an option to re-purchase certain vacant development lands (the "**Parkway Vacant Lands**") located to the east of the current buildings, comprising approximately 5.9 acres, for $12 million. These Vendors must notify the REIT of their intent to exercise the option within one year following Closing, and will pay the REIT a non-refundable deposit of $1.5 million upon the exercise of the option.

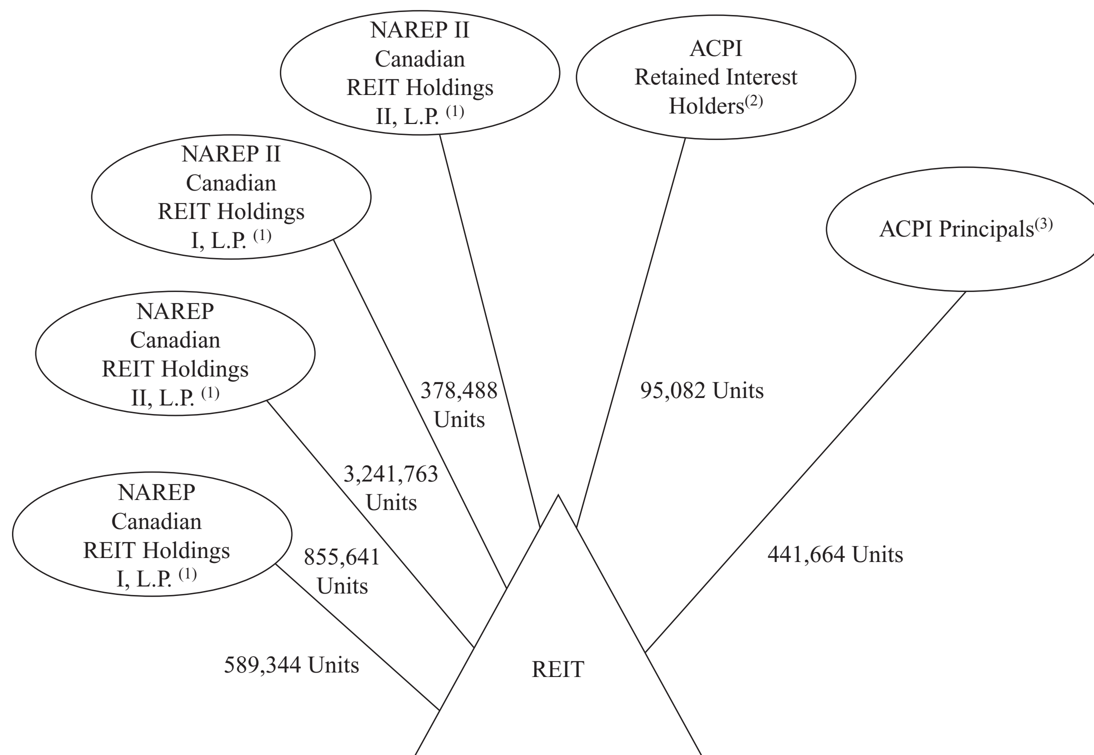
If the Vendors exercise this option (which option will only be exercisable if the conditions set out in the next paragraph have been satisfied), the REIT will construct a new, mixed use retail and parking facility on its remaining Parkway Place lands that will provide Parkway Place with the parking it will require to remain in compliance with its zoning requirements and new retail space and amenities. Management expects that this new mixed use facility will benefit the existing Parkway Place tenants, who will have access to closer parking facilities and new retail stores, and will provide the REIT with additional retail and parking revenue. In addition, the development of the Parkway Vacant Lands is expected to increase consumer traffic at Parkway Place.

The REIT will retain the Vendors of Parkway Place or their affiliate as the development manager for this new facility but will not, however, commence construction of this new facility unless sufficient pre-leasing has been completed so that the market value of the retail component of this new facility, plus the option price payable to the REIT, is at least equal to the REIT's costs of developing and constructing the new facility (pursuant to a fixed price contract), and the new facility provides sufficient parking so that Parkway Place remains in compliance with all zoning requirements. The REIT will provide or arrange for the construction financing for the proposed facility and, on completion of construction and the sale of the Parkway Vacant Lands under option, the REIT currently anticipates that it will pay to the Vendors of Parkway Place an amount equal to: (i) the market value of the retail component of the new facility (expected to equal approximately $14 million when 100% leased), plus (ii) the net option exercise proceeds received by the REIT ($12 million), less (iii) all development, construction and financing costs related to the new retail and parking facility (expected to equal approximately $22 million). The Vendors of Parkway Place will be responsible for any cost overruns related to item (iii) above.

RETAINED INTEREST

Following Closing, the CarVal Retained Interest Holders will hold Units representing, in the aggregate, an approximate 26.5% interest in the REIT (an approximate 18.9% interest in the REIT if the Over-Allotment Option is exercised in full). The CarVal Retained Interest Holders are entities controlled by CarVal. CarVal is a leading global alternative investment fund manager with approximately $9 billion in assets under management in 62 countries. CarVal's global real estate team has invested $9.5 billion in more than 1,000 real estate transactions since 1991 and has underwriting capabilities in more than 25 countries.

In addition, the ACPI Retained Interest Holders will hold Units representing, in the aggregate, a further approximate 0.5% interest in the REIT (a further approximate 0.4% interest in the REIT if the Over-Allotment Option is exercised in full). Further, the ACPI Principals will subscribe for 441,664 Units directly from the REIT in connection with Closing. The following chart sets out the simplified structure of the Retained Interest Holders and the ACPI Principals as they relate to the Vendors and the REIT following Closing:



Notes:

(1) The CarVal Retained Interest Holders are four entities under common control with certain of the Vendors. The Units to be held by the CarVal Retained Interest Holders will be transferred to them, directly or indirectly, by 20 Valleywood Drive Limited Partnership, NAREP II Canadian Assets Trust, NAREP II Canadian Assets ULC, NAREP II Canadian Corporation, Aptus Dallas TX Industrial, L.P., Aptus Plainfield IN, LLC, Aptus Maryland, LLC, Texas Industrial Non-REIT Portfolio, Limited Partnership, Texas Industrial REIT Portfolio, Limited Partnership, Cinco Properties, LLC and CMJ/Warrenville, LLC in connection with Closing, which Units will be acquired by such Vendors as partial consideration for the sale of the Initial Properties.

(2) The ACPI Retained Interest Holders are Diversified Cinco Properties, LP (3,849 Units), Diversified Valleywood Limited Partnership (8,558 Units), Diversified Bank Limited Partnership (4,010 Units), Diversified Parkway L.P. (47,553 Units), Diversified Bellehumeur L.P. (3,771 Units), Diversified Magnettawan Industrial, LLC (6,777 Units), Diversified Magnettawan HDA Non-REIT, LP (6,710 Units) and Diversified Magnettawan HDA REIT, LP (13,854 Units). The ACPI Retained Interest Holders will acquire Units, directly or indirectly, from the REIT as partial consideration for the sale of the Initial Properties. Diversified Bank Limited Partnership, Diversified Parkway L.P. and Diversified Bellehumeur L.P. are Vendors; the remaining ACPI Retained Interest Holders hold minority interests in Vendors of the remaining Initial Properties.

(3) The ACPI Principals are certain principals of ACPI or entities controlled by such persons. The ACPI Principals will acquire Units by subscription directly from the REIT in connection with Closing.

The Retained Interest Holders have agreed with the Underwriters that, for a period of 18 months following the Closing, they will not, directly or indirectly, without the prior written consent BMO Nesbitt Burns Inc., on behalf of the Underwriters, which consent will not be unreasonably withheld, and the subsequent approval of the Board, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase (other than in connection with existing option or other incentive or compensation plans or plans to be created in connection with the Offering), or otherwise lend, transfer or dispose of any Units or securities convertible or exchangeable into Units, or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, or securities convertible or exchangeable into Units or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; and, for a period of 18 months following the Closing, the Units forming part of the Retained Interest cannot be subject to any prior charge or pledged as security for any obligations, other than those obligations in favour of the REIT described below. The ACPI Principals have similarly committed to hold the Units subscribed for in connection with Closing for 18 months following Closing.

CarVal will be granted the right to nominate one Trustee subject to the CarVal Retained Interest Holders owning, in the aggregate, a minimum of 15% of the then-outstanding Units on a fully-diluted basis. In addition, the Declaration of Trust will provide that the Chief Executive Officer of the REIT will be nominated to serve as a Trustee. If in the future the REIT applies to the TSX for approval to permit the Chief Executive Officer to serve as a Trustee pursuant to the Declaration of Trust, which is currently not permitted by the applicable rules of the TSX, the REIT will issue a news release at the time of the application.

Registration Rights

The Registration Rights Agreement will provide the CarVal Retained Interest Holders with the right (the "**Piggy-Back Registration Right**"), among others, to require the REIT to include Units held by the CarVal Retained Interest Holders in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Piggy-Back Distribution**"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units the CarVal Retained Interest Holders request to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Registration Rights Agreement will provide the CarVal Retained Interest Holders (on behalf of themselves and the ACPI Retained Interest Holders) with the right (the "**Demand Registration Right**") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held by the CarVal Retained Interest Holders for distribution (a "**Demand Distribution**"). Each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least $20 million. The REIT may distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to the selling securityholders.

Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time after 18 months following Closing, provided that the CarVal Retained Interest Holders collectively own at least 10% of the Units (on a fully-diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by the CarVal Retained Interest Holders and the fees of the CarVal Retained Interest Holders' external legal counsel will be borne by the CarVal Retained Interest Holders. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and

the CarVal Retained Interest Holders on a proportionate basis according to the number of Units distributed by each.

Pursuant to the Registration Rights Agreement, the REIT will indemnify the CarVal Retained Interest Holders for any misrepresentation in a prospectus under which the CarVal Retained Interest Holders' Units are distributed (other than in respect of any information provided by the CarVal Retained Interest Holders, in respect of the CarVal Retained Interest Holders, for inclusion in the prospectus) and the CarVal Retained Interest Holders will indemnify the REIT for any information provided by the CarVal Retained Interest Holders, in respect of the CarVal Retained Interest Holders, for inclusion in the prospectus.

GOVERNANCE OF THE REIT

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by a Board of Trustees consisting of a minimum of one and a maximum of nine Trustees, a majority of whom will be Canadian residents. The REIT must, at all times after the Offering, have a majority of Trustees who are independent within the meaning of NI 58-101; provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement.

The Board will initially be comprised of five Trustees, a majority of whom will be independent. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment. The REIT has determined that Paul Massicotte, Richard Dansereau and Sara Yamotahari will be independent under these standards. Frank Camenzuli, as the REIT's Chief Executive Officer and as president of ACPI, and Robert Perry, as a senior managing director of CarVal, will not be independent under these standards. All of the trusteeships and directorships of the Trustees with other public entities are disclosed in the biographical information for each Trustee set out below. Pursuant to the conflict of interest provisions in the Declaration of Trust (see "— Conflicts of Interest" below), Mr. Frank Camenzuli will be required to disclose the nature and extent of his interest in, and is not entitled to vote on any resolution to approve, any material contract or transaction or any proposed material contract or transaction, between the REIT and ACPI or any of its affiliates or any other entity in which Mr. Camenzuli has an interest (unless the contract or transaction relates to his remuneration or an indemnity under the provisions of the Declaration of Trust on liability insurance). On the same basis, Mr. Robert P. Perry will be required to disclose the nature and extent of his interest in, and is not entitled to vote on any resolution to approve, any material contract or transaction or any proposed material contract or transaction, between the REIT and CarVal or any of its affiliates or any other entity in which Mr. Perry has an interest (unless the contract or transaction relates to his remuneration or an indemnity under the provisions of the Declaration of Trust on liability insurance).

The mandate of the REIT's Board will be one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (xiv) determining the amount and timing of

distributions to Unitholders; and (xv) acting for, voting on behalf of and representing the REIT as a holder of shares of Agellan Canada and, indirectly, the shares of Agellan U.S. and the Class A Units of the Partnership.

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

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

The REIT will adopt a disclosure policy and an insider trading policy following Closing. It is expected that these policies will, among other things: (i) articulate the legal obligations of the REIT, its subsidiaries and their respective trustees, directors, officers and employees with respect to the disclosure of information about the REIT; (ii) identify spokespersons of the REIT, who will be the only persons authorized to communicate with third parties, such as analysts, media and investors; (iii) adopt and implement policies to prevent the selective disclosure of material information and to ensure that, if selective disclosure does occur, a news release is issued immediately; and (iv) establish "black out" periods around the disclosure of quarterly and annual financial results and with respect to the disclosure of certain material changes, during which periods prescribed individuals and entities may not purchase or sell Units.

The standard of care and duties of the Trustees provided in the Declaration of Trust will be similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Other than Trustees appointed prior to Closing, which Trustees will hold office for a term expiring at the close of the next annual meeting of unitholders or until a successor is appointed, Trustees will be elected at each annual meeting of unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Other than the one nominee nominated by CarVal in connection with its nomination right described below and the Chief Executive Officer of the REIT, who will be nominated pursuant to the terms of the Declaration of Trust, nominees will be nominated by the Corporate Governance and Nominating Committee, in each case for election by unitholders as Trustees in accordance with the provisions of the Declaration of Trust and will be included in the proxy-related materials to be sent to unitholders prior to each annual meeting of unitholders. The first annual meeting of unitholders will be held on or before June 30, 2014.

The Unitholders or the Trustees will be entitled to change the number of Trustees comprising the Board. A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Trustees,

except a vacancy resulting from an increase in the number of Trustees, from a failure of the Unitholders to elect the required number of Trustees or a vacancy in the Trustee appointed by virtue of serving as Chief Executive Officer of the REIT. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of trustees in the Declaration of Trust or from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of unitholders, appoint one or more additional Trustees to serve until the next annual meeting of unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of unitholders. Any Trustee may resign upon 30 days' written notice to the REIT, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of unitholders.

The Declaration of Trust will grant CarVal the exclusive right to nominate one Trustee subject to the CarVal Retained Interest Holders owning a minimum of 15% of the then-outstanding Units on a fully-diluted basis. In addition, the Declaration of Trust will provide that the Chief Executive Officer of the REIT will be nominated for election as a Trustee. If in the future the REIT applies to the TSX for approval to permit the Chief Executive Officer to serve as a Trustee pursuant to the Declaration of Trust, which is currently not permitted by the applicable rules of the TSX, the REIT will issue a news release at the time of the application. On Closing, it is anticipated that Robert P. Perry will serve on the Board pursuant to CarVal's nomination right and, as the Chief Executive Officer of the REIT, Frank Camenzuli will serve on the Board pursuant to the nomination right relating to the Chief Executive Officer in the Declaration of Trust.

The following table sets forth the name, municipality of residence, positions to be held with the REIT and principal occupation of the Trustees of the REIT:

Name and Municipality of Residence	Position with the REIT	Principal Occupation
Paul J. Massicotte[(1)(2)(4)(5)(6)] . . . . . Montreal, QC	Trustee	Member of the Senate of Canada
Frank Camenzuli . . . . Toronto, ON	Trustee and Chief Executive Officer	Chief Executive Officer of ACPI
Richard Dansereau[(1)(2)(6)] . . . . Saint-Lambert, QC	Trustee	Managing Director, Stonehenge Partners
Robert P. Perry[(2)] . . . . Minneapolis, MN	Trustee	Senior Managing Director, CarVal
Sara Yamotahari[(1)(3)(6)] . . . . Toronto, ON	Trustee	Senior Vice President and Head of Tax, OMERS

Notes:

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Nominating Committee.

(3) Chair of the Audit Committee.

(4) Chair of the Corporate Governance and Nominating Committee.

(5) Chair of the Board.

(6) Independent Trustee.

As a group, the Trustees and executive officers of the REIT will beneficially own, control or direct, directly or indirectly, 435,725 Units on Closing, representing approximately 2.3% of the issued and outstanding Units

upon completion of the Offering and the Acquisitions (approximately 2.2% if the Over-Allotment Option is exercised in full).

Biographical Information Regarding the Trustees and Executive Officers

Paul J. Massicotte — Trustee. Senator Massicotte is a Canadian Senator representing the Senate division of De Lanaudière, Québec. He obtained his Bachelor of Commerce degree in 1974 from the University of Manitoba, received the designation of Chartered Accountant with the Manitoba Institute of Chartered Accountants in 1976 and became a member of the Ordre des comptables agréés du Québec in 1977. In February, 2005, Senator Massicotte was granted the title of Fellow from the Ordre des comptables agréés du Québec, the profession's highest honourific designation. Senator Massicotte served as President of the Alexis Nihon Group, which became Alexis Nihon Real Estate Investment Trust, from 1985 to 2006. Senator Massicotte is currently a director of the Ste-Anne's Hospital Foundation and the Greater Montreal YMCA Foundation. He is a former director of the Bank of Canada, the Canadian Chamber of Commerce, the Real Property Association of Canada, the Canadian Home Income Plan, the Board of Trade of Metropolitan Montreal Foundation, La Solidarité and the Board of Trade of Metropolitan Montreal and a former member of the advisory committee of Mercantile Bancorp Limited. Senator Massicotte is also the founding director, past Chairman and past President of the Urban Development Institute of Quebec.

Frank Camenzuli — Chief Executive Officer and Trustee. Mr. Camenzuli brings over 35 years of broad real estate operating and acquisition experience to the REIT. Mr. Camenzuli is a founding principal and President of ACPI, providing both entrepreneurial vision and strategic direction to ACPI. Mr. Camenzuli founded ACPI in 2003 and has been responsible for sourcing and maintaining relationships with ACPI's financial partners since its inception. In addition, since 1998 he has overseen the acquisition, management and disposition of over $3.2 billion in assets. From 1985 to 2002, he was a principal of Caber Capital and one of the founding partners of CBRE Limited. From 1980 to 1985, Mr. Camenzuli held senior management positions in several real estate companies including two major Canadian retail brokerage firms. Mr. Camenzuli holds an Honours Bachelor of Arts degree and a Masters degree in Social Sciences from the University of Western Ontario. Mr. Camenzuli will provide the services of Chief Executive Officer of the REIT as an employee of ACPI.

Sara Yamotahari — Trustee. Ms. Yamotahari brings over 15 years of experience in financial reporting and tax matters to the REIT. She is currently Senior Vice President and Head of Tax with the Ontario Municipal Employees Retirement System, a pension fund representing approximately 420,000 members, where she is responsible for developing, advising and executing enterprise-wide tax initiatives. She is a member of the Institute of Chartered Accountants of Ontario and received a Bachelor of Applied Arts degree from Ryerson University in 1991 and a Masters of Accounting degree from the University of Waterloo in 1996. Prior to her current role, Ms. Yamotahari held progressively senior roles at KPMG LLP, including as a Partner and National Head of Mergers and Acquisitions — Tax, from 1996 until 2010.

Richard Dansereau — Trustee. Mr. Dansereau brings over 30 years of real estate experience, during which time he has been involved in all aspects of real estate for a variety of different firms. Mr. Dansereau is currently a Managing Director at Stonehenge Partners, a New York-based real estate company, which owns and manages a portfolio of more than 3,000 luxury rental apartments in Manhattan. Prior to joining Stonehenge, Mr. Dansereau held progressively senior roles at Cadim, a real estate division of Caisse de dépôt et placement du Québec, including President and Chief Operating Officer, from 2000 to 2009 and, prior to that, he was Vice-President of Acquisitions for Canadian Real Estate Investment Trust from 1997 to 2000. In addition, he has been employed at a number of notable real estate firms, including Brasos Advisors (now Lonestar), Colliers and Marcil Trust, and has served on the boards of private and public companies, including MCAN Mortgage Corporation. Mr. Dansereau has a certificate in marketing from the Business School of the University of Montreal.

Robert P. Perry — Trustee. Mr. Perry is a Senior Managing Director for CarVal. He is responsible for all commercial real estate investing activities across the United States and Canada. His range of experience encompasses all real property classes and includes equity and debt structuring in both the private and public markets across most major and secondary markets in the United States and Canada. In addition, Mr. Perry has been active in CarVal's Asian activities, underwriting real estate and distressed debt acquisitions in Thailand and

South Korea. Prior to joining CarVal, Mr. Perry was a founding partner in a Minneapolis-based boutique investment firm specializing in banking workout and disposition activities. Mr. Perry received his Master of Science and Bachelor of Arts degrees from the Graaskamp Program at the University of Wisconsin, and is active in both the University of Wisconsin and Wharton Real Estate Centers.

Derek Dermott — President. Mr. Dermott brings 19 years of real estate experience to the REIT. Most recently, he was a Managing Director in the BMO Capital Markets Real Estate Group, where he was responsible for the origination and execution of public and private capital for real estate clients. He advised on numerous public market transactions, including initial public offerings, follow-on offerings and secured and unsecured debt placements. In addition, he was responsible for identifying merger and acquisition opportunities for his clients and ensuring the appropriate financing and execution strategies were implemented. Mr. Dermott also assisted clients in structuring and originating joint ventures and funds by accessing his strong relationships with private capital sources, including pension funds, institutions and private equity firms. Prior to joining BMO Capital Markets, Mr. Dermott was employed with the Brascan Financial Real Estate Group from 2004 to 2005 and with RBC Capital Markets both in the United States and Canada from 1996 to 2004, where he was responsible for originating and executing a wide variety of real estate investment banking transactions. Mr. Dermott holds a Bachelor of Commerce degree in Urban Land Economics from the University of British Columbia and is also a licensed member of the Real Estate Council of Ontario. Mr. Dermott will be employed as President by the REIT.

Rosalia Lau — Interim Chief Financial Officer. Ms. Lau brings over 20 years of real estate financial reporting to the REIT. As a principal and founding member of ACPI, Ms. Lau has been responsible for all accounting functions, cash management and tax filings for ACPI. From 1998 to 2003, Ms. Lau was the Corporate Controller at Caber Capital Inc., where she developed the accounting department and the related property management and accounting reporting systems. Prior to 1998, Ms. Lau held numerous accounting and tax-related positions at CentreCorp Management Services Limited from 1994 to 1998 and Delcom Management Inc. from 1991 to 1994. She holds a Bachelor of Administrative Studies degree from York University. Ms. Lau will provide the services of Interim Chief Financial Officer of the REIT as an employee of ACPI.

Terra Attard — Secretary. Ms. Attard is a principal and founding partner of ACPI and has senior asset management responsibilities for properties in Eastern Canada and the United States, as well as corporate management and oversight of ACPI, its affiliates and partnerships. Ms. Attard brings 17 years of real estate experience and has had direct involvement in over $1.3 billion of real estate transactions. She has held various asset, property and general management roles at Caber Capital from 2000 to 2003, O & Y Enterprises from 1999 to 2000 and Cadillac Fairview from 1996 to 1998.

Penalties or Sanctions

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

Individual Bankruptcies

None of the REIT's existing or proposed Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Corporate Cease Trade Orders and Bankruptcies

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

Committees of the Board of Trustees

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

Audit Committee

The Audit Committee will consist of at least three Trustees, all of whom will be persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of NI 52-110 and a majority of whom will be residents of Canada. The Audit Committee will be comprised of Sara Yamotahari, who will act as chair of this committee, Richard Dansereau and Paul Massicotte, all of whom have been determined to be Independent Trustees. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements.

Sara Yamotahari — Ms. Yamotahari is a member of the Institute of Chartered Accountants of Ontario. She received a Bachelor of Applied Arts degree from Ryerson University in 1991 and a Masters of Accounting degree from the University of Waterloo in 1996. Ms. Yamotahari is currently the Senior Vice President and Head of Tax of the Ontario Municipal Employees Retirement System, where she sits on the investor risk management committee and the enterprise risk management committee. She also currently sits on the finance committee of a not-for-profit organization. Ms. Yamotahari has over 15 years' experience in financial reporting and tax matters, and has previously acted as an advisor to several public companies and funds. She was a partner and National Head of Mergers and Acquisitions — Tax at KPMG LLP from 1996 to 2010, where she developed experience advising public real estate investment trusts, including in connection with their initial public offerings.

Paul J. Massicotte — Senator Massicotte received a Bachelor of Commerce (Honours) degree from the University of Manitoba in 1974, with a major in accounting and received the designation of Chartered Accountant with the Manitoba Institute of Chartered Accountants in 1976. He is also a member of the Ordre des comptables agréés du Québec and a Fellow of the Ordre des comptables agréés du Québec. He served as the Chief Financial Officer with responsibility for all accounting and financial matters from 1977 to 1986 of entities including the Marwest Group and the Alexis Nihon Group. From 1986 until 2005, he served as the President and Chief Executive Officer of the Alexis Nihon Group, which became Alexis Nihon Real Estate Investment Trust. He has served as a member of public boards and has extensive direct experience with disclosure controls and internal controls over financial reporting, as well as with the financial reporting obligations of public companies.

Richard Dansereau — Mr. Dansereau is currently Managing Director at Stonehenge Partners, a New York based real estate company which acquires, redevelops, finances and manages commercial and residential real estate in New York City. He has over 30 years' experience in all aspects of real estate and, through his various roles, has developed expertise in financial matters and an understanding of financial reporting. Prior to his current role, Mr. Dansereau held progressively senior roles at Cadim, a real estate division of Caisse de dépôt et placement du Québec, including President and Chief Operating Officer, from 2000 to 2009. He was also Vice-President of Acquisitions for Canadian Real Estate Investment Trust from 1997 to 2000 and has served on the boards of both private and public companies, including MCAN Mortgage Corporation. Mr. Dansereau completed a Certificate in Marketing and Management from the University of Montreal's Business School in 1998, finance courses from the Real Estate Institute of Canada in 1985 and a diploma in Social Sciences from Marianopolis College in 1979.

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

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

The following table presents, by category, the fees accrued by KPMG as external auditor of, and for other services provided to, the REIT in connection with the REIT's formation and organization, for the period indicated:

Category of Fees	Period ended December 31, 2012
Audit fees[(1)]	$900,000
Audit-related fees	—
Tax fees[(2)]	$200,000
All other fees	—

Notes:

(1) "Audit fees" relate to the audits of the financial statements of the Initial Properties for the years ended December 31, 2011, 2010 and 2009, the review of the interim condensed carve-out financial statements of the Initial Properties, the financial statements of the REIT as at and for the one day period ended November 1, 2012, the examination of the consolidated financial forecast, procedures performed in connection with this prospectus and French translation services.

(2) "Tax fees" relates to certain tax advisory fees provided to management.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the corporate governance and nominating policies of the REIT. The Corporate Governance and Nominating Committee will be comprised of Paul Massicotte, who will act as chair of this committee, Richard Dansereau and Robert Perry, a majority of whom have been determined by the REIT to be independent.

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

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

Remuneration of Trustees

Each Independent Trustee will be paid a fee of $25,000 per year as well as a fee of $1,500 per meeting of the Board or any committee thereof (or $750 per meeting if attending remotely). Each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred, up to a maximum of $1,500 per meeting. The Chair will receive an annual retainer of an additional $25,000 and the chair of each of the Audit Committee and the Corporate Governance and Nominating Committee will receive an annual retainer of $8,000. The Trustees will not receive any additional remuneration for acting as directors on the boards of the REIT's Subsidiaries.

Conflicts of Interest

The Declaration of Trust will contain "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust will contain provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting 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 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, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction

relates to his or her remuneration or an indemnity under the provisions of the Declaration of Trust or liability insurance.

Pursuant to the foregoing, each of Frank Camenzuli and Robert Perry will be required to disclose the nature and extent of his interest in, and is not entitled to vote on any resolution to approve, any material contract or transaction or any proposed material contract or transaction between the REIT and ACPI or any of its affiliates, in respect of Mr. Camenzuli, and between the REIT and CarVal or any of its affiliates, in respect of Mr. Perry, or any other entity in which Mr. Camenzuli or Mr. Perry, respectively, has an interest (unless the contract or transaction relates to his remuneration or an indemnity under the provisions of the Declaration of Trust on liability insurance).

Senior Management

The responsibilities of the senior management of the REIT (including pursuant to the External Management Agreement) will include: (i) providing the Board with information and advice relating to the operation of the REIT's properties, acquisitions and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (iv) maintaining the books and financial records of the REIT; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes; (vi) preparing reports and other information required to be sent to unitholders and other disclosure documents; (vii) calculating all distributions; (viii) communicating with unitholders and other persons, including investment dealers, lenders and professionals; and (ix) administering or supervising the administration, on behalf of the Board, of the payment of distributions by the REIT.

The Board will adopt, effective as of Closing, written position descriptions for the President and Chief Executive Officer which will set out the key responsibilities of the President and Chief Executive Officer. The primary functions of the President and Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with unitholders and regulators. The Board will develop a written position description and mandate for the Chief Executive Officer setting out key responsibilities, including duties relating to the REIT's strategic planning and operational direction, Board interaction, succession planning and communication with unitholders. The Chief Executive Officer mandate will be considered by the Board for approval annually.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
Frank Camenzuli Toronto, ON	Chief Executive Officer
Derek Dermott Oakville, ON	President
Rosalia Lau Toronto, ON	Interim Chief Financial Officer[1]
Terra Attard Toronto, ON	Secretary

Note:

(1) Ms. Lau is an employee of ACPI and will be fulfilling the role of Chief Financial Officer of the REIT on an interim basis until a permanent replacement is recruited. ACPI has initiated a search for a permanent Chief Financial Officer whose appointment will be approved by the Board following Closing.

Additional biographical information regarding the senior management of the REIT, including a description of each individual's principal occupation within the past five years, is provided under "Management of the REIT".

Trustees' and Officers' Liability Insurance

The REIT intends to obtain trustees' and officers' liability insurance policies, which cover indemnification of trustees and officers of the REIT in certain circumstances, including coverage for the REIT and its Trustees and officers in relation to the prospectus. The REIT will also obtain a seven-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, the Promoters and the REIT, subject to certain limits, deductibles and other terms and conditions. In addition, the REIT will enter into indemnification agreements with each of its Trustees and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

MANAGEMENT OF THE REIT

ACPI

Asset management and certain administrative services will be provided to the REIT by ACPI. ACPI is a privately held commercial real estate management company based in Toronto, Ontario that both develops and executes real estate investment strategies for institutional investors. ACPI is active across Canada and in select markets in the United States. Since 2003, ACPI has transacted over $1.3 billion of commercial real estate on behalf of its clients and has managed a mixed commercial portfolio of up to approximately eight million square feet. ACPI's clientele includes pension funds, financial institutions and private investors. The relationship between CarVal and several principals of ACPI dates back to 1992 and has involved completed acquisitions in excess of $3.5 billion.

ACPI develops and manages pooled funds, segregated accounts and single purpose acquisition vehicles. The primary objective of ACPI is to preserve capital and maximize returns for its investors. With a current staff of 19 employees, ACPI offers a full complement of in-house real estate services that include: acquisition, asset management, property management and finance and construction management. ACPI has a dedicated accounting staff of five people that provides financial reporting, tax and compliance measures to its institutional client base. The principals of ACPI have a strong track record, having completed 69 real estate transactions in the past 10 years.

ACPI generally charges its clients a base asset management fee ranging from 40 to 100 basis points on asset value, augmented by incentive fees that are based on exceeding performance targets. ACPI believes in alignment of interests between the investor and asset manager and, accordingly, does not charge acquisition, disposition, financing, construction or leasing fees to its clients. ACPI believes that compensation that is directly linked to performance creates a more direct alignment of interest and ensures that the success of ACPI is tied to its clients' objectives. In addition, principals of ACPI have a track record of co-investing alongside ACPI's clients. Of the 69 real estate transactions completed by ACPI over the past 10 years, 83.7% are co-owned by entities controlled by principals of ACPI.

ACPI's services under the External Management Agreement will primarily be provided by the following employees of ACPI:

Frank Camenzuli — Chief Executive Officer of the REIT and President of ACPI. See "Governance of the REIT — Biographical Information Regarding the Trustees and Executive Officers — Frank Camenzuli".

Rosalia Lau — Interim Chief Financial Officer of the REIT and Chief Financial Officer of ACPI. See "Governance of the REIT — Biographical Information Regarding the Trustees and Executive Officers — Rosalia Lau."

Terra Attard — Secretary of the REIT and Senior Vice President, Asset Management and Operations of ACPI. See "Governance of the REIT — Biographical Information Regarding the Trustees and Executive Officers — Terra Attard."

Chris Caswell — Executive Vice President of ACPI. Mr. Caswell is a principal of ACPI and has over 25 years of real estate experience. Prior to joining ACPI in 2011, Mr. Caswell was Vice President/Director and Broker of TD Securities Inc. from 1999 to 2011, where he served various roles within the Real Estate Investment Banking Group. Mr. Caswell joined the parent bank of TD Securities Inc. when it acquired a boutique property brokerage where he was a principal from 1997 to 1999. From 1986 to 1997, Mr. Caswell was an award-winning broker for CBRE Limited. Mr. Caswell has been directly involved in commercial real estate transactions totaling in excess of $3 billion dollars on behalf of institutional and public market clients, as well as for several of North America's largest private investors. Mr. Caswell holds a Bachelor of Arts degree from the University of Western Ontario.

Damien Moore — Vice President, Acquisitions of ACPI. Mr. Moore has over 25 years of real estate experience. He joined ACPI in 2005 to assume responsibility for sourcing and analyzing potential real estate opportunities throughout the United States and Canada. Prior to joining ACPI, Mr. Moore held various roles at ProjetCorp Realty from 2001 to 2004, Colliers International from 1996 to 2001 and Fish Marks Consulting from

1991 to 1995, where he was responsible for real estate due diligence in support of brokerage operations and real estate appraisal and consulting services. In addition to holding a Bachelor of Science degree in Real Estate Management from the Sheffield Hallam University, Mr. Moore is a registered broker for the Real Estate Council of Ontario, a Member of the Royal Institution of Chartered Surveyors and a fully accredited member of the Appraisal Institute of Canada.

Margo Ledgerwood — Vice President, Asset Management of ACPI. Ms. Ledgerwood is a principal and founding member of ACPI with over 20 years of experience in the real estate industry. Ms. Ledgerwood is responsible for managing the western Canadian portfolio and the assets in the United States, including sourcing, acquiring and leasing. Ms. Ledgerwood has worked in various asset classes, economies and geographical locations for various investors including private, institutional, syndications and court appointed receivers. Prior to joining ACPI, Ms. Ledgerwood held the position of Asset Manager with Caber Capital Partners Inc. from 1999 to 2003 and PPM Real Estate Managers (Canada) Limited from 1996 to 1997, having opened the Calgary office of the latter in 1996.

External Management Agreement

Following Closing, ACPI will be the asset manager of the properties owned by the REIT and will provide the REIT with certain advisory and general administrative services, including the services of the Chief Executive Officer and Chief Financial Officer. ACPI will provide the following asset management services:

- Provide advisory and investment management services (including the services of the Chief Executive Officer, Chief Financial Officer and Secretary) and monitor the financial performance of the REIT;
- Advise the Trustees and executive officers of the REIT and the directors of the general partner of the Partnership on strategic matters, including potential acquisitions, dispositions, financings and development;
- Advise and assist with borrowing, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;
- Develop and implement asset business plans and strategic matters as approved by the REIT and the general partner of the Partnership;
- Make recommendations with respect to the payment of distributions;
- Advise the REIT with respect to investor relations strategies and activities;
- Advise the REIT with respect to regulatory compliance requirements, risk management policies and any litigation matters;
- Provide certain management and general administrative services, including keeping and maintaining books and records, preparing returns, filings and documents and making determinations necessary for the discharge of the REIT's obligations and those of the Trustees and the directors of the general partner of the Partnership;
- Provide the REIT with certain administrative and support services, including office space, office equipment and communications services and computer systems, secretarial support personnel and reception and telephone answering services, installing and maintaining signage and promotional materials and such other administrative services as may be reasonably required from time to time;
- Provide guidance to property managers on operating expenses and capital expenditures; and
- Identify, evaluate, recommend and assist in the structuring of acquisitions, dispositions, financings and other transactions.

ACPI will be entitled to the following fees in consideration for providing the asset management services:

(i) ***Management Fee***. Base annual management fee, calculated and payable on a monthly basis, equal to 0.40% of the GBV of the REIT's assets (the "**Management Fee**"); and

(ii) ***Incentive Fee***. Incentive fee equal to the product of (a) 15% of any excess AFFO per Unit greater than 103% of forecast AFFO per Unit as set forth under "Financial Forecast" (the "**Incentive Fee Target**") and (b) the weighted average number of issued and outstanding Units over the applicable fiscal year (the "**Incentive Fee**"). The Incentive Fee will be measured and paid on an annual basis in Units, calculated based on the 20-day volume weighted average price of the Units on the TSX or any stock exchange on which the Units are then listed. If payment in Units creates a taxable event for ACPI, a portion of the Incentive Fee may be paid in cash upon the approval of the Board. The Incentive Fee Target will increase annually by 50% of the increase in the weighted average Canadian and United States consumer price indices (weighted based on the GBV of the REIT's properties located in each jurisdiction). The maximum number of Units reserved for issuance in respect of the Incentive Fee is 25,000.

No acquisition, disposition, financing, leasing, construction or development fees will be payable to ACPI under the External Management Agreement.

In addition, five years following Closing, ACPI will be entitled to a Unit price performance fee (the "**Unit Price Performance Fee**") equal to the product of (i) the volume weighted average closing price of the Units on the TSX or any stock exchange on which the Units are then listed for the 20 trading days immediately preceding the date that is five years following the Closing Date, less $13.00 and (ii) one million. Alternatively, if the External Management Agreement is terminated or is not renewed after its initial five-year term, the Unit Price Performance Fee will equal the product of (i) the volume weighted average closing price of the Units on the TSX or any stock exchange on which the Units are then listed for the 20 trading days immediately preceding the date of termination, less $13.00 and (ii) one million. For greater certainty, the Unit Price Performance Fee shall not be payable to ACPI in the event that the REIT terminates ACPI as the external manager for cause or ACPI terminates the External Management Agreement.

The REIT will reimburse ACPI for all reasonable and necessary actual out-of-pocket costs and expenses incurred for travel and lodging in connection with the performance of the services described in the External Management Agreement in respect of those properties already managed by ACPI. All other expenses to be reimbursed will be budgeted by ACPI and presented to the Board for approval on an annual basis. Expenses to be reimbursed in respect of potential acquisitions approved by the Board will also be presented to the Board for approval. Costs incurred by ACPI in respect of potential acquisitions not ultimately approved by the Board will not be reimbursed by the REIT.

The External Management Agreement has an initial term of five years (the "**Initial Term**"). At the end of the Initial Term, if the REIT's AFFO per Unit for the year ended December 31, 2017 is greater than 115% of forecast AFFO per Unit as set forth under "Financial Forecast" (the "**Renewal Target**"), the External Management Agreement will automatically be renewed for an additional five year term. If the Renewal Target has not been met at the end of the Initial Term, the Independent Trustees may either (i) terminate the External Management Agreement if, in their reasonable opinion, they are not satisfied with the performance of ACPI and they believe that termination of the External Management Agreement is in the best interests of the REIT or (ii) acting reasonably, seek to attempt to renegotiate the External Management Agreement with ACPI for a further term. On termination in such circumstances, ACPI will be entitled to receive, in addition to any unpaid amounts then owing to it, a termination fee equal to the aggregate of the amounts paid or payable to ACPI in respect of the Management Fee and the Incentive Fee calculated in respect of the 18 months preceding the date of termination.

The REIT will have the right to terminate the External Management Agreement either (i) upon a material breach by ACPI under the terms of the External Management Agreement or the Non-Competition and Non-Solicit Agreement, subject to a 30-day cure period, (ii) upon an event of insolvency of ACPI or (iii) upon fraudulent wilful misconduct of, or misappropriation of funds by, ACPI. In addition, the REIT will have the right to terminate the External Management Agreement upon a change of control of ACPI, provided that the Independent Trustees reasonably determine that the change of control is detrimental to ACPI's performance of its obligations to the REIT. ACPI is required to provide the Independent Trustees with advance notice of any proposed change of control as and when ACPI becomes aware of it. A "change of control" with respect to ACPI

means that (i) Frank Camenzuli owns, directly or indirectly, less than 33% of ACPI and (ii) Frank Camenzuli is neither the President nor Chief Executive Officer of ACPI.

Should the REIT wish to terminate the External Management Agreement upon a change of control of ACPI, the REIT will either (i) provide ACPI with at least 12 months' prior written notice of termination or (ii) pay to ACPI, in addition to any unpaid amounts then owing to it, an amount equal to the aggregate of the amounts paid or payable to ACPI in respect of the Management Fee and the Incentive Fee calculated in respect of the 18 months preceding the date of termination. Further, the Unit Price Performance Fee will become immediately payable upon such termination.

Property Management Agreements

Property management services in respect of the REIT's properties will be provided by ACPI, an affiliate of ACPI (the "**Property Manager**") and third party providers. At Closing, ACPI, which currently provides property management services in respect of four of the Initial Properties located in the United States, and the Property Manager, which currently provides property management services in respect of the two Initial Properties located in the Greater Toronto Area, will provide certain property management services to the REIT in respect of those Initial Properties. The property management services of the third party providers, ACPI and the Property Manager will generally include: supervising the establishment and maintenance of a suitable communication scheme with each tenant; providing all notices and statements to tenants; collecting all current and future rents and other amounts payable by tenants; subject to the prior consent of the owner, instituting litigation or other proceedings on behalf and in the name of the owner and promptly giving notice to the owner of any summons or similar legal documents; ensuring compliance with all leases and all contractual, statutory or municipal obligations with respect to the property; paying all operating costs and carrying charges and other expenses relating to the operation of the property; reviewing and managing property taxes and assessments, maintaining proper books and records and communicating with governmental authorities as required; obtaining certificates of insurance from each tenant's insurer; and providing all other services which it is appropriate for a property manager to provide.

Under the Property Management Agreements with ACPI and the Property Manager, which will each have a term of no more than one year with typical renewal provisions, ACPI and the Property Manager, as applicable, will be paid a property management fee of $20,000 per annum for each of the single-tenant Initial Properties that it currently manages. For each additional single-tenant property that may be managed in the future by ACPI or the Property Manager, ACPI or the Property Manager, as applicable, will be paid a property management fee of $30,000 per annum. For all multi-tenant properties that may be managed by ACPI or the Property Manager in the future, and for all properties managed by third party providers, a market property management fee will apply. If the REIT and ACPI or the Property Manager, as the case may be, are unable to agree on the property management fee for a particular multi-tenant property in the future, the REIT will be free to engage any third party property manager that it deems appropriate. In the event that the External Management Agreement is terminated, the Property Management Agreements may also be terminated by the REIT upon the payment of 12 months' property management fees based on the last completed fiscal year.

For greater certainty, other than the property management arrangements already in place, none of which has a term of more than one year, the REIT will have full discretion at all times to decide whether to retain ACPI, the Property Manager or a third party property manager to manage any of its properties.

Non-Competition and Non-Solicit Agreement

Pursuant to the Non-Competition and Non-Solicit Agreement, ACPI will not, without the consent of the Independent Trustees, directly solicit an existing tenant of a REIT property to move to a non-REIT property in which ACPI has an ownership interest or that it manages for another client. Without the prior approval of the Independent Trustees, ACPI will not be entitled to act as the promoter of, or asset manager to, any publicly-traded real estate business, nor will ACPI and its directors, officers and employees independently engage in or receive the benefits from business activities that are competitive with the affairs of the REIT, other than those previously existing arrangements that have been disclosed to the Board and investments of up to 5% of the issued and outstanding equity securities of any public issuer.

Further, ACPI will conduct itself professionally, ethically and otherwise as a prudent manager would with respect to the entire property acquisition process. It will offer all acquisition opportunities for income producing office, industrial and retail properties in Canada or the United States to the REIT at the same time as such opportunities are offered to ACPI's other fiduciary, managed or client accounts. If, and to the extent that, ACPI proposes an acquisition opportunity to the REIT where the opportunity is being sourced from another fiduciary, managed or other client account of ACPI, ACPI will ensure that the Independent Trustees receive all of the material terms and conditions of the proposed transaction and all of the material information about the property that ACPI may legally provide. If the REIT elects not to proceed with an acquisition opportunity presented by ACPI, ACPI may propose such opportunity to any other person.

The Non-Competition and Non-Solicit Agreement will be in effect so long as ACPI is the external asset manager of the REIT. The obligation not to solicit existing tenants will continue for 12 months if the External Management Agreement is terminated due to an event of default, as defined therein, by ACPI.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion describes the significant elements of the REIT's expected executive compensation program, with particular emphasis on the process for determining compensation payable to the President of the REIT. The President will be employed directly by the REIT. Other than the President, the REIT's senior management team will consist of individuals employed by ACPI. ACPI will provide asset management services to the REIT pursuant to the External Management Agreement, for which the REIT will pay ACPI certain fees. See "Management of the REIT — External Management Agreement". Any variability in cash compensation to be paid by ACPI to the named executive officers employed by ACPI will not impact the REIT's financial obligations.

Other than the employment agreement entered into with the President and as described below, the REIT will not have any employment agreements with members of senior management and will not pay any cash compensation to any individuals serving as officers. Rather, as employees of ACPI, those individuals will be compensated by ACPI. A portion of the compensation paid to those employees of ACPI will be attributable to time spent on the activities of the REIT.

Other than the President, the officers named in the "Summary Compensation Table" below are employees of ACPI. These officers, along with the President, are referred to herein as the "named executive officers".

The REIT's compensation of the President is described below. See "Executive Compensation — Compensation of the President". ACPI will have sole responsibility for determining the compensation of the named executive officers other than the President, other than the granting of options under the Option Plan or Deferred Trust Units under the Deferred Unit Incentive Plan, which will be the responsibility of the Board.

Principal Elements of Compensation

The following discussion is intended to describe the portion of the compensation of the named executive officers (other than the President) that is attributable to time spent on the REIT's activities, and supplements the more detailed information concerning executive compensation that appears in the "Summary Compensation Table" and the accompanying narrative that follows.

The compensation of the named executive officers (other than the President) will include two principal elements: (a) base salary, and (b) an annual cash bonus. ACPI's process for determining executive compensation is relatively straightforward, involving evaluation by executive officers. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by ACPI for determining how one element of compensation fits into the overall compensation objectives in respect of the REIT's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the executive officers of ACPI.

The named executive officers will not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

The two principal elements of compensation are described below.

Base salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the named executive officers and competitive industry pay practices for other real estate investment trusts and corporations of comparable size. ACPI does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of ACPI.

Annual cash bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses will be awarded based on qualitative and quantitative performance standards and reward the performance of the named executive officer individually. The determination of the REIT's performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget (such as AFFO), the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities.

Grants of options under the Option Plan and Deferred Trust Units under the Deferred Unit Incentive Plan may be used to align the interests of the named executive officers more closely with the interests of the Unitholders, since they are tied to the REIT's financial and Unit trading performance and vest or accrue over a number of years. The Board, acting on the recommendation of the Corporate Governance and Nominating Committee, may designate individuals eligible to receive grants of options or Deferred Trust Units. In determining grants of options or Deferred Trust Units, an individual's performance and contributions to the REIT's success, relative position, tenure and past grants will be taken into consideration. No options or Deferred Trust Units will be issued in connection with Closing.

Option Plan

The REIT intends to adopt the Option Plan. The Board, at its sole discretion, may use grants of options to acquire Units under the Option Plan to provide long-term incentives to attract, motivate and retain certain key employees, trustees, officers and service providers of the REIT, as well as employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT (the "**Option Plan Participants**") and to compensate the Option Plan Participants for any additional responsibilities assumed, or services provided.

Grants of options will be based on factors including: (i) the level of performance, service or responsibility assumed, as the case may be; (ii) the level of responsibility within the REIT; (iii) the number and exercise price of Options previously issued to the individual; and (iv) any other factors considered relevant by the Board. Options will typically be granted on a periodic basis, at the discretion of the Board upon the recommendation of the Corporate Governance and Nominating Committee.

The following is a summary of the primary terms that will be incorporated into the Option Plan:

(a) Units Available for Grant: The Option Plan will provide that the maximum number of Units issuable upon the exercise of options shall not exceed 10% percent of the issued and outstanding Units from time to time. The Option Plan is considered an "evergreen" plan, since the Units covered by options which have been exercised shall be available for subsequent grants under the Option Plan and the number of options available to grant increases as the number of issued and outstanding Units increases. The maximum aggregate number of Units that may be subject to grants of awards under the Option Plan to any one Option Plan Participant during any 12-month period will be limited to an aggregate of 5% of the issued and outstanding Units. The Option Plan will further limit the number of Units that may be issued to insiders of the REIT at any time, including those issuable under other security-based compensation arrangements of the REIT (including the Deferred Unit Incentive Plan), to an amount that may not exceed 10% of the issued and outstanding Units on a non-diluted basis as of the date of the grant and the number of Units that may be issued to such insiders including those

issuable under other security-based compensation arrangements of the REIT, during any 12-month period to an amount that may not exceed 10% of the issued and outstanding Units on a non-diluted basis.

(b) Administration: The Option Plan will be administered by the Board, which may delegate such administration to the Corporate Governance and Nominating Committee. The Board or, upon delegation, the Corporate Governance and Nominating Committee, will be authorized to determine which Option Plan Participants will receive awards and, consistent with the provisions of the Option Plan, the terms and conditions of such awards.

(c) Specific Terms of Options: The key features of the options available for grant under the Option Plan will be as follows: (i) options may be granted to employees, trustees, officers, service providers and consultants of the REIT, as well as to employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT; (ii) unless otherwise determined by the Board, all options outstanding under the Option Plan will have a maximum term of ten years from the date of issue, provided that if an option would expire during a black out period during which the REIT has imposed trading restrictions, then the expiry of such options shall be extended for ten business days following the expiry of the black-out period; (iii) the vesting schedule for any option outstanding under the Option Plan shall be determined by the Board acting in its sole discretion, and shall be stated in the option agreement to be entered into between each optionee and the REIT; (iv) the exercise price of all options issued under the Option Plan shall be determined by the Board at the grant date of each option and, in any event, may not be less than the closing price of the Units on the TSX on the last trading day immediately prior to the date of grant; and (v) on the exercise of vested options, the option holder may receive a number of Units from the REIT with a value equal to the in-the-money value of the options, in lieu of paying for and receiving the full number of Units underlying such option exercise. The in-the-money value of the options is equal to the amount by which (i) the fair market value of the Units issuable under such options on the date of exercise exceeds (ii) the aggregate exercise price in respect of such options.

(d) Amendments: The Board will have the discretion to terminate, suspend or make amendments to the Option Plan, or amend awards granted under it, without having to obtain the approval of unitholders, for the following purposes, including, but not limited to: (i) amendments to the vesting provisions of each option or to the term of each option, provided that no option held by an insider may be extended beyond its original expiry date and no option may be exercised after the tenth anniversary of the date of grant; (ii) amendments to the provisions of the Option Plan relating to the treatment of options upon a termination of employment; (iii) amendments to add covenants of the REIT for the protection of Option Plan Participants; (iv) amendments not inconsistent with the Option Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Board, it may be expedient to make, including amendments that are desirable as a result of changes in law; or (v) making such changes or corrections which are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error. The Option Plan will provide that the prior approval of unitholders will be required for the following amendments: (i) amendments which would increase the number of Units for which awards may be granted under the Option Plan, or which would increase the number of Units issuable to insiders; (ii) amendments which would reduce the exercise price of outstanding options held by insiders; (iii) amendments which would extend the term of the options held by insiders granted under the Option Plan; (iv) amendments which would add any form of financial assistance to an Option Plan Participant; and (v) amendments which would permit the Board to amend any of the foregoing provisions without unitholder approval.

(e) Adjustments: In the event of certain events affecting the capitalization of the REIT, including a distribution of Units or certain other trust transactions, the Board may adjust the number and kind of Units available for grant under the Option Plan or subject to outstanding awards and the exercise price or base price applicable under outstanding awards.

(f) Term: The Option Plan will be effective as of the date of the completion of the Offering.

(g) Assignability: Options will not be assignable or transferrable, with the exception of an assignment made to a personal representative of a deceased participant.

(h) Cessation: Unless the Board decides otherwise, options granted under the Option Plan will expire at the earlier of their expiry date and (i) 180 days after the option holder's death, permanent disability or retirement and (ii) 30 days after the option holder's resignation or termination by the REIT. The Board may, however, in its discretion, at any time prior to or following the foregoing events, permit the exercise of any or all options held by an option holder or permit the acceleration of vesting of any or all options.

(i) Change of Control: In the event of a "change of control" of the REIT, which will be defined in the Option Plan, unless otherwise determined by the Board, any options outstanding immediately prior to the occurrence of a change of control event shall become fully exercisable.

Deferred Unit Incentive Plan

The REIT intends to adopt the Deferred Unit Incentive Plan. Because Deferred Trust Units are tied to the REIT's financial and Unit trading performance and vest or accrue over a number of years, grants of Deferred Trust Units under the Deferred Unit Incentive Plan align the interests of those individuals eligible to participate in the Deferred Unit Incentive Plan more closely with the interests of unitholders. The Board of Trustees, acting on the recommendation of the Corporate Governance and Nominating Committee, may designate individuals eligible to receive grants of Deferred Trust Units. In determining grants of Deferred Trust Units, an individual's performance and contributions to the REIT's success, relative position, tenure and past grants will be taken into consideration.

Individuals eligible to participate in the Deferred Unit Incentive Plan ("**DTU Participants**") consist of: (a) employees, Trustees, officers and service providers of the REIT, as well as employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT. The Deferred Unit Incentive Plan provides for the grant to DTU Participants of Deferred Trust Units and Income Deferred Trust Units.

Income Deferred Trust Units are credited to holders of Deferred Trust Units and Income Deferred Trust Units based on distributions paid on Units. The maximum aggregate number of Deferred Trust Units and Income Deferred Trust Units available for issuance under the Deferred Unit Plan will be 5% of the issued and outstanding Units, from time to time, subject to adjustment for any subdivision, consolidation or distribution of Units, as contemplated by the Deferred Unit Incentive Plan. The Deferred Unit Incentive Plan is considered an "evergreen" plan, since the Units covered by Deferred Trust Units and Income Deferred Trust Units which have vested shall be available for subsequent grants under the Deferred Unit Incentive Plan and the number of Deferred Trust Units and Income Deferred Trust Units available to grant increases as the number of issued and outstanding Units increases. The maximum aggregate of the Deferred Trust and Income Deferred Trust Units: (a) issued to insiders of the REIT, within any one year period; and (b) issuable to insiders of the REIT, at any time, under the Deferred Unit Incentive Plan, when combined with all other security-based compensation arrangements of the REIT (including the Option Plan), shall not exceed 10% of the REIT's total issued and outstanding Units.

Under the Deferred Unit Incentive Plan, Deferred Trust Units may be granted from time to time to DTU Participants at the discretion of the Board. The number of Income Deferred Trust Units credited to a holder of Deferred Trust Units and/or Income Deferred Trust Units will be calculated by multiplying the aggregate number of Deferred Trust Units and Income Deferred Trust Units held on the relevant distribution record date by the amount of distributions paid by the REIT on each Unit, and dividing the result by the market value of the Units on the Distribution Date. Market value for this purpose is the volume weighted average trading price of the Units on the TSX for the five trading days immediately preceding the relevant Distribution Date.

Deferred Trust Units will vest on either a five year or a three year vesting schedule. Deferred Trust Units granted to a DTU Participant who is an officer or Trustee of the REIT (including the President) will vest on a five year vesting schedule, pursuant to which one fifth of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of five years. Deferred Trust Units granted to employees

of the REIT, its affiliates or service providers will vest on a three year vesting schedule, pursuant to which one third of the Deferred Trust Units granted to such individual will vest on each anniversary of the grant date for a period of three years. Income Deferred Trust Units credited to DTU Participants vest on the same schedule as their corresponding Deferred Trust Units and are considered issued on the same date as the Deferred Trust Units or Income Deferred Trust Units in respect of which they were credited.

Upon the vesting of Deferred Trust Units and Income Deferred Trust Units, the REIT will issue Units to DTU Participants on the basis of one Unit for each Deferred Trust Unit and Income Deferred Trust Unit that has vested. Units are issued by the REIT at no cost to DTU Participants. DTU Participants who have been granted Deferred Trust Units or Income Deferred Trust Units have the ability to elect to defer the issuance of Units to them on the vesting of their Deferred Trust Units and Income Deferred Trust Units in respect of any vesting date. The issuance of Units to such DTU Participants may be deferred indefinitely, unless such DTU Participant's employment or term of office is terminated, in which case Units will be issued on the relevant date of termination.

Any unvested Deferred Trust Units or Income Deferred Trust Units held by a DTU Participant will be forfeited upon termination of the DTU Participant's service with the REIT for any reason, whether voluntarily or involuntarily. However, pursuant to the Deferred Unit Incentive Plan, the Board may, in its discretion if the circumstances warrant, accelerate the vesting of such Deferred Trust Units and Income Deferred Trust Units held by an individual whose employment or term of office is terminated. In these circumstances, any unvested Deferred Trust Units or Income Deferred Trust Units will vest effective upon the termination date of the individual.

Deferred Trust Units and Income Deferred Trust Units are non-transferable, except to a DTU Participant's estate, and the rights of DTU Participants under the Deferred Unit Incentive Plan are not assignable, except as required by law.

The Corporate Governance and Nominating Committee may review and confirm the terms of the Deferred Unit Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Incentive Plan in whole or in part as well as terminate the Deferred Unit Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Unit Incentive Plan that would, among other things, result in any increase in the number of Deferred Trust Units and Income Deferred Trust Units issuable under the Deferred Unit Incentive Plan or permit Deferred Trust Units or Income Deferred Trust Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of unitholders. Without limitation, the Corporate Governance and Nominating Committee may, without obtaining the approval of unitholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Unit Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Trust Units and Income Deferred Trust Units issued under the Deferred Unit Incentive Plan. However, subject to the terms of the Deferred Unit Incentive Plan, no amendment may adversely affect the Deferred Trust Units or Income Deferred Trust Units previously granted under the Deferred Unit Incentive Plan without the consent of the affected DTU Participant.

Compensation of the President

The REIT's compensation for the President, the REIT's sole employee, is expected to consist primarily of three elements: base salary, short-term incentives and long-term incentives. The REIT's compensation plan is intended to drive executive performance and business strategy, engender accretive growth and create unitholder value. Accordingly, total compensation is designed to be (i) aligned with both the REIT's performance and the individual performance of the President, (ii) attractive to the President, (iii) affordable to the REIT and (iv) fair to Unitholders. On occasion, independent professional compensation consultants may assist the Corporate Governance and Nominating Committee with the assessment of base salary and total compensation for the President.

- *Base Salary.* Base salary remunerates the President for discharging his job requirements. The base salary will be reviewed annually by the Corporate Governance and Nominating Committee to ensure that it

continues to reflect individual performance and market conditions with the goal of ensuring that the President is paid fairly, taking into consideration the requirements of the position, the President's performance, skills, knowledge and experience, and compared to executives in similar roles in comparable entities. The REIT's comparator group includes other public Canadian real estate entities, adjusted as appropriate to reflect differences in total assets, annual revenues, number of employees and market capitalization. Base salary initially will be set below market. However, the President is entitled to additional incentive-based compensation.

- *Short-Term Incentives.* In addition to his base salary, the President will be eligible for additional annual compensation in an amount equal to $100,000 for each 1% that AFFO per Unit for the year exceeds the forecast AFFO per Unit as set forth under "Financial Forecast" (the "**President's Incentive Target**"). The President's Incentive Target will be determined annually at the discretion of the Corporate Governance and Nominating Committee. Any such additional compensation will be paid annually in cash, unless payments made to the President in respect of base salary and additional compensation for a particular year exceed $500,000, in which case the remainder of additional compensation owing for that year will be payable 50% in cash and 50% in Deferred Trust Units. See "Executive Compensation — Compensation Discussion and Analysis — Deferred Unit Incentive Plan".

- *Long-Term Incentives.* The President will be eligible to participate in the REIT's Option Plan and Deferred Unit Incentive Plan. The President will not be granted any options or Deferred Trust Units on Closing. Long-term incentives, such as the grants of options under the Option Plan or Deferred Trust Units under the Deferred Unit Incentive Plan, will be designed to motivate and reward the President towards creating sustainable, long-term, profitable growth. The key objectives of such incentives will be to: (i) recognize performance leading to long-term, profitable growth; (ii) recognize behaviour that demonstrates leadership in furthering the REIT's values; and (iii) facilitate long-term ownership of Units by the President.

Employment Agreement

Pursuant to the terms of an employment agreement to be entered into with Mr. Derek Dermott, Mr. Dermott will serve as the REIT's President for an indefinite term and will be responsible for managerial and executive oversight of the REIT. The agreement will provide for (i) an annual salary payable to Mr. Dermott in an amount of $200,000, which amount will be subject to annual review for consideration of an increase by the Corporate Governance and Nominating Committee, (ii) annual incentive-based compensation in an amount equal to $100,000 for each 1% that AFFO per Unit for the year exceeds the President's Incentive Target. Base salary and any such additional compensation will be paid annually in cash, unless payments made to the President in respect of base salary and additional compensation for a particular year exceed $500,000, in which case the remainder of additional compensation owing for that year will be payable 50% in cash and 50% in Deferred Trust Units. In addition, Mr. Dermott will be entitled to receive $10,000 annually to cover the costs of benefits selected by him, including benefits under a health and benefits program maintained by ACPI. The agreement will also provide for future participation in the Option Plan and the Deferred Unit Incentive Plan. Mr. Dermott will not be granted any options or Deferred Trust Units on Closing. The REIT may terminate Mr. Dermott's employment at any time without cause upon the payment of an amount to Mr. Dermott in lieu of notice equal to the greater of two times total compensation for the prior fiscal year and $1,000,000. Total compensation during the notice period will be calculated solely by reference to Mr. Dermott's base salary and any additional compensation received in the immediately preceding year prior to termination (including incentive bonus and any grants of options or Deferred Trust Units). Mr. Dermott's employment agreement will contain a "change of control" provision that will trigger a termination payment upon a termination of Mr. Dermott's employment for any reason (other than for "just cause" (as defined in the employment agreement)) within one year following a change of control of the REIT. Mr. Dermott's employment agreement will also contain confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of the agreement. The maximum amount payable to Mr. Dermott upon a change of control or if his employment was terminated without cause prior to December 31, 2013 would be $1,000,000.

Compensation Risk

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

Summary Compensation Table Expected for Fiscal 2013

The following table sets out information concerning the expected compensation to be paid by the REIT or ACPI, as applicable, to the named executive officers in fiscal 2013.

Name and principal position	Year	Salary[(1)]	Unit-based awards[(2)]	Non-equity incentive plan compensation[(2)]	All other compensation	Total compensation
Frank Camenzuli, CEO	2013	$200,000	—	—	—	$200,000
Derek Dermott, President	2013	$200,000	—	—	—	$200,000
Rosalia Lau, Interim CFO[(3)]	2013	$ 95,000	—	—	—	$ 95,000

Notes:

(1) With respect to Frank Camenzuli and Rosalia Lau, represents the portion of salary anticipated to be paid by ACPI attributable to time expected to be spent on the REIT's activities.

(2) As this component of compensation is discretionary, it has not been determined as of the date of this prospectus.

(3) Ms. Lau is an employee of ACPI and will be fulfilling the role of Chief Financial Officer of the REIT on an interim basis until a permanent replacement is recruited. ACPI has initiated a search for a permanent Chief Financial Officer whose appointment will be approved by the Board following Closing.

CAPITALIZATION OF THE REIT

The following table sets forth the consolidated capitalization of the REIT as at November 1, 2012 both before and after giving effect to the Offering (net of costs relating to the Offering) and the use of proceeds therefrom, but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with the *pro forma* consolidated financial statements of the REIT and notes thereto contained in this prospectus. See "Index to the Financial Statements".

	As at November 1, 2012[(1)]	As at November 1, 2012, after giving effect to the Offering (net of costs relating to the Offering) and the use of proceeds therefrom ($000s)
Indebtedness		
Assumed Mortgages, including mark-to-market adjustment of $3,468	nil	$ 60,105
Term Loan[(2)]	nil	$ 86,000
Revolving Credit Facility[(2)]	nil	$102,729
Unitholders' Equity		
Units	$10.00	$177,212
Special Voting Units	nil	nil
Total Capitalization	**$10.00**	**$426,046**

Note:

(1) The REIT was initially settled on November 1, 2012, with $10.00 in cash.

(2) Excluding deferred financing costs of $1,436.

FINANCIAL FORECAST

The following financial forecast was prepared by management of the REIT, using assumptions with an effective date of October 1, 2012, and was approved by the Trustees of the REIT on January 17, 2013. Pursuant to applicable securities laws, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with the presentation and disclosure of financial forecasts established in Part 4A and 4B of National Instrument 51-102 — *Continuous Disclosure Obligations*. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing occurred on or about December 31, 2012.

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

The financial forecast should be read in conjunction with the unaudited pro forma consolidated financial statements of the REIT, the audited financial statements of the REIT as at and for the one day period ended November 1, 2012, the audited carve-out financial statements for the Initial Properties as at and for the years ended December 31, 2011, 2010 and 2009 and the unaudited condensed carve-out interim financial statements of the Initial Properties for the nine-months ended September 30, 2012 and 2011, which are contained in this prospectus. See "Index to Financial Statements".

REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of Agellan Commercial Real Estate Investment Trust

The accompanying financial forecast of Agellan Commercial Real Estate Investment Trust (the "REIT"), consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 and the twelve-month period ending December 31, 2013 has been prepared by management using assumptions with an effective date of October 1, 2012. We have examined the support provided by management for the assumptions, and the preparation and presentation of this financial forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

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

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

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

January 17, 2013
Toronto, Canada

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME

(In thousands of dollars, except per unit amounts)

	Three-month periods ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Revenue:					
Minimum rent	$ 8,032	$ 8,228	$ 8,321	$ 8,331	$32,912
Recoveries	5,485	5,576	5,640	5,644	22,345
Parking and other	663	663	663	663	2,652
	14,180	14,467	14,624	14,638	57,909
Expenses:					
Property operating	3,733	3,742	3,756	3,800	15,031
Property taxes	2,115	2,115	2,115	2,117	8,462
General and administrative	707	707	707	705	2,826
Finance costs	2,380	2,375	2,369	2,362	9,486
Deferred income taxes	809	809	809	807	3,234
	9,744	9,748	9,756	9,791	39,039
Net income and comprehensive income	**$ 4,436**	**$ 4,719**	**$ 4,868**	**$ 4,847**	**$18,870**

See accompanying notes to consolidated statements of forecasted net income.

NOTES TO CONSOLIDATED STATEMENTS OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME

(In thousands of dollars, except per unit amounts)
Three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 and the twelve-month period ending December 31, 2013

1. PURPOSE OF THE FINANCIAL FORECAST:

The financial forecast has been prepared by management of Agellan Capital Partners Inc. ("ACPI") on behalf of Agellan Commercial Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. BASIS OF PRESENTATION OF FINANCIAL FORECAST:

The financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the REIT for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013 and the twelve-month period ending December 31, 2013. The financial forecast has been prepared by management of ACPI on behalf of the REIT using assumptions with an effective date of October 1, 2012, and reflects the assumptions described in note 4.

The financial forecast is presented in Canadian dollars, which is the functional currency of the REIT.

The financial forecast has been prepared using assumptions that reflect management's intended course of action for the periods presented, given management's judgement as to the most probable set of economic conditions. The financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material.

3. SIGNIFICANT ACCOUNTING POLICIES:

The financial forecast has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and reflects the following policies:

(a) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

(b) Investment properties:

The REIT selected the fair value method to account for real estate classified as investment properties. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value.

(c) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the items recognized in these consolidated statements of forecasted net income and comprehensive income.

(i) Accounting for acquisitions:

The REIT assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the REIT obtains control of the business.

(ii) Leases (the REIT as lessor):

The REIT uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The REIT has determined that all its leases are operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Key sources of estimation uncertainty:

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

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the REIT is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Foreign currency translation:

The REIT accounts for its investments in wholly owned subsidiaries of the REIT in the United States (“foreign operations”) as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the consolidated balance sheet date and revenue and expenses are translated at the average exchange rates for the reporting periods.

(g) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in currency exchange rates and interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in this financial forecast.

(h) Income taxes:

Canadian tax legislation contains rules relating to the federal income taxation of a specified investment flow-through (“SIFT”) trust or partnership (the “SIFT Rules”). A SIFT includes a publicly listed or traded partnership or trust. Under the SIFT Rules, certain distributions from a SIFT trust will not be deductible in computing the SIFT trust’s taxable income and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as returns of capital should generally not be subject to this tax.

The SIFT Rules will not apply to tax distributions from a trust that qualifies as a real estate investment trust. A trust will qualify as a real estate investment trust if it meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”).

If the REIT satisfies the REIT Conditions throughout a taxation year, it will not be subject to tax on certain income distributed to its Unitholders during the year. The REIT’s management has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT’s assets and revenue. Management intends to ensure that the REIT will meet the REIT Conditions on closing (the “Closing”) and in subsequent years. The Trustees intend to distribute all taxable income directly earned by the REIT to Unitholders and to deduct such distributions for income tax purposes. Accordingly, the REIT is considered tax-exempt for financial statement purposes. Therefore, no provision for current or deferred income taxes is required for the REIT and its Canadian flow-through subsidiaries.

The REIT believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the REIT to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Unit capital:

The REIT is authorized to issue an unlimited number of units (the “REIT Units”). The REIT Units exclude special voting units and each of which represents a Unitholder’s proportionate undivided beneficial interest and voting rights in the REIT.

3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard ("IAS"), IAS 32 — Financial Instruments, Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(j) Financial instruments:

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

4. SIGNIFICANT ASSUMPTIONS:

(a) Initial transactions:

The financial forecast assumes that on Closing, the REIT will raise gross proceeds of $134,619 (excluding any over-allotment option) pursuant to an initial public offering (the "Offering") through the issuance of 13,461,943 REIT Units at a price of $10 per unit. Costs relating to the Offering, including underwriters' fees, are forecast to be $13,679 and are charged directly to unitholders' equity. In addition, certain investors, including ACPI principals, will subscribe for 466,944 REIT Units for $4,669 that will be issued directly by the REIT on Closing.

For purposes of the financial forecast, it is assumed that the Closing of the transactions contemplated by this prospectus will occur on or about January 25, 2013.

On Closing, it is assumed that subsidiaries of the REIT will indirectly acquire from the vendors as defined in the prospectus (the "Vendors"), 23 retail, industrial and office investment properties (collectively, the "Portfolio").

The Portfolio will be acquired for a purchase price of approximately $421,142. The acquisition is determined to be accounted for as an asset acquisition. The purchase price is negotiated between the REIT and the Vendors. The REIT will assume mortgages with an outstanding principal balance of $56,637 and a mark-to-market adjustment of $3,468. As partial consideration, the REIT will issue $51,603 of REIT Units to the Vendors and will pay the remainder in cash.

(i) Acquisitions:

Upon completion of the Offering, the REIT will use the proceeds to acquire the Portfolio. The impact of acquiring the net assets of the Portfolio, based on preliminary allocation, are as follows:

Investment properties, including mark-to-market adjustment of $3,468	$424,610
Restricted cash	1,453
Assumed mortgages, including mark-to-market adjustment of $3,468	(60,105)
Tenant rental deposits	(1,453)
Net assets acquired	$364,505
Consideration:	
REIT Units to Vendors	$ 51,603
Cash paid out by the REIT	312,902
	$364,505

4. SIGNIFICANT ASSUMPTIONS: (Continued)

(ii) Debt:

On Closing, the REIT is expected to assume the mortgages on two of the Portfolio properties with an outstanding principal balance of $56,637 and a mark-to-market adjustment of $3,468, resulting in a weighted average interest rate on such debt of 5.33%.

The REIT is also expected to obtain new financing of $86,000 (the "term loan") on certain U.S. properties, which will be secured by a charge on certain properties. The REIT is expected to incur financing costs of $644. The term loan will mature in two tranches, with the first tranche of $38,419 bearing interest at a fixed rate of 3.89%, maturing seven years following Closing and the second tranche of $47,581 bearing interest at a fixed rate of 3.99%, maturing ten years following Closing. The weighted average interest rate on such debt is expected to be 3.95%.

On Closing, the REIT is also expected to obtain a revolving credit facility secured by charges on three properties. The maximum amount available to the REIT under these facilities will be $120,000. The REIT is expected to draw amounts under these facilities in two tranches for a total draw of $102,729 and will incur financing costs of $792. The first tranche of $60,000 is assumed to bear interest at 3.5% (after giving effect to the interest rate swap to bring the floating rate of interest to a fixed rate). The second tranche of $42,729 is assumed to bear interest at 2.97% (banker's acceptance or LIBOR plus a spread of 1.75%). The weighted average interest rate on the amounts expected to be drawn is 3.28%.

Mortgages of $168,315 will be discharged on Closing and the related unamortized financing costs and discounts of $1,047 will be written off.

(iii) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$134,619
Units issued to certain investors including ACPI principals	4,669
New financing obtained	86,000
Proceeds from revolving credit facilities	102,729
	$328,017
Uses:	
Purchase of net assets	$312,902
Offering costs	13,679
Financing costs	1,436
	$328,017

(b) Rental revenue:

Forecast revenue from investment properties is based on rents from existing leases as well as potential income from leasing space that is vacant and re-leasing of space that becomes vacant during the forecast period at renewal rates based on market trends. The overall weighted average occupancy for the investment properties during the forecast period is assumed to be approximately 93.5%. Rental revenue includes all rental income receivable from the Portfolio, including minimum rent, operating cost, realty tax and administration fee recoveries, parking revenue and all other miscellaneous income paid by the tenants under the terms of their existing leases. In preparing the financial forecast, it is assumed that all existing tenants fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of the forecast period.

Leases covering 6.2% of the total rentable space of the Portfolio expire during the forecast period. Of the leases expiring during the forecast period, approximately 75% of the space is assumed to renew at market rents. Additionally, approximately 56% of vacant space is assumed to be leased during the forecast period at market rents. The financial forecast reflects historical levels of miscellaneous income.

4. SIGNIFICANT ASSUMPTIONS: (Continued)

(c) Operating costs:

Operating costs of the investment properties have been forecast with reference to the operating plans and budgets for the Portfolio and are consistent with the releasing assumptions in note 4(b). The financial forecast reflects historical data adjusted for changes in costs due to inflationary and other market trends and anticipated changes in realty tax rates. The major components of operating costs consist of realty taxes, utilities, cleaning, insurance, repairs and maintenance, property management fee, security and notional amortization of recoverable building improvements.

(d) Finance costs:

Finance costs consist of interest on mortgages to be assumed by the REIT on Closing, as well as interest on the new term loan and revolving credit facility at rates described in note 4(a)(ii).

Finance costs also include amortization of mark-to-market premium of $619 and amortization of deferred financing costs of $386 during the forecast period.

(e) Leases with Vendors:

On Closing, the REIT will enter into lease agreements whereby certain Vendors will lease space in two properties under customary terms and conditions. For the twelve-month period ending December 31, 2013, the maximum amount of lease payments to be received under these leases is $3,310; however, as it is assumed that certain spaces will be leased to subtenants during the forecast period, and therefore revenues include $1,815 of lease payments from Vendor leases during the forecast period.

(f) General and administrative expenses:

General and administrative expenses are forecasted based on management's best estimates. The expenses will include fees payable under the External Management Agreement, as well as other general and administrative expenses of the REIT.

(i) Pursuant to the External Management Agreement to be entered into on Closing, the REIT will retain ACPI as an advisor to provide advisory, transaction and support services consisting of accounting and human resources services, office space and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of the REIT. The asset management fee for the twelve-month period ending December 31, 2013 will be equal to 0.40% of the gross book value as defined in the agreement and is assumed to be $1,690 during the forecast period.

Under the agreement, ACPI will also be entitled to an incentive fee based on certain target rates on the REIT's operating performance. Since these targets are contingent on the REIT's performance at the end of the forecast period, it is assumed that no amounts will be payable during the forecast period.

(ii) Other general and administrative expenses include salary and benefits, legal costs, audit fees, trustee expenses, insurance and other miscellaneous costs estimated to be $1,096 during the forecast period.

(iii) In addition, five years following the Closing, or upon termination of the External Management Agreement, ACPI will be entitled to a Unit Price Performance Fee, which shall be equal to the product of: (a) the unit price on the date that is five years following the Closing based on the 20-day volume weighted average price of the units on the stock exchange on which the units are then listed, less $13.00 and (b) one million. The Unit Price Performance Fee shall not be payable to ACPI in the event the REIT terminates ACPI for cause or ACPI terminates the External Management Agreement.

The Unit Price Performance Fee is accounted for as a cash-settled share based payment transaction. The related expense is amortized over a five-year period and is remeasured to fair value at each reporting period.

The annual expense of $40 for the Unit Price Performance Fee was determined and recorded using the Black-Scholes option pricing model with the following assumptions:

Expected term	5 years
Risk-free interest rate	1.61%
Expected volatility	17.50%
Dividend yield	6.75%

4. SIGNIFICANT ASSUMPTIONS: (Continued)

(g) Acquisitions and dispositions of investment properties:

This financial forecast does not reflect any potential sales of the Portfolio or acquisitions of commercial property other than the acquisitions discussed in note 4(a). However, it is possible that the REIT will make purchases and sales of properties during the forecast period which will only be undertaken on a basis considered by management to be advantageous to the REIT in accordance with its investment policies or guidelines.

(h) Income taxes:

The REIT assumes that on Closing and throughout its 2012 and 2013 taxation periods, it will meet the REIT Conditions as described in note 3(h). The REIT also assumes that it will distribute all of its taxable income to Unitholders. Accordingly, no provision for current or deferred income taxes has been recorded in the financial forecast with respect to the Canadian properties.

The REIT holds its U.S. properties in a taxable U.S. subsidiary. No current income taxes are expected in the U.S. in the forecast period due to tax depreciation available on the U.S. properties and interest expense on an intercompany note. Deferred tax for the U.S. properties has been calculated based on the expected temporary differences between the carrying amount of the U.S. properties for financial statement purposes and the carrying amount for tax purposes using the tax rate that is expected to apply when the temporary difference arises. This temporary difference is a result of depreciation available for tax purposes.

(i) Foreign currency translation:

Assets and liabilities of subsidiaries having a U.S. dollar functional currency are translated at the rate of exchange at the consolidated balance sheet date assumed at par. Revenue and expenses are translated at exchange rate for the period assumed at 1 U.S. dollar to 0.9955 Canadian dollars.

Foreign currency hedge:

On Closing, the REIT will implement an active hedging program to minimize the currency risk for cash flows from the REIT's U.S. subsidiaries in U.S. dollars. The foreign currency arrangements will economically hedge distributions paid to Unitholders; however, because the arrangement is not expected to meet the criteria for applying hedge accounting, changes in the fair value of the foreign currency derivative will be recognized in net income and comprehensive income. The forecast assumes that there is no change in the value of the foreign currency derivative.

(j) Fair value changes:

This financial forecast does not reflect any changes in fair values of investment properties or interest rate swaps throughout the forecast period, as determination of these values are impacted by many variables that are, by their nature, not susceptible to forecasting.

(k) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. COMMITMENT AND CONTINGENCIES:

Excess lands:

(a) Certain parcels of land located at one of the properties in the Portfolio are subject to a purchase and sale agreement that is expected to close concurrently or soon after the Closing. No purchase price amounts are allocated to these parcels of land.

(b) Certain Vendors have an option to repurchase certain parcels of land at one of the properties in the Portfolio, subject to certain conditions being met, for $12,000 with notice to be provided within one year following Closing.

FORECAST NON-IFRS RECONCILIATION

The following table reconciles forecast net income to FFO, AFFO and NOI. See "Non-IFRS Measures" and "Financial Forecast".

	Three-month period ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
	(in thousands of $)				
Net income for the period	$ 4,436	$ 4,719	$ 4,868	$ 4,847	$ 18,870
Add/(Deduct)					
Fair value adjustments to investment properties	—	—	—	—	
Fair value adjustments to financial instruments	—	—	—	—	
Deferred income taxes	809	809	809	807	3,234
FFO	**$ 5,245**	**$ 5,528**	**$ 5,677**	**$ 5,654**	**$ 22,104**
Add/(Deduct)					
Amortization of fair value adjustment on assumed debt	$ (153)	$ (154)	$ (155)	$ (157)	$ (619)
Amortization of deferred financing costs	96	97	97	96	386
Straight-line rent	(382)	(382)	(382)	(381)	(1,527)
Unit price performance fee expense	10	10	10	10	40
Leasing cost & tenant improvement reserve	(705)	(705)	(705)	(704)	(2,819)
Capital expenditure reserve	(282)	(282)	(282)	(282)	(1,128)
AFFO	**$ 3,829**	**$ 4,112**	**$ 4,260**	**$ 4,236**	**$ 16,437**
FFO/Unit	$ 0.27	$ 0.29	$ 0.30	$ 0.30	$ 1.16
AFFO/Unit	$ 0.20	$ 0.22	$ 0.22	$ 0.22	$ 0.86
NOI Reconciliation					
Gross Revenue	$14,180	$14,467	$14,624	$14,638	$ 57,909
Property operating expenses[1]	(5,848)	(5,857)	(5,871)	(5,917)	(23,493)
Net operating income	**$ 8,332**	**$ 8,610**	**$ 8,753**	**$ 8,721**	**$ 34,416**

Note

(1) Represents the sum of the "Property operating" and "Property taxes" lines set forth in the consolidated statements of forecasted net income and comprehensive income of the REIT. See "Financial Forecast".

Below is a reconciliation of the pro forma NOI for the last twelve months ended September 30, 2012 to the forecast NOI, for the twelve months ending December 31, 2013. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of rental activity, market rental rates and the items that make up inflation and other adjustments in order to arrive at the figures below constitute forward looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the Company cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

NOI for the twelve months ended September 30, 2012[1]	**$27,912**
In-place leasing activity and other	722
Maximum lease payments under Vendor Leases[2]	3,310
Contractual NOI in forecast period	**$31,944**
Speculative leasing of non-vendor leased space in forecast period	945
Forecast NOI[3]	**$32,889**

Notes:

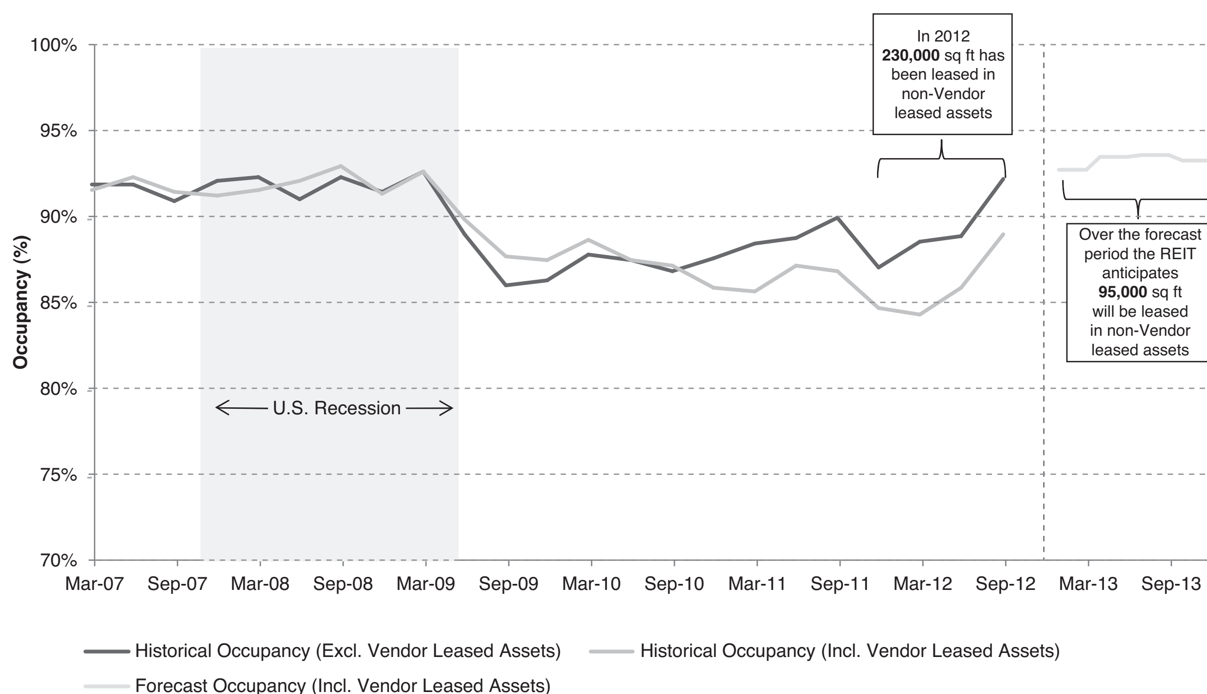
(1) Based on NOI for the nine month period ended September 30, 2012, the nine month period ended September 30, 2011 and the twelve month period ended December 31, 2011 of $22,262, $22,294 and $28,272, respectively, adjusted for straight-line rent of $41, $666 and $953 for each period, respectively.

(2) The maximum lease payments under the Vendor Leases is $3,310. However, it is expected that a portion of the space covered by the Vendor Leases will be leased to subtenants during the forecast period. Therefore, $1,815 of payments under the Vendor Leases are included in the forecast.

(3) Based on NOI for the forecast twelve month period ending December 31, 2013 of $34,416, adjusted for straight-line rent of $1,527 for the same period.

The following table depicts the historical and forecast occupancy for the Initial Properties:

Initial Properties — Historical & Forecast Occupancy



The Initial Properties have experienced significant lease-up in 2012, having leased-up approximately 800,000 square feet of total space, including approximately 325,000 square feet representing new tenants and approximately 475,000 square feet representing renewals. In addition, there is currently leasing activity with prospective tenants representing approximately 290,000 square feet of space.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") describes the financial condition and results of operations and changes thereto of the Initial Properties and should be read in conjunction with the audited carve-out financial statements and the accompanying notes included herein. All dollar amounts are stated in thousands of Canadian dollars, unless otherwise noted. For the purpose of this MD&A, NOI means rental revenue from properties less property operating expenses.

The financial statements discussed in this MD&A have been prepared on a carve-out basis from the financial statements of the Vendors and present the financial position, results of operations and cash flows of the Initial Properties for the periods presented, as if the Initial Properties had been accounted for on a stand-alone basis.

The carve-out financial statements of the Initial Properties have been prepared for the purpose of this prospectus in conformity with IFRS as a method of presenting historical property information relating thereto. The carve-out financial statements depict historical investments in the Initial Properties and include the assets, liabilities, revenue and operating expenses associated with owning and operating these properties. Due to the inherent limitations of carving out activities from larger entities, these carve-out financial statements may not necessarily reflect the results of operations, financial position and cash flows of the Initial Properties for future periods, nor do they necessarily reflect the results of operations, financial position and cash flows that would have been realized had the Initial Properties been held in a stand-alone entity during the periods presented.

The 23 revenue-producing properties that comprise the Initial Properties, together with certain related assets and liabilities, are to be acquired by the REIT upon completion of the Offering.

The objective of this MD&A is to provide a prospective purchaser of Units with an analysis of the historical assets, liabilities, revenues and operating expenses, including mortgage interest, of the Initial Properties for the above-mentioned periods. Less emphasis has been placed on analyzing the impact of income taxes and the historical capital structure of the Initial Properties as the Initial Properties' audited carve-out financial statements do not reflect the REIT's proposed capital structure and income tax status, which will differ significantly.

The financial results discussed in this MD&A have been reflected on a total portfolio basis, reflecting the carve-out financial statements of Agellan Portfolio I and Agellan Portfolio II as follows:

BALANCE SHEET

	30-Sep	31-Dec		
	2012	2011	2010	2009
	(unaudited)			
Agellan Portfolio I				
Investment properties	137,406	117,087	108,076	102,553
Mortgages payable	76,737	79,721	70,729	80,024
Agellan Portfolio II				
Investment properties	305,359	254,961	244,883	250,455
Mortgages payable	147,168	150,920	150,837	155,220
Total Portfolio				
Investment properties	442,765	372,048	352,959	353,008
Mortgages payable	223,905	230,641	221,566	235,244

INCOME STATEMENT

	30-Sep		31-Dec		
	2012	2011	2011	2010	2009
	(unaudited)				
Agellan Portfolio I					
Revenue	12,372	12,977	16,174	16,537	16,976
Expenses:					
Property operating	3,196	3,055	4,284	4,251	4,946
Property taxes	1,236	1,368	1,609	1,799	1,959
General and administrative	262	211	338	296	230
Income before finance costs and fair value adjustment on investment properties	7,678	8,343	9,943	10,191	9,841
Finance Cost:					
— Mortgage interest	2,851	2,754	3,733	4,576	4,551
— Amortization of financing fees	178	260	466	237	191
— Fair value adjustments on interest rate swaps	—	—	(400)	96	304
Fair value adjustment on investment properties	(22,378)	(1,962)	(5,723)	(10,462)	2,687
Net Income	27,027	7,291	11,867	15,744	2,108
Agellan Portfolio II					
Revenue	26,607	25,966	34,630	36,828	39,428
Expenses:					
Property operating	7,444	7,405	10,315	10,575	11,287
Property taxes	4,841	4,821	6,324	6,449	6,785
General and administrative	1,385	1,513	2,107	1,892	2,005
Income before finance costs and fair value adjustment on investment properties	12,937	12,227	15,884	17,912	19,351
Finance Cost:					
— Mortgage interest	6,974	7,114	9,521	9,044	9,355
— Amortization of financing fees	89	39	56	146	208
— Fair value adjustments on interest rate swaps	—	—	—	—	—
Fair value adjustment on investment properties	(51,666)	(5,861)	(2,948)	5,353	2,082
Net Income	57,540	10,935	9,255	3,369	7,706
Total Portfolio					
Revenue	38,979	38,943	50,804	53,365	56,404
Expenses:					
Property operating	10,640	10,460	14,599	14,826	16,233
Property taxes	6,077	6,189	7,933	8,248	8,744
General and administrative	1,647	1,724	2,445	2,188	2,235
Income before finance costs and fair value adjustment on investment properties	20,615	20,570	25,827	28,103	29,192
Finance Cost:					
— Mortgage interest	9,825	9,868	13,254	13,620	13,906
— Amortization of financing fees	267	299	522	383	399
— Fair value adjustments on interest rate swaps	—	—	(400)	96	304
Fair value adjustment on investment properties	(74,044)	(7,823)	(8,671)	(5,109)	4,769
Net Income	84,567	18,226	21,122	19,113	9,814

STATEMENT OF CASH FLOWS

	30-Sep		31-Dec		
	2012	2011	2011	2010	2009
	(unaudited)				
Agellan Portfolio I					
Cash flows from (used in) operating activities	8,015	5,813	6,947	9,755	8,180
Cash flows from (used in) financing activities	(4,400)	(4,595)	(5,035)	(8,295)	3,459
Cash flows from (used in) investing activities	(1,456)	(1,657)	(2,027)	(150)	(10,925)
Agellan Portfolio II					
Cash flows from (used in) operating activities	10,643	11,001	16,557	16,688	17,879
Cash flows from (used in) financing activities	(8,941)	(7,201)	(8,840)	(13,244)	(10,570)
Cash flows from (used in) investing activities	(2,395)	(3,565)	(6,000)	(4,005)	(4,891)
Total Portfolio					
Cash flows from (used in) operating activities	18,658	16,814	23,504	26,443	26,059
Cash flows from (used in) financing activities	(13,341)	(11,796)	(13,875)	(21,539)	(7,112)
Cash flows from (used in) investing activities	(3,851)	(5,222)	(8,027)	(4,155)	(15,816)

The following discussion includes results for the nine months ended September 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009.

Non-IFRS Measures

All financial information has been prepared in accordance with IFRS. However, this MD&A also contains certain non-IFRS financial measures, including NOI, which is a measure commonly used by entities in the real estate industry as a useful metric for measuring performance. NOI does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other publicly traded entities. Non-IFRS measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. See "Presentation of Financial Information".

Composition of Initial Properties

The composition of the Initial Properties as at December 31, 2011 was as follows:

	No. of Properties	Sq. Ft	Fair Value[1]	2011 NOI[2]	2010 NOI[3]
Canada	4	932,000	$199,762	$11,151	$12,530
United States	19	3,278,000	$243,003	$17,121	$17,761
TOTAL	**23**	**4,210,000**	**$442,765**	**$28,272**	**$30,291**

Notes:

(1) As at September 30, 2012.

(2) As at December 31, 2011.

(3) As at December 31, 2010.

Review of Selected Financial and Operating Information

The following tables highlight selected financial information for the Initial Properties for the nine months ended September 30, 2012 and 2011 and the years ended December 31, 2011 and 2010. This information has been compiled from the audited carve-out financial statements of the Initial Properties for the years ended December 31, 2011, 2010 and 2009 and notes thereto and from the interim financial report of the Initial

Properties for the nine months ended September 30, 2012 and 2011 and the notes thereto and should be read in conjunction with the financial statements and notes included elsewhere in this prospectus.

Balance Sheet	As at September 30, 2012	As at December 31		
		2011	2010	2009
Investment Properties	$442,765	$372,048	$352,959	$353,008
Mortgages payable	$223,905	$230,641	$221,566	$235,244

Income Statement	Nine Months Ended September 30		Year Ended December 31		
	2012	2011	2011	2010	2009
Revenue	$ 38,979	$ 38,943	$ 50,804	$ 53,365	$56,404
Property operating expenses	$ 16,717	$ 16,649	$ 22,532	$ 23,074	$24,977
NOI	**$ 22,262**	**$ 22,294**	**$ 28,272**	**$ 30,291**	**$31,427**
General & Admin	$ 1,647	$ 1,724	$ 2,445	$ 2,188	$ 2,235
Interest expense	$ 9,825	$ 9,868	$ 13,254	$ 13,620	$13,906
Amortization of Financing Fees & Fair value on interest rate swaps	$ 267	$ 299	$ 122	$ 479	$ 703
Income before fair value adjustment on investment properties	$ 10,523	$ 10,403	$ 12,451	$ 14,004	$14,583
Fair value adjustment on investment properties	$(74,044)	$ (7,823)	$ (8,671)	$ (5,109)	$ 4,769
Net Income	**$ 84,567**	**$ 18,226**	**$ 21,122**	**$ 19,113**	**$ 9,814**
Key Metrics					
Weighted average occupancy — total portfolio	89.17%	87.02%	84.86%	86.01%	87.70%

Financial Statement Analysis

Investment Properties

Fair values of the Initial Properties were determined using the discounted cash flow method and, in some cases, the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates and terminal capitalization rates specific to each property. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable.

A summary is as follows:

Canadian Initial Properties (Stated in percentage terms)	September 30, 2012		December 31, 2011		December 31, 2010	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Discount Rate	6.85-8.10%	6.94%	7.50-8.00%	7.73%	8.00-8.50%	8.24%
Terminal Capitalization Rate	6.35-7.60%	6.64%	7.00-7.25%	7.23%	7.75-8.00%	7.76%
Investment properties (In '000s)		$199,762		$155,389		$157,964

U.S. Initial Properties (Stated in percentage terms)	September 30, 2012		December 31, 2011		December 31, 2010	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Overall Capitalization Rate	6.85-7.85%	7.26%				
Discount Rate	7.85-9.85%	8.76%	9.00-9.50%	9.22%	10.00%	10.00%
Terminal Capitalization Rate	6.85-8.60%	7.86%	8.50-9.00%	8.68%	9.00-9.50%	9.32%
Investment properties (In '000s)		$243,003		$216,659		$194,995

Total Portfolio (Stated in percentage terms)	September 30, 2012		December 31, 2011		December 31, 2010	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Capitalization Rate	6.85-7.85%	7.26%				
Discount Rate	6.85-9.85%	7.88%	7.50-9.50%	8.59%	8.00-10.00%	9.22%
Terminal Capitalization Rate	6.35-8.60%	7.27%	7.00-9.00%	8.07%	7.75-9.50%	8.63%
Investment properties (In '000s)		$442,765		$372,048		$352,959

Mortgages Payable

Mortgages payable totalled $223,905 for the nine month period ended September 30, 2012, including deferred financing costs of $1,047, compared to $230,641 including financing costs of $879 for the same period in 2011. This represents a decrease of $6,736, or 2.92%, due to the refinancing of two of the Canadian Initial Properties. The aggregate principal installment repayments and balances maturing on the mortgages and facilities payable in the next five years is detailed under "Liquidity, Capital Resources and Contractual Commitments" below.

Review of Operational Results

A comparison of the nine month period ended September 30, 2012 and September 30, 2011

Summary

	Nine months ended September 30			
	2012	2011	Variance	%
Property Revenue	$38,979	$38,943	$ 36	0.09%
Property Operating Expenses	$16,717	$16,649	$ 68	0.41%
Total NOI	**$22,262**	**$22,294**	**$(32)**	**(0.14)%**
Weighted average occupancy — total portfolio	**89.17%**	**87.02%**		

Revenue

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$18,200	$17,766	$ 434	2.44%
U.S. Initial Properties (U.S.$)	$20,731	$21,651	$(920)	(4.24)%
Exchange amount to Canadian Dollars	$ 48	$ (474)	$ 522	110.13%
Total Revenue	**$38,979**	**$38,943**	**$ 36**	**0.09%**

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Total revenues increased by $36, or 0.09%, to $38,979 for the nine month period ended September 30, 2012, compared to $38,943 for the same period in 2011. This variance is primarily the result of reduced occupancy in 2012 throughout the U.S. Initial Properties, offset partially by a favourable currency exchange rate and increased leasing activity in the Canadian Initial Properties.

Property Operating Expenses

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$ 8,614	$ 8,517	$ 97	1.14%
U.S. Initial Properties (U.S.$)	$ 8,083	$ 8,314	$(231)	(2.78)%
Exchange amount to Canadian Dollars	$ 20	$ (182)	$ 202	110.99%
Total Property Operating Expenses	**$16,717**	**$16,649**	**$ 68**	**0.41%**

Operating expenses are comprised mainly of building common area and maintenance expenses and property taxes, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant units. In the normal course of business, operating expenses fluctuate and are impacted by various factors, including, but not limited to, occupancy levels, weather, utility costs, realty taxes, repairs and maintenance and re-leasing costs. Total property operating expenses increased marginally by $68, or 0.41%, to $16,717 for the nine month period ended September 30, 2012, compared to $16,649, for the same period in 2011. The property operating expenses for the Canadian Initial Properties increased by $97, primarily due to irregular repair and maintenance; whereas operating expenses decreased in respect of the U.S. Initial Properties by U.S.$231, primarily due to irregular repair and maintenance items that were completed in 2011.

NOI

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$ 9,586	$ 9,249	$ 337	3.64%
U.S. Initial Properties (U.S.$)	$12,648	$13,337	$(689)	(5.17)%
Exchange amount to Canadian Dollars	$ 28	$ (292)	$ 320	109.59%
Total NOI	**$22,262**	**$22,294**	**$ (32)**	**(0.14)%**

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents rental revenue from properties less property operating expenses as presented in the statements of income prepared in accordance with IFRS or Canadian GAAP. Accordingly, NOI excludes certain expenses included in the determination of net income such as interest expense and amortization. NOI is not a measure defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Presentation of Financial Information".

For the nine month period ended September 30, 2012, NOI decreased by $32, or −0.14%, to $22,262, compared to $22,294 for the same period in 2011. This variance was primarily due to the effect of straight-line rent on revenues.

General and Administrative Expenses

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$1,302	$1,373	$(71)	(5.17)%
U.S. Initial Properties (U.S.$)	$ 344	$ 359	$(15)	(4.18)%
Exchange amount to Canadian Dollars	$ 1	$ (8)	$ 9	112.50%
Total General and Administrative Expenses	**$1,647**	**$1,724**	**$(77)**	**(4.47)%**

General and Administrative expenses include asset management fees, professional fees including legal, audit, and tax preparation fees, bad debt expenses and other miscellaneous expenses. The variance of $77 in general and administrative expenses between the nine month period ended September 30, 2012 and the same period in 2011 is mainly due to a decrease in bad debt expenses of $50.

Interest Expense

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$3,695	$3,883	$(188)	(4.84)%
U.S. Initial Properties (U.S.$)	$6,116	$6,119	$ (3)	(0.05)%
Exchange amount to Canadian Dollars	$ 14	$ (134)	$ 148	110.44%
Total Interest Expense	**$9,825**	**$9,868**	**$ (43)**	**(0.44)%**

Total interest expense decreased to $9,825 for the nine month period ended September 30, 2012, compared to $9,868 for the same period in 2011, representing a variance of less than 1%. The decrease was predominantly due to a decrease in interest expense for the Canadian Initial Properties, partially offset by an increase of $148 as a result of currency exchange to Canadian dollars.

Financing Fees

	Nine months ended September 30			
	2012	2011	Variance	%
Canadian Initial Properties	$ 73	$ 25	$ 48	192%
U.S. Initial Properties (U.S.$)	$194	$280	$(86)	(30.71)%
Exchange amount to Canadian Dollars	$ 0	$ (6)	$ 6	100%
Financing Fees	**$267**	**$299**	**$(32)**	**(10.70)%**

Financing fees includes amortization of financing fees and fair market value of interest rate swap agreements. Reduction of financing costs in the United States was due to the refinancing of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois on a fixed rate basis. This reduction of costs was partially offset by an increase in financing costs for the Canadian assets due to refinancing of two of the Initial Properties.

Income before fair value adjustments on investment properties

	Nine months ended September 30			
	2012	**2011**	**Variance**	**%**
Canadian Initial Properties	$ 4,442	$ 3,944	$ 498	12.63%
U.S. Initial Properties (U.S.$)	$ 6,067	$ 6,604	$(537)	(8.13)%
Exchange amount to Canadian Dollars	$ 14	$ (145)	$ 159	109.66%
Income before fair value adjustment on investment properties	**$10,523**	**$10,403**	**$ 120**	**1.15%**

Income before fair value adjustments on investment properties and income taxes is used by management to measure the operating results of the Initial Properties, inclusive of the impact of interest expense and the amortization of financing fees and fair value adjustment on interest rate swaps. This measure provides income of the Initial Properties prior to the impact of fair value adjustments that may be significantly impacted by this adjustment and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publicly traded entities.

Income before fair value adjustments on investment properties increased by $120, or 1.15%, to $10,523 for the nine month period ended September 30, 2012, compared to $10,403 for the same period in 2011. The increase was mainly attributed to a decrease in general and administrative expenses, interest expense and other finance costs.

Fair value gains adjustment on investment properties

	Nine months ended September 30			
	2012	**2011**	**Variance**	**%**
Canadian Initial Properties	$(42,732)	$ (40)	$(42,692)	10673.00%
U.S. Initial Properties (U.S.$)	$(31,241)	$(7,957)	$(23,284)	292.62%
Exchange amount to Canadian Dollars	$ (71)	$ 174	$ (245)	140.80%
Fair value adjustment on investment properties	**$(74,044)**	**$(7,823)**	**$(66,221)**	**846.49%**

Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. Although these adjustments are included in the calculation of Net Income, they are a non-cash item.

Fair value adjustment increases by $66,221 to $74,044 for the nine month period ended September 30, 2012, from $7,823 for the same period in 2011. Between September 2011 and September 2012, the occupancy of the Initial Properties increased significantly. As a result, a more stabilized NOI was captured in the valuation. This, in combination with improving market conditions, led to an increased value of the Initial Properties as at September 30, 2012.

Net Income

	Nine months ended September 30			
	2012	**2011**	**Variance**	**%**
Canadian Initial Properties	$84,027	$ 4,010	$ 80,017	1995.44%
U.S. Initial Properties (U.S.$)	$ 539	$14,535	$(13,996)	(96.29)%
Exchange amount to Canadian Dollars	$ 1	$ (319)	$ 320	100.31%
Net income	**$84,567**	**$18,226**	**$ 66,341**	**363.99%**

Net income increased by $66,341 to $84,567 for the nine month period ended September 30, 2012, compared to $18,226 for the same period in 2011, predominantly due to an increase in the fair value adjustment on investment properties as detailed above.

Cash Flows

The Initial Properties reported a cash balance of $11,021 as at September 30, 2012, and $7,749 as at September 30, 2011. The changes in cash for the nine month period ended September 30, 2012 and 2011 were as follows:

	Nine months ended September 30			
	2012	2011	Variance	%
Operating activities	$ 18,658	$ 16,814	$ 1,844	10.97%
Financing activities	$(13,340)	$(11,796)	$(1,544)	13.09%
Investing activities	$ (3,851)	$ (5,222)	$ 1,371	26.25%
Increase / (decrease) in cash	$ 1,467	$ (204)	$ 1,671	819.12%

Operating Activities for the nine months ended September 30, 2012 and September 30, 2011

Cash flow generated from operating activities was $18,658 for the nine month period ended September 30, 2012 and $16,814 for the same period in 2011. The increase of $1,844 was primarily due to an improvement in working capital of $1,175.

Financing Activities for the nine months ended September 30, 2012 and September 30, 2011

Cash used in financing activities was $13,340 for the nine month period ended September 30, 2012 and $11,796 for the same period in 2011. The cash was used for principal mortgage repayments of $2,181, payments on maturing mortgages payable of $85,320 and net cash distributions of $1,141. These items were partially offset by proceeds from new mortgages of $85,500.

Investing Activities for the nine months ended September 30, 2012 and September 30, 2011

Cash used in investing activities was $3,851 for the nine month period ended September 30, 2012 and $5,222 for the same period in 2011. The cash was used to complete tenant improvements, acquire equipment and enhance capital assets.

Transactions with Related Parties

The Vendors engaged ACPI or an affiliate to perform property management services in respect of certain of the Initial Properties. The aggregate fee paid was $329 for 2012 and $320 for 2011 which were charged to property operating costs. ACPI also performed asset management services in respect of certain of the Initial Properties for a fee of 0.30% to 0.75% of the gross purchase price, as defined in the applicable asset management agreements. An aggregate of $1,168 and $1,153 were charged to general and administrative expenses in 2012 and 2011, respectively.

Related party transactions are in the normal course of operations and are measured at the exchanged amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Policies and Estimates

A summary of significant accounting policies is set forth in Note 2 of the interim financial report of the Initial Properties for the nine month period ended September 30, 2012 and 2011 included elsewhere in this prospectus.

Risks and Uncertainties

There are business risks associated with the ownership of the Initial Properties. See "Risk Factors".

Liquidity, Capital Resources and Contractual Commitments

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each property. A summary of future debt obligations is as follows:

	Mortgages Payable
2012 — remainder of period	$ 4,241
2013	$128,150
2014	$ 38,504
2015	$ 3,193
2016	$ 893
Thereafter	$ 49,971
Face Value	$224,952

Building condition assessment reports ("**BCA Reports**") were prepared for each of the Initial Properties by independent engineering firms. The BCA Reports identified approximately $19.9 million in estimated capital expenditures relating to deferred maintenance and capital replacements over the next ten years. Of the estimated $8.3 million in costs identified in the BCA Reports over the next five years (being an average of $1.7 million per year), the REIT estimates $6.9 million, or 83%, will be either recoverable or paid directly by tenants. A summary of projected future obligations is as follows:

($000's)	Immediate	2013	2014	2015	2016	2017	Total	Average
Direct Tenant Work	—	68	252	109	252	214	895	179
Recoverable Expense	30	685	1,648	1,430	689	1,511	5,992	1,198
Non-recoverable Expense	—	14	86	176	99	1,051	1,425	285
Forecast Capital Expenditures	**30**	**766**	**1,986**	**1,715**	**1,040**	**2,775**	**8,312**	**1,662**
Paid by Tenants and Recoverable	*100%*	*98%*	*96%*	*90%*	*90%*	*62%*[(1)]	*83%*	*83%*

(1) The decrease in recoverable capital expenditures in 2017 is mainly attributable to a roof replacement that is scheduled to occur in 2017 on a large, single-tenant building. The REIT does not have the ability to charge this roof replacement back to the tenant under its lease agreement.

Following Closing, the REIT expects to be able to meet all of its obligations as they become due. The REIT expects to have sufficient liquidity as a result of cash flows from operating activities and financing available through the Revolving Credit Facility, which will consist of a $120,000 demand facility available for acquisitions and for general business purposes and can be drawn upon in either Canadian dollars or an equivalent amount in United States dollars. On Closing, the REIT intends to draw approximately $102,729 from the Revolving Credit Facility to fund a portion of the purchase price of the Initial Properties and to pay fees and transaction expenses in connection with the Offering.

The REIT intends to distribute approximately 90% of its AFFO to Unitholders, subject to approval by the Board. It is anticipated that all distributions will be funded by AFFO.

A comparison of the years ending December 31, 2011 and December 31, 2010

Summary

	Years ended December 31			
	2011	2010	Variance	%
Property Revenue	$50,804	$53,365	$(2,561)	(4.80)%
Property Operating Expenses	$22,532	$23,074	$ (542)	(2.35)%
Total NOI	**$28,272**	**$30,291**	**$(2,019)**	**(6.67)%**
Weighted average occupancy — total portfolio	**84.86%**	**86.01%**		

Revenue

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$23,658	$25,372	$(1,714)	(6.76)%
U.S. Initial Properties (U.S.$)	$27,445	$27,180	$ 265	0.97%
Exchange amount to Canadian Dollars	$ (299)	$ 813	$(1,112)	(136.78)%
Total Revenue	**$50,804**	**$53,365**	**$(2,561)**	**(4.80)%**

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Total revenues decreased by $2,561, or −4.80%, to $50,804 for the year ended December 31, 2011, compared to $53,365 for the same period in 2010. The key drivers of this decline in revenue included lower average occupancy rates for the Canadian Initial Properties and a currency translation decrease of $1,112 as a result of a weaker Canadian dollar.

Property Operating Expenses

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$12,507	$12,842	$(335)	(2.61)%
U.S. Initial Properties (U.S.$)	$10,135	$ 9,935	$ 200	2.01%
Exchange amount to Canadian Dollars	$ (110)	$ 297	$(407)	(137.04)%
Total Property Operating Expenses	**$22,532**	**$23,074**	**$(542)**	**(2.35)%**

Operating expenses are comprised mainly of building common area and maintenance expenses and property taxes, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant units. In the normal course of business, operating expenses fluctuate and are impacted by various factors, including but not limited to occupancy levels, weather, utility costs, realty taxes, repairs and maintenance and re-leasing costs. Total property operating expenses decreased by $542, to $22,532 for the year ended December 31, 2011, compared to $23,074 for the same period in 2010. Property operating expenses for the Canadian Initial Properties decreased by $335 primarily due to reduced occupancy. Property operating expenses for the U.S. Initial Properties increased by U.S.$200 due to small increases in wages, repairs and maintenance and landscaping. Increased advertising expenses were incurred pursuant to a marketing initiative which was undertaken during 2011 in the United States and Canada.

NOI

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$11,151	$12,530	$(1,379)	(11.01)%
U.S. Initial Properties (U.S.$)	$17,310	$17,245	$ 65	0.38%
Exchange amount to Canadian Dollars	$ (189)	$ 516	$ (705)	(136.63)%
Total NOI	**$28,272**	**$30,291**	**$(2,019)**	**(6.67)%**

NOI decreased by $2,019, or 6.67%, to $28,272 for the year ended December 31, 2011, compared to $30,291 for the same period in 2010. The variance is due to a decrease of $1,714 in revenues in respect of the Canadian Initial Properties as a result of lower average occupancy rates, a currency translation loss of $705 as a result of a weaker Canadian dollar, and a decrease of $335 in operating expenses for the Canadian Initial Properties.

General and Administrative Expenses

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$1,145	$1,055	$ 90	8.53%
U.S. Initial Properties (U.S.$)	$1,315	$1,098	$217	19.76%
Exchange amount to Canadian Dollars	$ (15)	$ 35	$ (50)	(142.86)%
Total General and Administrative Expenses	**$2,445**	**$2,188**	**$257**	**11.75%**

General and Administrative expenses include asset management fees, professional fees including legal, audit, and tax preparation fees, bad debt expenses and other miscellaneous expenses. The variance of $257 between the year ended December 31, 2011 and the same period in 2010 was mainly due to an increase in bad debt expenses.

Interest Expense

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$ 5,168	$ 5,199	$ (31)	(0.60)%
U.S. Initial Properties (U.S.$)	$ 8,175	$ 8,177	$ (2)	(0.02)%
Exchange amount to Canadian Dollars	$ (89)	$ 244	$(333)	(136.48)%
Total Interest Expenses	**$13,254**	**$13,620**	**$(366)**	**(2.69)%**

Total interest expense decreased by $366 to $13,254 for the year ended December 31, 2011, compared to $13,620 for the same period in 2010. The decrease was predominantly the result of a weaker Canadian dollar.

Financing Fees

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$ 38	$ 40	$ (2)	(5.00)%
U.S. Initial Properties (U.S.$)	$ 85	$425	$(340)	(80.00)%
Exchange amount to Canadian Dollars	$ (1)	$ 14	$ (15)	(107.14)%
Financing Fees	**$122**	**$479**	**$(357)**	**(74.53)%**

Financing fees includes amortization of financing fees and fair market value of interest rate swaps. Financing cost decreased by $357 to $122 for the year ended December 31, 2011, compared to $479 for the same period in 2010. The variance is attributable to a write-off in 2010 of an amount resulting from a fair value adjustment on the interest rate swap agreement in respect of the mortgage related to the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois.

Income before fair value adjustment on investment properties and income taxes

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$ 4,801	$ 6,237	$(1,436)	(23.02)%
U.S. Initial Properties (U.S.$)	$ 7,735	$ 7,543	$ 192	2.54%
Exchange amount to Canadian Dollars	$ (85)	$ 224	$ (309)	(137.95)%
Total Income before fair value adjustment on investment properties and income taxes	**$12,451**	**$14,004**	**$(1,553)**	**(11.09)%**

Income before fair value adjustment on investment properties and income taxes is used by management to measure the operating results of the Initial Properties, inclusive of the impact of interest expense and the amortization of financing fees and fair value adjustment on interest rate swaps. This measure provides income of the Initial Properties prior to the impact of fair value adjustments that may be significantly impacted by this adjustment and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publicly traded entities.

Income before fair value adjustment on investment properties and income taxes decreased by $1,553, or 11.09%, to $12,451 for the year ended December 31, 2011, compared to $14,004 for the same period in 2010. The decrease was largely due to the decrease in NOI of $2,019 and a decrease in interest expense of $366.

Fair value adjustment on investment properties

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$ 5,427	$ 6,652	$(1,225)	18.42%
U.S. Initial Properties (U.S.$)	$(14,253)	$(11,420)	$(2,833)	24.81%
Exchange amount to Canadian Dollars	$ 155	$ (341)	$ 496	(145.45)%
Total Fair value adjustment on investment properties	**$ (8,671)**	**$ (5,109)**	**$(3,562)**	**69.72%**

Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. Although these adjustments are included in the calculation of Net Income, they are a non-cash item.

The bulk of the changes between the years ended December 31, 2011 and December 31, 2010 were attributable to improving market conditions.

Net Income

	Years ended December 31			
	2011	2010	Variance	%
Canadian Initial Properties	$ (626)	(416)	$ (210)	(50.48)%
U.S. Initial Properties (U.S.$)	$21,988	$18,960	$3,028	15.97%
Exchange amount to Canadian Dollars	$ (240)	$ 569	$ (809)	(142.18)%
Total Net income	**$21,122**	**$19,113**	**$2,009**	**10.51%**

Net income increased by $2,009 to $21,122 for the year ended December 31, 2011, compared to $19,113 for the same period in 2010, predominantly due to the increase in the fair value adjustment on investment properties of $3,562, partially offset by a decrease in NOI of $2,019.

Cash Flows

The Initial Properties reported a cash balance of $9,555 as at December 31, 2011 and $7,953 as at December 31, 2010. The changes in cash for the years ended December 31, 2011 and 2010 were as follows:

	Years ended December 31			
	2011	2010	Variance	%
Operating activities	$ 23,504	$ 26,443	$(2,939)	(11.11)%
Financing activities	$(13,875)	$(21,539)	$ 7,664	35.58%
Investing activities	$ (8,027)	$ (4,155)	$(3,872)	(93.19)%
Increase / (decrease) in cash	$ 1,602	$ 749	$ 853	113.89%

Operating Activities for the year ended December 31, 2011 and December 31, 2010

Cash flow from operating activities was $23,504 for the year ended December 31, 2011 and $26,443 for the same period in 2010. The decrease of $2,939 was primarily due to a reduction in NOI of $2,019 and working capital of $1,072, partially offset by a savings of $257 in general and administrative expenses.

Financing Activities for the year ended December 31, 2011 and December 31, 2010

Cash used in financing activities was $13,875 for the year ended December 31, 2011 and $21,539 for the same period in 2010. The cash was used for principal repayments of mortgages of $1,802, payments on maturing mortgages payable of $45,542 and cash distributions of $6,585. These items were partially offset by proceeds from new mortgages of $53,838.

Investing Activities for the year ended December 31, 2011 and December 31, 2010

Cash used in investing activities was $8,027 for the year ended December 31, 2011 and $4,155 for the same period in 2010. The cash was used to complete tenant improvements, acquire equipment and enhance capital assets.

A comparison of the years ending December 31, 2010 and December 31, 2009

Summary

	Years ended December 31			
	2010	2009	Variance	%
Property Revenue	$53,365	$56,404	$(3,039)	(5.39)%
Property Operating Expenses	$23,074	$24,977	$(1,903)	(7.62)%
Total Net Operating Income	**$30,291**	**$31,427**	**$(1,136)**	**(3.61)%**
Weighted average occupancy — total portfolio	**86.01%**	**87.70%**		

Revenue

	Years ended December 31			
	2010	**2009**	**Variance**	**%**
Canadian Initial Properties	$25,372	$26,691	$(1,319)	(4.94)%
U.S. Initial Properties (U.S.$)	$27,180	$26,019	$ 1,161	4.46%
Exchange amount to Canadian Dollars	$ 813	$ 3,694	$(2,881)	(77.99)%
Total Revenue	**$53,365**	**$56,404**	**$(3,039)**	**(5.39)%**

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Total revenues decreased by $3,039, or 5.39%, to $53,365 for the year ended December 31, 2010, compared to $56,404 for the same period in 2009. Although there was a higher average occupancy for the U.S. Initial Properties, these were offset by lower average occupancy rates for the Canadian Initial Properties and a loss $2,881 as a result of a weaker Canadian dollar.

Property Operating Expenses

	Years ended December 31			
	2010	**2009**	**Variance**	**%**
Canadian Initial Properties	$12,842	$13,411	$ (569)	(4.24)%
U.S. Initial Properties (U.S.$)	$ 9,935	$10,128	$ (193)	(1.91)%
Exchange amount to Canadian Dollars	$ 297	$ 1,438	$(1,141)	(79.35)%
Total Property Operating Expenses	**$23,074**	**$24,977**	**$(1,903)**	**(7.62)%**

Operating expenses are comprised mainly of building common area and maintenance expenses and property taxes, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant units. In the normal course of business, operating expenses fluctuate and are impacted by various factors, including but not limited to occupancy levels, weather, utility costs, realty taxes, repairs and maintenance and re-leasing costs. Total property operating expenses decreased by $1,903, to $23,074, for the year ended December 31, 2010, compared to $24,977 for the same period in 2009. Property operating expenses decreased by $569 for the Canadian Initial Properties and by U.S.$193 for the U.S. Initial Properties, primarily due to lower occupancy levels.

NOI

	Years ended December 31			
	2010	**2009**	**Variance**	**%**
Canadian Initial Properties	$12,530	$13,280	$ (750)	(5.65)%
U.S. Initial Properties (U.S.$)	$17,245	$15,891	$ 1,354	8.52%
Exchange amount to Canadian Dollars	$ 516	$ 2,256	$(1,740)	(77.13)%
Total NOI	**$30,291**	**$31,427**	**$(1,136)**	**(3.61)%**

NOI decreased by $1,136, or 3.61%, to $30,291 for the year ended December 31, 2010, compared to $31,427 for the same period in 2009. The decrease was primarily due to lower average occupancy rates and lower in-place rents for the Canadian Initial Properties and a loss of $1,740 as a result of a weaker Canadian dollar, partially offset by higher occupancies and rental rates in the U.S. Initial Properties.

General and Administrative Expenses

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$1,055	$1,139	$ (84)	7.38%
U.S. Initial Properties (U.S.$)	$1,100	$ 960	$ 140	14.58%
Exchange amount to Canadian Dollars	$ 33	$ 136	$(103)	(75.74)%
Total General and Administrative Expenses	**$2,188**	**$2,235**	**$ (47)**	**(2.10)%**

General and Administrative expenses include asset management fees, professional fees including legal, audit, and tax preparation fees, bad debt expenses and other miscellaneous expenses. The decrease in general and administrative expenses between the year ended December 31, 2010 and the same period in 2009 was mainly due to a decrease in bad debt and additional revenue representing $160 generated from an oil, gas and mineral lease in 2009.

Interest Expense

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$ 5,199	$ 5,364	$(166)	(3.09)%
U.S. Initial Properties (U.S.$)	$ 8,177	$ 7,480	$ 697	9.32%
Exchange amount to Canadian Dollars	$ 244	$ 1,062	$(818)	(77.02)%
Total Interest Expense	**$13,620**	**$13,906**	**$(286)**	**(2.06)%**

Total interest expense decreased to $13,620 for the year ended December 31, 2010, compared to $13,906 for the same period in 2009. The decrease was predominantly due to a decrease in interest expense as a result of a weaker Canadian dollar, partially offset by increases in interest expense resulting from the refinancing of certain assets in the United States.

Financing Fees

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$ 40	$ 45	$ (5)	(11.11)%
U.S. Initial Properties (U.S.$)	$425	$576	$(151)	(26.22)%
Exchange amount to Canadian Dollars	$ 14	$ 82	$ (68)	(82.93)%
Financing Fees	**$479**	**$703**	**$(224)**	**(31.86)%**

Financing fees includes amortization of financing fees and fair market value of interest rate swaps. In 2011, financing cost decreased by $224 to $479 for the year ended December 31, 2010, compared to $703 for the same period in 2009. The variance was primarily attributable to a fair value adjustment on the interest rate swap agreement in respect of the mortgage related to the Initial Property located at 1000 and 1100 Warrenville Road, Naperville.

Income before fair value adjustment on investment properties and income taxes

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$ 6,237	$ 6,732	$(495)	(7.35)%
U.S. Initial Properties (U.S.$)	$ 7,543	$ 6,875	$ 668	9.72%
Exchange amount to Canadian Dollars	$ 224	$ 976	$(752)	(77.05)%
Total Income before fair value adjustment on investment properties and income taxes	**$14,004**	**$14,583**	**$(579)**	**(3.97)%**

Income before fair value adjustment on investment properties and income taxes is used by management to measure the operating results of the Initial Properties, inclusive of the impact of interest expense and the amortization of financing fees and fair value adjustment on interest rate swap agreements. This measure provides income of the Initial Properties prior to the impact of fair value adjustments that may be significantly impacted by this adjustment and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publicly traded entities.

Income before fair value adjustment on investment properties and income taxes decreased by $579, or 3.97%, to $14,004 for the year ended December 31, 2010, compared to $14,583 for the same period in 2009. The decrease was due to the decrease in NOI of $1,136 and the decrease in interest expense of $286.

Fair value adjustment on investment properties

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$(6,653)	$(3,243)	$(3,410)	105.16%
U.S. Initial Properties (U.S.$)	$ 1,499	$ 7,015	$(5,516)	78.63%
Exchange amount to Canadian Dollars	$ 45	$ 997	$ (952)	95.49%
Total Fair value adjustment on Investment properties	**$(5,109)**	**$ 4,769**	**$(9,878)**	**207.13%**

Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. Although these adjustments are included in the calculation of Net Income they are a non-cash item.

As part of the adoption of IFRS in 2011, the Initial Properties elected to adopt the fair value model to account for their investment properties and recognized a fair value gain of $5,109 for the year ended December 31, 2010 compared to a loss of $4,769 for the same period in 2009.

Net Income

	Years ended December 31			
	2010	2009	Variance	%
Canadian Initial Properties	$12,890	$9,974	$2,916	29.24%
U.S. Initial Properties (U.S.$)	$ 6,043	$ (178)	$6,221	3494.94%
Exchange amount to Canadian Dollars	$ 180	$ 18	$ 162	900.00%
Total Net income	**$19,113**	**$9,814**	**$9,299**	**94.75%**

Net income increased by $9,299 to $19,113 for the year ended December 31, 2010, compared to $9,814 for the same period in 2009, predominantly due to the increase in the fair value adjustment on investment properties of $9,878, partially offset by the loss in income before fair value adjustment on investment properties of $579.

Cash Flows

The Initial Properties reported a cash balance of $7,954 as at December 31, 2010, and $7,205 as at December 31, 2009. The changes in cash for the years ended December 31, 2010 and 2009 were as follows:

	Years ended December 31			
	2010	2009	Variance	%
Operating activities	$ 26,443	$ 26,059	$ 384	1.47%
Financing activities	$(21,539)	$ (7,112)	$(14,427)	(202.85)%
Investing activities	$ (4,155)	$(15,816)	$ 11,661	73.73%
Increase / (decrease) in cash	$ 749	$ 3,131	$ (2,382)	(76.08)%

Operating Activities for the year ended December 31, 2010 and December 31, 2009

Cash flow from operating activities was $26,443 for the year ended December 31, 2010 and $26,059 for the same period in 2009. The increase of $384 was primarily due to a reduction in working capital of $864.

Financing Activities for the year ended December 31, 2010 and December 31, 2009

Cash used in financing activities was $21,539 for the year ended December 31, 2010 and $7,112 for the same period in 2009. The cash was used for principal repayments of mortgages of $6,290 and cash distributions of $1,502.

Investing Activities for the year ended December 31, 2010 and December 31, 2009

Cash used in investing activities was $4,155 for the year ended December 31, 2010 and $15,816 for the same period in 2009. The variance was primarily due to a large capital expenditure completed at the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois in 2009.

Transactions with Related Parties

The Vendors engaged ACPI or an affiliate to perform property management services in respect of certain of the Initial Properties. The aggregated property management fee paid was $467 for 2010 and $478 for 2009, which were charged to property operating costs. ACPI also performed asset management services in respect of certain of the Initial Properties for a fee of 0.30% to 0.75% of the gross purchase price as defined in the applicable asset management agreements. An aggregate of $1,580 and $1,660 were charged to general and administrative expenses in 2010 and 2009, respectively.

The Vendors also engaged M & J Wilkow, Ltd. ("**Wilkow**"), an affiliate of one of the Vendors, to perform property management and asset management services for one of the Initial Properties. A total of $437 and $435 were charged to property operating costs in 2010 and 2009, respectively.

Related party transactions are in the normal course of operations and are measured at the exchanged amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Policies and Estimates

Critical Judgements

The preparation of financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements.

(i) Accounting for acquisitions:

Management of the Initial Properties assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("**IFRS 3**"). This assessment requires such management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and

processes acquired, is capable of being conducted and managed as a business, and the Initial Properties obtain control of the business.

(ii) Leases (the Initial Properties as lessor):

Management of the Initial Properties use judgement in assessing the classification of leases with tenants as operating leases, in particular with long-term leases in single-tenant properties. Such management of the Initial Properties has determined that all leases are operating leases.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Actual results may differ from these estimates. The following is a key assumption concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Investment properties valuations:

Investment properties, which are carried on the carve-out statements of financial position at fair value, are valued by qualified external valuation professionals or management. The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Initial Properties.

Significant Accounting Policies

A summary of significant accounting policies is set forth in Note 2 of the carve-out financial statements of the Initial Properties for the years ended December 31, 2011, 2010 and 2009.

(i) Investment properties:

The Initial Properties selected the fair value method to account for real estate classified as investment properties. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs.

Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the statements of income and comprehensive income during the year in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits of the expenditure will flow to the Initial Properties and cost can be measured reliably.

(ii) Revenue recognition:

The Initial Properties have retained substantially all of the risks and benefits of ownership of their investment properties and, therefore, account for the leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment properties.

(iii) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the properties, or lease inducements. When the obligation is determined to be a tenant improvement, the Initial Properties are considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(iv) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(v) Income taxes:

A provision has not been made for income taxes as the Initial Properties are not a legal entity. Income taxes, if any, are liabilities of the owners of the Initial Properties.

(vi) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

(vii) Foreign currency translation:

Assets and liabilities of foreign operations are translated into Canadian dollars at the currency exchange rates in effect at the carve-out statements of financial position dates and revenue and expenses are translated at the average currency exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income (loss).

(viii) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("**FVTPL**"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in the statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income (loss).

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments — Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

(ix) Derivative financial instruments and hedging activities:

The Initial Properties may use derivative financial instruments to manage risks from fluctuations in interest rates and currency exchange rates. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Initial Properties have not designated any derivative financial instrument as a hedging instrument. However, the Initial Properties have entered into an interest rate swap contract to limit exposure to fluctuations in the interest rates on a variable rate mortgage. Gains or losses arising from the change in fair values of the interest rate swap contract are recognized in the statements of income and comprehensive income.

(x) Future accounting changes:

New standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the REIT in preparing the carve-out financial statements in future periods, including IFRS 9, IFRS 10, IFRS 12, IFRS 13, IAS 1 and IAS 32. The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT or the Initial Properties has not yet been determined.

Risks and Uncertainties

There are business risks associated with the ownership of the Initial Properties. See “Risk Factors”.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

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

(a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing commercial real estate located in Canada or the United States and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;

(b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;

(c) the REIT shall not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of GBV at the time the investment is made;

(d) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT, provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

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

(f) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(g) the REIT shall not invest, directly or indirectly, in operating businesses unless such investment is an indirect investment and is incidental to a transaction:

   i. where revenue will be derived, directly or indirectly, principally from real property; or

   ii. which principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by the Trustees);

(h) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 5% of GBV;

(i) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:

   i. the real property which is security therefor is income producing real property which otherwise meets the other investment guidelines of the REIT; and

   ii. the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 15% of GBV; and

(j) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of the GBV of the REIT in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h).

Operating Policies

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

(a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 — *Mutual Funds adopted by the Canadian Securities Administrators*, as replaced or amended from time to time;

(b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation, shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(c) the REIT shall not lease or sublease to any tenant any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of GBV;

(d) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under

development after giving effect to the proposed investment in the construction or development, will not exceed 15% of GBV;

(e) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers; provided that, where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(f) at no time shall the REIT incur indebtedness aggregating more than 15% of GBV (excluding debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more) at floating interest rates or having maturities of less than one year;

(g) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 60% of GBV (or 65% of GBV including convertible debentures);

(h) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(i) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(j) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the Independent Trustees; and

(k) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

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

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the subheading "Investment Guidelines" and the operating policies contained in paragraphs (a), (f), (g), (h) and (j) set out under the subheading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by unitholders of the REIT at a meeting of unitholders called for such purpose. The remaining operating

policies may be amended with the approval of a majority of the votes cast by unitholders at a meeting called for such purpose.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than subparagraph (b) at "Investment Guidelines And Operating Policies — Investment Guidelines"), such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of unitholders.

DECLARATION OF TRUST

General

The REIT is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation. Furthermore, the REIT is not a trust company and accordingly is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the unitholders. The Units and Special Voting Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units and Special Voting Units are not shares in the REIT and unitholders do not have statutory rights of shareholders of a corporation incorporated under either the OBCA or the CBCA including, for example, the right to bring "oppression" or "derivative" actions.

Units

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, as described below under "Redemption Right". Except for the rights of a holder of Class B Units, if any, pursuant to the Exchange Agreement to exchange Class B Units for Units at the option of the holder, the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Special Voting Units

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Voting Unit at any meeting of the unitholders. Special Voting Units may only be issued in connection with or in relation to Class B Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with the Class B Units to which they relate, and will be evidenced only by the certificates representing such Class B Units. Special Voting Units will not be transferable separately from the Class B Units to which they are attached and will be automatically transferred upon the transfer of such Class B Units. Upon the exchange or surrender of a Class B Unit for a

Unit, the Special Voting Unit attached to such Class B Unit will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto. No Special Voting Units will be outstanding on Closing. See "The Partnership — Partnership Units".

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Except for the rights of a holder of Class B Units, if any, pursuant to the Exchange Agreement to exchange Class B Units for Units at the option of the holder, Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution. The REIT may create and issue rights, warrants or options or other instruments or securities to subscribe for fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the Trustees may determine.

The REIT may also issue new Units (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, (ii) pursuant to any incentive or option plan established by the REIT from time to time, (iii) pursuant to a distribution reinvestment plan of the REIT or (iv) pursuant to a Unitholder rights plan of the REIT.

The Declaration of Trust will also provide that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Meetings of Unitholders

The Declaration of Trust will provide that meetings of unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "Amendments to Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of unitholders must be held in Canada.

A meeting of unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5% of the Voting Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of unitholders to the same extent and upon the same conditions as those that apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of unitholders either in person or by proxy. Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of unitholders. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 10% of the total number of outstanding Voting Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour

after the time fixed for the holding of such meeting, if convened upon the request of the unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the unitholders present either in person or by proxy will be deemed to constitute a quorum.

Pursuant to the Declaration of Trust, a resolution in writing executed by unitholders holding a proportion of the outstanding Voting Units equal to the proportion required to vote in favour thereof at a meeting of unitholders to approve that resolution will be valid as if it had been passed at a meeting of unitholders.

Advance Notice Provision

The Declaration of Trust will include certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow unitholders to register an informed vote. Except as otherwise provided in the Declaration of Trust, only persons who are nominated by unitholders in accordance with the Advance Notice Provision will be eligible for election as Trustees. Nominations of persons for election to the Board of Trustees may be made for any annual meeting of unitholders, or for any special meeting of unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (a) by or at the direction of the Trustees, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more unitholders pursuant to a requisition of the unitholders made in accordance with the Declaration of Trust; or (c) by any person (a "**Nominating Unitholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Voting Units carrying the right to vote at such meeting or who beneficially owns Voting Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees. To be timely, a Nominating Unitholder's notice to the Trustees must be made: (a) in the case of an annual meeting of unitholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of unitholders; provided, however, that in the event that the annual meeting of unitholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of unitholders was made. In no event shall any adjournment or postponement of a meeting of unitholders or the announcement thereof commence a new time period for the giving of a Nominating Unitholder's notice as described above.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units or Special Voting Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws (as defined in the Declaration of Trust); and (b) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Voting Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws. The REIT may require any proposed nominee to furnish such

other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an independent Trustee or that could be material to a reasonable unitholder's understanding of the independence, or lack thereof, of such proposed nominee.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Trustees may, in their sole discretion, waive any requirement in the Advance Notice Provision.

Redemption Right

Units will be redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to CDS. Upon receipt of the redemption notice by the Transfer Agent and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

(i) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "**Redemption Date**"); and

(ii) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "Market Price" of a Unit as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date;

(ii) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of ten consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the ten trading days, an amount equal to the simple average of the following prices established for each of the ten consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "Closing Market Price" of a Unit for the purpose of the foregoing calculations, as at any date will be:

(i) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on such date;

(ii) an amount equal to the closing price of a Unit on the principal market or exchange on the specified date if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on such date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange on the specified date, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on such date; or

(iv) the simple average of the last bid and last asking prices of the Units on the principal market or exchange on the specified date, if there was no trading on such date.

If the Units are not listed or quoted for trading on a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market that, in the sole discretion of the Trustees, provides representative fair market value prices for the Units; (iii) the normal trading of the Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the limitations above, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming Unitholder shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT makes a distribution *in specie* on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units.

Purchases of Units by the REIT

The REIT may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

The Declaration of Trust will contain provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

The Declaration of Trust and the Exchange Agreement will provide that if a non-exempt take-over bid from a person acting at arm's length to holders of Partnership Units (or any associate or affiliate thereof) is made for

the Units and such take-over bid is not structured such that holders of Class B Units can exchange into Units conditional on take-up, then, provided that not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken-up and paid for pursuant to the non-exempt bid, from and after the date of first take-up of Units under the said take-over bid in excess of the foregoing threshold the Class B Units held by persons other than the REIT will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Class B Units will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the exchange right is actually exercised.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Limitation on Non-Resident Ownership

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of Non-Residents. Accordingly, at no time may Non-Residents be the beneficial owners of more than 49% of the Units (determined on a basic or fully diluted basis) and the Trustees will inform the transfer agent and registrar of this restriction. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units (determined on a basic or fully diluted basis) then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and the Transfer Agent will not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (determined on a basic or fully diluted basis) are held by Non-Residents, the Trustees may send a notice to Non-Residents holding Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may, on behalf of such Unitholders sell such Units and, in the interim, must suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be holders of Units and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Trustees which is unpaid and owing to such Unitholders. The Trustees will have no liability for the amount received provided that they act in good faith.

Information and Reports

The REIT will furnish to unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of unitholders, the Trustees will provide the unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast by unitholders at a meeting called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast by unitholders at a meeting called for such purpose.

The following actions and/or amendments, among others, require the approval of two-thirds of the votes cast by unitholders at a meeting called for such purpose:

(a) an exchange, reclassification or cancellation of all or a portion of the Units or Special Voting Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;

(c) any change to the existing constraints on the issue, transfer or ownership of the Units or Special Voting Units;

(d) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees);

(e) the termination of the REIT;

(f) the combination, amalgamation or arrangement of any of the REIT or its Subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees); and

(g) the amendment of the Investment Guidelines of the REIT set out under "Investment Guidelines and Operating Policies — Investment Guidelines" and the operating policies contained in paragraphs (a), (f), (g), (h) and (j) set out under "Investment Guidelines and Operating Policies — Operating Policies". See "Investment Guidelines and Operating Policies — Amendments to Investment Guidelines and Operating Policies".

Notwithstanding the foregoing, the Trustees may (upon the approval of a majority of the Trustees present in person or by phone at a meeting of the Board), without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or the REIT; (ii) the status of the REIT as a "mutual fund trust" under the Tax Act; or (iii) the distribution of Units;

(b) which, in the opinion of the Trustees, provide additional protection for the unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the unitholders;

(f) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS; or (ii) to ensure the Units qualify as equity for purposes of IFRS;

(g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit purchase plan or issue Units for which the purchase price is payable in instalments;

(h) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of "real estate investment trust" in the Tax Act or to otherwise prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Rules;

(i) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(j) for any purpose (except one in respect of which a unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to unitholders and is necessary or desirable.

Any amendment to the Declaration of Trust which directly or indirectly adds, changes or removes any of the rights, privileges, restrictions or conditions in respect of the Special Voting Units shall require the approval of a majority of the votes cast by all holders of Special Voting Units at a meeting of such unitholders (or by written resolution in lieu thereof).

AGELLAN CANADA

Agellan Commercial REIT Holdings Inc. ("**Agellan Canada**") is a corporation established under the laws of the Province of Ontario. Upon completion of the Offering and related transactions, Agellan Canada will own all of the common shares of Agellan U.S.

The authorized share capital of Agellan Canada will consist of an unlimited number of common shares. Upon Closing, all of the issued and outstanding common shares of Agellan Canada will be held by the REIT. Holders of common shares of Agellan Canada will be entitled to receive dividends as and when declared by the board of directors of Agellan Canada and will be entitled to one vote per common share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of Agellan Canada, the holders of common shares of Agellan Canada will be entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

AGELLAN U.S.

Agellan Commercial REIT U.S., Inc. ("**Agellan U.S.**") is a corporation established under the laws of the State of Delaware. Upon completion of the Offering and related transactions, Agellan U.S. will own all of the outstanding Class A Units of the Partnership.

The authorized share capital of Agellan U.S. may consist of an unlimited number of common shares. Upon Closing, all of the issued and outstanding common shares of Agellan U.S. will be held by Agellan Canada. Holders of common shares of Agellan U.S. will be entitled to receive dividends as and when declared by the board of directors of Agellan U.S. and will be entitled to one vote per common share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of Agellan U.S., the holders of common shares of Agellan U.S. will be entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

THE PARTNERSHIP

General

The Partnership is a Delaware limited partnership governed by the Partnership Agreement and the laws of the State of Delaware. The general partner of the Partnership will be Agellan GP, a company that will be incorporated under the laws of the State of Delaware prior to Closing and will be an indirect wholly-owned subsidiary of the REIT. On Closing, the sole limited partner of the Partnership will be Agellan U.S.

Partnership Units

Upon Closing, the Partnership will have 1,000 outstanding general partnership units, all of which will be held by Agellan GP, and one Class A Unit, which will be held by Agellan U.S. The Partnership Agreement will also provide for the creation and issuance of Class B Units. If and when issued, the Class B Units will, in all material respects, be economically equivalent to the Units on a per unit basis, subject to certain adjustments in respect of U.S. corporate income taxes payable by Agellan U.S. and foreign currency hedging arrangements entered into by the REIT. It is anticipated that Class B Units may be subsequently issued to U.S. vendors in connection with the acquisition of additional properties by the REIT in the United States. In connection with the issuance of Class B Units, an exchange agreement will be entered into pursuant to which the Class B Units will be exchangeable on a one-for-one basis for Units at any time at the option of their holder, unless the exchange would jeopardize the REIT's status as a "mutual fund trust" under the Tax Act. No Class B Units will be outstanding on Closing.

Holders of Class A Units will be entitled to notice of, and to attend and vote at, all meetings of holders of the units of the Partnership. Class B Units, if and when issued, will be non-voting with respect to meetings of holders of the units of the Partnership; however, Special Voting Units entitling the holder thereof to one vote per Special Voting Unit at meetings of unitholders of the REIT will be issued by the REIT in conjunction with the Class B Units to which they relate. Special Voting Units will not be transferable separately from the Class B Units to which they are attached. See "Declaration of Trust — Units and Special Voting Units — Special Voting Units".

Operation

The business and affairs of the Partnership will be managed and controlled exclusively by its general partner, initially being Agellan GP, subject to the terms of the Partnership Agreement and the laws of the State of Delaware.

Undertaking

The REIT has provided an undertaking to the securities commission or securities regulatory authorities in each province and territory of Canada that it will, while it is a reporting issuer: (i) in complying with its reporting issuer obligations, treat the Partnership as a subsidiary of the REIT; however, if generally accepted accounting principles used by the REIT prohibit the consolidation of financial information of the Partnership and the REIT, then for as long as the Partnership (including any of its significant business interests) represents a significant asset of the REIT, the REIT will provide unitholders with separate audited annual financial statements and interim financial reports, prepared in accordance with the same generally accepted accounting principles as the REIT's financial statements, and related management's discussion and analysis, prepared in accordance with National Instrument 51-102 — *Continuous Disclosure Obligations* or its successor, for the Partnership (including information about any of its significant business interests); (ii) for so long as the REIT is a reporting issuer, the REIT will take the appropriate measures to require each person who would be an insider of the Partnership or a person or company in a special relationship with the Partnership if the Partnership were a reporting issuer to (A) file insider reports about trades in units of the REIT (including securities which are exchangeable into units of the REIT) and (B) comply with statutory prohibitions against insider trading; and (iii) annually certify that it has complied with these undertakings and file such certificate on SEDAR concurrently with the filing of its annual financial statements.

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make *pro rata* monthly cash distributions to Unitholders and, through the Partnership, holders of Class B Units, if any, initially equal to, on an annual basis, approximately 90% of estimated AFFO for the period ended December 31, 2013. Management of the REIT believes that the 90% payout ratio initially set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. See "Declaration of Trust — Issuance of Units" and "Certain Canadian Federal Income Tax Considerations".

The first distribution will be for the period from Closing to February 28, 2013 and will be paid on March 15, 2013, in the amount of $0.07916 per Unit assuming Closing occurs on January 25, 2013. The REIT intends to make subsequent monthly distributions in the estimated amount of $0.06458 per Unit commencing April 15, 2013.

The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and will be subject to various factors including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. These factors may result in the REIT paying lower distributions than currently anticipated or none at all.

See "Risk Factors".

Distribution Reinvestment Plan

Following Closing, the REIT intends to implement, subject to regulatory approval, the DRIP pursuant to which Unitholders may elect to have all cash distributions of the REIT payable to any such Unitholder automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the closing price of Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal in value to 3% of each distribution that was reinvested by the Unitholder.

No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all administrative costs will be borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the DRIP will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

Further administrative details, including the date of the first distribution of income for which Unitholders will be entitled to elect to have distributions reinvested under the DRIP, and enrolment documents regarding the DRIP, will be forwarded to beneficial owners of Units prior to the fourth Distribution Date.

UNITHOLDERS' RIGHTS PLAN

The REIT will establish the Rights Plan on Closing. The purposes of the Rights Plan are as follows: (i) to ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the Units or other acquisition of control of the REIT; (ii) to provide the Trustees with adequate time to explore and develop alternatives, in order to maximize Unitholder value; and (iii) to ensure, to the extent possible, the equal treatment of Unitholders in connection with any unsolicited take-over bid. On Closing, one right will be issued and attached to each outstanding Voting Unit pursuant to the Rights Plan.

The Rights Plan will utilize the mechanism of a "Permitted Bid" (as described below) to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and holders of "Equivalent Securities" (as defined below), if any, by way of take-over bid circular and must be open for at least 60 days after the bid is made. If more than 50% of the Units held by "Independent Unitholders" (as defined below) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units and associated Equivalent Securities, if any. The take-over bid must then be extended for a further period of at least ten business days on the same terms to allow those Unitholders who did not initially tender their Units and associated Equivalent Securities, if any, to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten business days after the expiry of the initial tender period. The Rights Plan is designed to make it impractical for any person to acquire more than 20% of the outstanding Voting Units without the approval of the Trustees except pursuant to the Permitted Bid procedures or pursuant to certain other exempt transactions outlined below.

Management believes that the Rights Plan taken as a whole should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Unitholders. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons. See "Portfolio Managers" below.

The Rights Plan will be subject to re-confirmation by Unitholders and Independent Unitholders every three years and terminate upon the termination of the first annual meeting of the Unitholders following the third anniversary date of Closing, unless terminated earlier.

Issue of Rights

On Closing, one Right will be issued and attached to each outstanding Unit. One Right will also attach to any subsequently issued Units. The Rights are not exercisable prior to the Separation Time (as defined below).

Rights Exercise Privilege

The Rights will separate from the Units to which they are attached and will become exercisable (the "**Separation Time**") at the close of business on the 10th business day after the earlier of (A) the first date of public announcement by the REIT or an Acquiring Person of facts indicating that a person has become an Acquiring Person, and (B) the date of the commencement of, or first public announcement of, the intent of any person (other than the REIT or any subsidiary of the REIT) to commence, a take-over bid (other than a Permitted Bid or "Competing Permitted Bid" (as described below)), or the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such, or, in either case, such later date as may be determined by the Trustees.

The acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the Voting Units, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in**

Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or by an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. Ten business days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of $200, on payment of $100 (i.e., at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Voting Units, reported earnings per Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Acquiring Person

An "**Acquiring Person**" is any person who is or becomes the beneficial owner of 20% or more of all Voting Units of the REIT. An Acquiring Person does not, however, include: (a) the REIT or any Subsidiary of the REIT; (b) any person who owns, directly or indirectly, 20% or more of the Units on Closing (a "**Grandfathered Person**"), provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Closing, other than pursuant to certain exempt transactions, (i) cease to beneficially own 10% or more of the outstanding Voting Units or (ii) become the owner, directly or indirectly, of Units that increases its percentage ownership interest in the REIT to an amount that exceeds its percentage ownership interest in the REIT on Closing plus an additional 1.0%; or (c) any person who becomes the beneficial owner of 20% or more of the Units as a result of certain exempt transactions.

Exempt transactions include: (a) specified acquisitions (including pursuant to the DRIP) or redemptions of Units; (b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or (c) acquisitions of Units in exchange for additional properties being acquired by the REIT.

Certificates and Transferability

Prior to the Separation Time, Rights will not be evidenced by certificates. Rights will not be transferable separately from the attached Units. From and after the Separation Time, registration of interests in and transfer of the Rights will only be made electronically via CDS, subject to certain exceptions (see Declaration of Trust — Non-Certificated Inventory System).

Permitted Bid Requirements

The requirements of a Permitted Bid include the following: (a) the take-over bid must be made by way of a take-over bid circular; (b) the take-over bid must be made to all holders of Units and holders of exchangeable securities attached to Special Voting Units ("**Equivalent Securities**"), if any, other than the bidder; (c) the take-over bid must not permit Units and Equivalent Securities tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days from the date of the bid and then only if at such time more than 50% of the Units held by Unitholders other than the bidder and its affiliates and persons acting jointly or in concert with the bidder (the "**Independent Unitholders**") have been tendered pursuant to the take-over bid and not withdrawn; and (d) if more than 50% of the Units held by Independent Unitholders are tendered to the takeover bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Units and Equivalent Securities for at least an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days (or such minimum period prescribed by law in the Province of Ontario), it may expire on the same date as the earliest date for take-up specified in a Permitted Bid.

Waiver and Redemption

The Trustees acting in good faith may determine, with the prior consent of the Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event, to redeem all, but not less than all, of the outstanding Rights at a redemption price of $0.00001 per Right, subject to appropriate anti-dilution adjustments.

The Trustees acting in good faith may determine, with the prior consent of the Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event that may occur by reason of an acquisition of Units otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all holders of record of Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event.

The Trustees acting in good faith may determine, at any time prior to the occurrence of a Flip-in Event that may occur by reason of a take-over bid made by take-over bid circular sent to all holders of record of Units and Equivalent Securities, to waive the application of the Flip-in Event provisions to such Flip-in Event, provided that if the Trustees do so, they shall be deemed to have waived the application of the Flip-in Event provisions to any other Flip-in Event occurring by reason of any take-over bid made by take-over bid circular to all holders of record of Units and Equivalent Securities which is made prior to the expiry of any take-over bid (as the same may be extended from time to time) in respect of which such waiver is, or is deemed to have been, granted.

Redemption of Rights on Withdrawal or Termination of Bid

Where a take-over bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, provided that the provisions of the Rights Plan are deemed to continue to apply as if the Separation Time had not occurred, the Trustees acting in good faith may elect to redeem all the outstanding Rights at the applicable redemption price. Upon such redemption, the REIT is deemed to have issued replacement Rights to all holders of its then outstanding Units.

Waiver of Inadvertent Flip-in Event

The Trustees acting in good faith may, prior to the close of business on the tenth Business Day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that such person reduces its beneficial ownership of Units such that it is not an Acquiring Person within 14 days of the determination of the Trustees.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

Supplement and Amendments

The Trustees may, prior to the time for re-confirmation of the Rights Plan, supplement, amend, vary, rescind or delete any of the provisions of the plan in order to make any changes which the Trustees acting in good faith deem necessary or desirable, without the approval of any holders of Rights or Units, only if such supplement, amendment, rescission or deletion would not materially adversely affect the interests of holders of Rights. Any such change must be submitted for approval by Unitholders at the next meeting of Unitholders or, if made after the Separation Time, any such change must be submitted for approval by the holders of Rights at a meeting to be called by a date immediately following the next meeting of Unitholders, and will only continue in effect if such approval is obtained. The Trustees may also supplement or amend the Rights Plan to correct any clerical or typographical error or as required to maintain the validity of the Rights Plan as a result of change in applicable legislation, rules or regulations.

Notwithstanding any provision of the Rights Plan, certain amendment made by the REIT to the Rights Plan by supplement or otherwise shall be subject to the prior approval of any governmental or regulatory authority having jurisdiction over the REIT.

Eligibility for Investment

The issue of Rights will not affect the status under the Tax Act of the Units as "qualified investments" (as defined in the Tax Act) for Plans.

Regulatory Approvals

Any obligation of the REIT or action or event contemplated by the Rights Plan shall be subject to the receipt of any requisite approval or consent from any applicable governmental or regulatory authority having jurisdiction over the REIT.

General

Until a Right is exercised, the holder thereof, as such, will have no rights as a Unitholder.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Torys LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires Units pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the REIT and holds the Units as capital property (in this section of the prospectus, referred to as a "**Holder**"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a "financial institution" subject to the mark-to-market rules; (ii) that is a "specified financial institution"; (iii) that is a partnership; (iv) an interest in which would be a "tax shelter investment"; or (v) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules, all within the meaning of the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof ("**Proposed Amendments**"), counsel's understanding of the current published administrative policies and assessing practices of the CRA, and a certificate as to certain factual matters from an executive officer of the REIT (the "**Officer's Certificate**"). Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province or territory in which the purchaser resides or carries on business. This summary is not intended to

be, nor should it construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to (i) the REIT is a reference to Agellan Commercial Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors, and (ii) a reference to a Unitholder is a reference to a holder of Units and not a holder of Special Voting Units.

Status of the REIT

This summary assumes that representations made in the Officer's Certificate are true and correct, including representations that the REIT (i) has complied, and will at all times comply, with the Declaration of Trust; (ii) will qualify as a "mutual fund trust" within the meaning of the Tax Act no later than the closing of the Offering, and will thereafter continuously qualify as a mutual fund trust; and (iii) will elect to be deemed to be a mutual fund trust from the date it is established. **If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations would, in certain respects, be materially and adversely different from those described below**.

Qualification as a Real Estate Investment Trust

This summary is based on the assumption that the REIT qualifies, and will continue to qualify at all relevant times, as a "real estate investment trust", as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the "**SIFT Rules**"). **If such assumption is not accurate, certain of the income tax considerations described below would, in some respects, be materially and adversely different**.

SIFT Rules and the REIT Exception

The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it qualifies as a "real estate investment trust", as defined in the Tax Act, throughout the year (the "REIT Exception"). The REIT Exception to the SIFT Rules is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. Based on the advice of its external tax advisor, an executive officer of the REIT has advised counsel that the REIT will qualify for the REIT Exception as currently structured and that management of the REIT expects the REIT will qualify for the REIT Exception throughout 2013 and each subsequent year. However, there can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception. The REIT Exception is applied on an annual basis. Accordingly, even if the REIT does not

qualify for the REIT Exception in a particular taxation year, it may be able to so qualify in a subsequent taxation year.

If the REIT is subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders.

On October 24, 2012, the Department of Finance announced Proposed Amendments to the REIT Exception (the "**October 24 Proposals**"), proposed to be effective as of January 1, 2011. The October 24 Proposals received first reading in the House of Commons on November 21, 2012. An executive officer of the REIT has advised counsel that the REIT expects to be able to qualify for the REIT Exception under the October 24 Proposals throughout 2013 and each subsequent year.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, dividends received from Agellan Canada, interest on the Agellan Canada Notes and the Agellan U.S. Notes that accrues to the REIT to the end of the year, or that becomes receivable or is received by it before the end of the year (except to the extent that such interest was included in computing its income for a preceding taxation year), and net realized taxable capital gains (including any portion thereof arising from foreign currency gains on the repayment of the Agellan U.S. Notes and the Agellan Canada Notes).

The REIT may deduct from its taxable income amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if it is paid to a Holder in the year by the REIT or if a Holder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Holders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT will make one or more in-kind distributions in the form of additional Units. Income of the REIT payable to the Unitholders in the form of additional Units will generally be deductible to the REIT in computing its taxable income.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Units generally may be deducted by the REIT on a five year, straight-line basis.

Amounts received by the REIT from Agellan Canada as a return of paid-up capital (within the meaning of the Tax Act) on the common shares of Agellan Canada generally will not be taxable to the REIT. However, the adjusted cost base of the common shares of Agellan Canada held by the REIT will be reduced by any such distributions received. If at any time the adjusted cost base of the common shares of Agellan Canada held by the REIT would become a negative amount, the REIT will be deemed to have realized a capital gain equal to such amount.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year

may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property in specie to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains) and will be deductible by the REIT in computing its income.

Taxation of Agellan Canada

Agellan Canada will be subject to tax under the Tax Act and its taxation year will be the calendar year. Agellan Canada's income for purposes of the Tax Act will include any "foreign accrual property income" ("**FAPI**") realized by a "controlled foreign affiliate" (a "**CFA**") of Agellan Canada and any dividends received, as further described below. In computing its income, Agellan Canada generally will be able to deduct any interest paid in the year or payable in respect of the year to the REIT pursuant to the Agellan Canada Notes and reasonable current administrative and other expenses incurred to earn income.

For purposes of the Tax Act, Agellan U.S. is a "foreign affiliate" and CFA of Agellan Canada. It is expected that income earned by Agellan U.S. from the Initial Properties (including income allocated to Agellan U.S. by the Partnership) will be FAPI. Any FAPI earned by Agellan U.S. must be included in computing Agellan Canada's income for the taxation year of Agellan Canada in which the taxation year of Agellan U.S. ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, whether or not Agellan Canada actually receives a distribution of FAPI in the taxation year. The adjusted cost base to Agellan Canada of the common shares of Agellan U.S. will be increased by the net amount so included in the income of Agellan Canada. At such time as Agellan Canada receives a dividend of amounts that were previously included in its income as FAPI, that dividend effectively will not be taxable to Agellan Canada and there will be a corresponding reduction in the adjusted cost base to Agellan Canada of the common shares of Agellan U.S.

Agellan Canada will be required to include in computing its income dividends received from Agellan U.S., subject to certain deductions (including that described above in respect of FAPI). Because of such deductions, dividends from Agellan U.S. out of its FAPI will not generally be subject to additional tax under the Tax Act, but will result in a reduction in the adjusted cost base to Agellan Canada of the common shares of Agellan U.S. to the extent such adjusted cost base was increased as a result of such FAPI. To the extent that dividends are prescribed to have been paid out of Agellan U.S.'s exempt surplus or pre-acquisition surplus, Agellan Canada will be entitled to a deduction equal to such dividends. The adjusted cost base to Agellan Canada of the common shares in Agellan U.S. will be reduced to the extent that dividends paid by Agellan U.S. are considered to have been paid out of pre-acquisition surplus. If the adjusted cost base to Agellan Canada of the common shares in Agellan U.S. would become a negative amount, Agellan Canada will be deemed to realize a capital gain equal to such amount for that year. Pursuant to Proposed Amendments, Agellan Canada also generally will be entitled to a deduction equal to one-half of the portion of such dividends prescribed to have been paid out of Agellan U.S.'s hybrid surplus, plus an additional amount in respect of the other half of those dividends to reflect the portion of Agellan U.S.'s income that is subject to foreign tax at an equivalent rate to that applicable in Canada.

Agellan Canada generally will be entitled to designate taxable dividends paid by it to the REIT as eligible dividends for purposes of the Tax Act to the extent it is entitled to a deduction from income with respect to dividends received from Agellan U.S. and which have been paid from exempt surplus, taxable surplus or pre-acquisition surplus (or, pursuant to Proposed Amendments, hybrid surplus) each to the extent of the deductions described above.

Taxation of Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, taxable dividends received (or deemed to be received) from Agellan Canada and net taxable capital gains and foreign source income realized by the REIT that are paid or become payable to a Holder will retain their character as taxable dividends, taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act. Amounts that are designated as taxable dividends paid or payable to a Holder will be subject to the normal dividend gross up and tax credit rules with respect to Holders who are individuals (other than certain trusts). In addition, where Agellan Canada has designated such dividends as eligible dividends, Holders that are individuals (other than certain trusts) will benefit from the enhanced gross-up and dividend tax credit available in respect of eligible dividends. A Holder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including private corporations or subject corporations (as such terms are defined in the Tax Act), may be liable to pay a refundable tax at the rate of 33⅓% of such dividends to the extent that such dividends are deductible in computing taxable income.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year generally should not be included in the Holder's income for the year. However, such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units be increased by the amount of such deemed capital gain.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. The cost of Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Holder's Units as a result of the receipt of the further distribution reinvested in Units under the DRIP; however, the adjusted cost base per Unit will be reduced.

A redemption of Units in consideration for cash or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gain realized by the REIT in connection with the distribution of property in specie on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Where a Holder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Holder's capital loss from the disposition generally will be reduced by the amount of any dividends received by the REIT previously designated by the REIT to the Holder, to the extent and under the circumstances prescribed in the Tax Act. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Refundable Tax

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax of 6⅔% in respect of its aggregate investment income for the year, which will include all or substantially all of the income and capital gains distributed to the Holder by the REIT and capital gains realized on a disposition of Units.

Alternative Minimum Tax

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

UNITED STATES FEDERAL INCOME TAXATION OF THE REIT, AGELLAN CANADA AND THE PARTNERSHIP

Circular 230

TO COMPLY WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS.

The following is a summary of certain U.S. federal income tax considerations applicable to the REIT, Agellan Canada, Agellan U.S. and the Partnership that was prepared by Krieg DeVault LLP, special counsel to the REIT and the Partnership, and reviewed by Torys LLP, counsel to the Underwriters. This summary does not address any U.S. federal tax considerations applicable to a Unitholder. No rulings have been or will be sought from the IRS and no opinion of counsel will be obtained with respect to any of the U.S. federal income tax issues discussed in this summary, other than the opinions of Krieg DeVault LLP discussed herein. As a result, there can be no assurance that the IRS will not successfully challenge the conclusions reached in this summary. U.S. federal income tax treatment that is different from this summary could negatively impact cash flows, the cash flow available for distribution to the Unitholders, and the value of the Units.

This summary is not exhaustive of all possible U.S. federal income tax considerations applicable to the REIT, Agellan Canada, Agellan U.S. and the Partnership. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units.

This summary is based on the Code, Treasury Regulations, IRS rulings and official pronouncements, judicial decisions and the Treaty, all as in effect on the date of this prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the statements and conclusions set forth below.

U.S. Federal Income Taxation of the REIT

The REIT should be treated for U.S. federal tax purposes as a foreign corporation. However, under section 7874 of the Code (i.e. the so-called "anti-inversion rules"), a corporation created or organized outside the U.S. (i.e., a foreign corporation) will be treated as a domestic corporation for U.S. federal tax purposes if (i) it directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation or substantially all of the properties constituting a trade or business of a U.S. partnership; (ii) after the acquisition, at least 80 percent (by either vote or value) of the shares of the foreign acquiring corporation are owned by the former shareholders or partners of the acquired U.S. corporation or partnership, respectively, by reason of holding shares in such corporation or partnership; and (iii) the foreign corporation's expanded affiliated group does not have substantial business activities in the foreign corporation's country of organization or incorporation relative to the expanded affiliated group's worldwide activities. If the former partners or shareholders own at least 60 percent but less than 80 percent of the stock of the foreign corporation, the foreign corporation will not be treated as a domestic corporation, but U.S. federal income tax will apply to any "inversion gain" of the acquired U.S. corporation or partnership. For purposes of section 7874, "expanded affiliated group" means the foreign corporation and all subsidiaries in which the foreign corporation, directly or indirectly, owns more than 50 percent of the shares (by vote and value). Because the REIT is expected to have substantial business activities in Canada (within the meaning of Treasury Regulations issued under Section 7874) and because the number of Units issued in connection with the purchase of the U.S. Initial Properties is not expected to exceed sixty percent (60%) of the total number of Units issued in connection with the acquisition of

all of the Initial Properties, it is not expected that the anti-inversion rules of Section 7874 of the Code will apply to the REIT. The REIT will receive an opinion from Krieg DeVault LLP that the anti-inversion rules of Section 7874 of the Code should not apply to the REIT. There can be no assurance that the IRS will not successfully challenge this conclusion. If the IRS were to successfully assert that the REIT is a domestic corporation under section 7874, the REIT would be subject to U.S. federal income tax on its income and distributions made by the REIT would be subject to U.S. federal withholding tax.

The REIT should be a resident of Canada for purposes of the Treaty. The REIT should be eligible for benefits under the Treaty as long as the Units are primarily and regularly traded on a Canadian stock exchange. The REIT expects that the Units will be primarily and regularly traded on the Toronto Stock Exchange and the discussion herein assumes that the REIT will be eligible for benefits under the Treaty, but there can be no assurance that this will be the case. The REIT does not expect to be engaged in a U.S. trade or business or have a permanent establishment in the United States for purposes of the Treaty; however, if it were to engage in a U.S. trade or business through a permanent establishment in the United States, then the REIT would be subject to U.S. federal income tax with respect to its net taxable income attributable to the U.S. permanent establishment at regular U.S. federal corporate income tax rates and may be subject to a secondary U.S. branch profits tax at a rate of 5%. The REIT and Agellan U.S. intend to treat the Agellan U.S. Notes as indebtedness for U.S. federal income purposes. See "— Interest Deductions". Assuming that characterization is correct, the interest income the REIT earns on the Agellan U.S. Notes will be exempt from U.S. federal income tax under the Treaty even though the interest income is expected to be treated as arising from a source within the United States. However, as discussed below there can be no assurance that the characterization of the Agellan U.S. Notes as debt will be sustained. If the Agellan U.S. Notes were successfully recharacterized by the IRS as equity, then the interest payments would be treated as distributions by Agellan U.S. and would potentially be taxable as discussed below under "U.S. Federal Income Taxation of Agellan Canada" (except that the withholding rate for dividends paid to the REIT under the Treaty would be 15% rather than 5%). The distributions the REIT receives from Agellan Canada with respect to the shares it owns in Agellan Canada and the interest income the REIT earns on the Agellan Canada Notes are not expected to constitute U.S.-source income or be subject to U.S. federal income tax.

U.S. Federal Income Taxation of Agellan Canada

Generally

Agellan Canada will be treated as a resident of Canada for purposes of the Treaty. Agellan Canada will be eligible for benefits under the Treaty as long as the Units are primarily and regularly traded on a Canadian stock exchange. The REIT expects that the Units will be primarily and regularly traded on the Toronto Stock Exchange and the discussion herein assumes that Agellan Canada will be eligible for benefits under the Treaty, but there can be no assurance that this will be the case. Agellan Canada does not expect to be engaged in a U.S. trade or business or have a permanent establishment in the United States for purposes of the Treaty; however, if it were to engage in a U.S. trade or business through a permanent establishment in the United States, then Agellan Canada would be subject to U.S. federal income tax with respect to its net taxable income attributable to the U.S. permanent establishment at regular U.S. federal corporate income tax rates and may be subject to a secondary U.S. branch profits tax at a rate of 5%.

The distributions that Agellan Canada receives from Agellan U.S. will be treated as (i) dividends, to the extent of the earnings and profits of Agellan U.S., then (ii) a return of capital, to the extent of Agellan Canada's adjusted tax basis in the stock of Agellan U.S., and thereafter (iii) gain from the sale of the stock of Agellan U.S. The dividend portion of any distribution is expected to be treated as arising from a source within the United States and subject to 5% U.S. federal income tax pursuant to the Treaty. The taxation of the portion of any distribution from Agellan U.S. that is not treated as a dividend is discussed below.

Disposition of Stock of Agellan U.S.

A non-U.S. corporation that is not engaged in trade or business in the United States generally is not subject to U.S. federal income tax on any gain from the disposition of the stock of a U.S. corporation. However, a non-U.S. corporation is subject to U.S. federal withholding and income taxation upon the disposition of stock in

a U.S. corporation if 50% of more of the value of the U.S. corporation's real property and trade or business assets is (or was at any time during the five year period ending on the disposition) attributable to U.S. real property interests. For this purpose, the Initial Properties located in the United States generally are treated as real property located within the United States. Because these are the primary assets of Agellan U.S. through its ownership of Class A Units in the Partnership, Agellan Canada is expected to be subject to U.S. federal income taxation upon any gain recognized on a disposition of the stock of Agellan U.S. at a rate of 35%. In addition, unless a withholding certificate is obtained from the IRS, a 10% withholding tax is imposed on the gross proceeds from the disposition of the stock of Agellan U.S. This withholding tax would be creditable against any income tax due on the disposition and, in the event the tax withheld on a disposition exceeds the income tax due, Agellan Canada would be entitled to request a refund of the excess by filing a U.S. federal income tax return.

Distributions in Excess of Earnings and Profits

As described above, any distribution from Agellan U.S. in excess of the amount treated as a dividend is treated first as a return of capital, to the extent of Agellan Canada's adjusted tax basis in the stock of Agellan U.S., and thereafter as gain from the sale of the stock of Agellan U.S. The portion of any distribution from Agellan U.S. that is treated as gain from the disposition of Agellan U.S. stock would be subject to U.S. federal income tax at a 35% rate. In addition, absent a withholding certificate being obtained from the IRS, the entire amount of any distribution in excess of the amount treated as a dividend (including the return of capital portion of any such distribution) generally would be subject to a 10% U.S. withholding tax, which would be creditable against any income tax due on the distribution. In the event the tax withheld on a distribution exceeds the income tax due, Agellan Canada would be entitled to request a refund of the excess by filing a U.S. federal income tax return.

U.S. Federal Income Taxation of Agellan U.S.

Generally

Agellan U.S. will be treated as a corporation for U.S. federal income tax purposes. Agellan U.S. is subject to U.S. federal income tax on its net taxable income, including its distributive share of the income of the Partnership. In computing its net taxable income, Agellan U.S. is expected to be entitled to deduct interest paid on the Agellan U.S. Notes (subject to the limits discussed below) and certain other expenses incurred relating to its ownership of Class A Units in the Partnership and the borrowing of funds pursuant to the Agellan U.S. Notes.

Interest Deductions

The REIT and Agellan U.S. will receive an opinion from Krieg DeVault LLP that, for United States federal income tax purposes, the Agellan U.S. Notes should be treated as debt of Agellan U.S. and that the interest on the Agellan U.S. Notes should be deductible subject to any applicable limitations, including Code section 163(j) discussed in more detail below. This opinion is based, in part, upon certain advice provided to the REIT by its financial advisors and upon certain assumptions and representations as to factual matters that have been or will be provided by the REIT and Agellan U.S., as requested by counsel.

However, the determination of whether the Agellan U.S. Notes are debt for U.S. federal income tax purposes is based on an analysis of all of the relevant facts and circumstances, and there is no clear authority characterizing a similar arrangement as debt for U.S. federal income tax purposes. Consequently, there can be no assurance that this position will not be challenged by the IRS. If such a challenge were sustained, interest payments on the Agellan U.S. Notes would be recharacterized as non-deductible distributions with respect to Agellan U.S.'s equity, and Agellan U.S.'s net taxable income and thus its U.S. federal income tax liability would increase. If Agellan U.S. were liable for additional tax, the cash flow available for distribution to the Unitholders would be reduced, which could negatively impact the value of the Units.

Assuming the Agellan U.S. Notes are treated as debt of Agellan U.S. for U.S. federal income tax purposes, the amount of deductible interest paid on such debt is subject to limitations. The amount of such interest must be consistent with the amount that would have been payable on a similar obligation at arms' length or the amounts actually paid may be recharacterized as a distribution on the equity of Agellan U.S. In this regard, the

REIT's advisors have conducted certain interest rate and debt feasibility studies in order to support the amount of interest payable by Agellan U.S. on the Agellan U.S. Notes. In addition to the arms' — length limitation, Code Section 163(j) imposes a limitation on the amount of deductions for interest paid on such debt. In general, Code Section 163(j) disallows or defers deductions for interest paid by a corporation if the corporation has all of the following: (i) a debt-to-equity ratio in excess of 1.5 to 1, (ii) excess interest expenses (i.e. the portion of the corporation's net interest expense which exceeds 50% of "adjusted taxable income"), and (iii) disqualified interest expense (i.e. interest paid or accrued to a related person who is not subject to U.S. income tax upon receipt of the interest income). Adjusted taxable income is generally defined as the corporation's taxable income before net interest expense, depreciation, depletion and amortization for purposes of Code Section 163(j), a corporation and a creditor of the corporation will generally be "related" if the creditor owns, directly or by attribution, more than 50% of the corporation by vote or value. If section 163(j) applies in a given tax year, interest expense of a corporation is disallowed in an amount equal to the lesser of the corporation's "excess interest expense" or its "disqualified interest expense". Any interest that is disallowed under section 163(j) is carried over to subsequent years indefinitely.

Agellan U.S.'s debt-to-equity ratio is expected to be in excess of 1.5 to 1 and accordingly, it is expected that section 163(j) initially will be applicable to the deduction of interest payable on the Agellan U.S. Notes. If subsection 163(j) applies to limit the amount of interest deductible by Agellan U.S. in respect of the Agellan U.S. Notes, the amount of U.S. federal income tax payable by Agellan U.S. may be greater than it otherwise would be.

U.S. Federal Income Taxation of the Partnership

Treatment as a Partnership and Pass-Through Nature of Taxation

Under the Code, the Partnership will be treated as a partnership for U.S. federal income tax purposes. As an entity taxed as a partnership, the Partnership is not subject to U.S. federal income tax. Instead, each partner, including Agellan U.S., will report on its federal income tax return its allocable share, as determined by the Partnership Agreement, of profits and losses realized by the Partnership, whether or not any cash distributions are made to the partners during the taxable year. The character of any item of profit and loss (as capital gain or ordinary income and as capital loss or ordinary loss) will be the same to the partner as it is to the Partnership.

It is always possible that the Internal Revenue Service (the "**IRS**") may audit the Partnership. As a general rule, partners are required to treat items of profit and loss in a manner consistent with the Partnership's tax return or file a statement with the IRS identifying the inconsistency. Any audit adjustments to the Partnership's tax return are automatically passed through to the partners without the need for separate IRS action on each partner's return. Such adjustments could require that state tax returns be amended, trigger an audit of state tax returns, or trigger an audit of the individual partner's federal income tax return. The "tax matters partner" will have the obligation to keep the other partners informed as to the progress of an audit and will generally control the selection of the court in which any federal tax dispute will be litigated.

Tax Matters Partner

Under the Code, each partnership or entity treated as a partnership is required to have a tax matters partner who has authority to interface with the IRS and, in the event of an audit, provide communications to the other partners. The tax matters partner has the power, among other things, to settle the Partnership's items with the IRS and to select the court in which a tax dispute will be litigated. The Partnership Agreement provides for the General Partner to be the tax matters partner.

Tax Treatment of Certain Fees and Expenses Paid by the Partnership

Under the Code, the Partnership's expenditures will, as a general rule, fall into one of the following categories (a) deductible expenses — expenditures such as interest, taxes, and ordinary and necessary business expenses which the Partnership is entitled to deduct in full when paid or incurred; (b) amortizable expenses — expenditures which are entitled to be amortize (i.e., deduct ratably) over a fixed period of time; (c) capital expenditures — expenditures which must be added to the amortization or depreciation basis of the Partnership's property (or loans) and deducted over a period of time as the property (or loan) is amortized or depreciated;

(d) organization expenses — expenditures related to the Partnership's organization, which subject to certain limitations, the Partnership can elect to deduct up to $5,000 in the first year of the business and amortize the remainder over a 180-month period, (e) syndication expenses — expenditures paid or incurred in promoting the sale of the Partnership's interests, which under Section 709 of the Code must be capitalized but may be neither depreciated, amortized, nor otherwise deducted; (f) start-up expenses — expenditures incurred by the Partnership during an initial period, which subject to certain limitations, the Partnership can elect to deduct up to $5,000 in the first year of the business and amortize the remainder over a 180-month period and (g) guaranteed payments to partners — payments to partners for services or use of capital which are deductible or treated in the other categories of expenditures listed above, provided they meet the applicable requirements.

All of the Partnership's fees and expenditures must constitute ordinary and necessary business expenses in order to be deducted by the Partnership when paid or incurred, unless the deduction of any such item is otherwise expressly permitted by the Code (e.g., taxes). Expenditures must also be reasonable in amount. The IRS could challenge a fee deducted by the Partnership on the ground that such fee is a capital expenditure, which must be amortized over an extended period or indefinitely deferred, rather than deducted as an ordinary and necessary business expense. The IRS could also challenge the deduction of any fee on the basis that the amount of such fee exceeds a reasonable cost.

PLAN OF DISTRIBUTION

General

Pursuant to the Underwriting Agreement entered into between the REIT, the Promoters and the Underwriters, the REIT has agreed to sell and the Underwriters have agreed to purchase on Closing 13,461,943 Units at a price of $10.00 per Unit, for aggregate gross consideration of $134,619,430 payable in cash to the REIT against delivery of the Units. The offering price of the Units has been determined by negotiation between the REIT, the Vendors and the Underwriters.

Pursuant to the Underwriting Agreement, the REIT and the Retained Interest Holders have granted to the Underwriters an Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from the date of the Closing, to purchase (i) from the Retained Interest Holders on a *pro rata* basis in order to reduce the Retained Interest to approximately 19.3% and (ii) from the REIT, up to an aggregate of 673,098 additional Units on the same terms as set out above, payable in cash against delivery of such additional Units. In the event that the Retained Interest Holders fail to deliver and sell to the Underwriters the requisite number of Units at the over-allotment closing time, the REIT will deliver and sell to the Underwriters such number of Units that the Retained Interest Holders failed to sell to the Underwriters in accordance with the terms of the Underwriting Agreement. The Over-Allotment Option is exercisable only for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. The REIT will pay the Underwriters' commission and the expenses incurred in respect of additional Units sold hereunder if the Over-Allotment Option is exercised. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' commission and net proceeds to the REIT before deducting other expenses of the Offering, will be $154,812,340, $8,901,710 and $132,448,690, respectively. The net proceeds to the Retained Interest Holders will be $13,461,940. As disclosed on the cover page of this prospectus, the Underwriters will also receive an additional fee of $14,536 from the REIT in connection with certain Units that will be issued by the REIT directly to certain purchasers prior to Closing.

The net proceeds of the Over-Allotment Option to the REIT will be used by the REIT either to reduce debt or for general trust purposes. This prospectus qualifies the grant of the Over-Allotment Option and up to 2,019,292 additional Units to be sold by the REIT and the Retained Interest Holders upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Pursuant to the Underwriting Agreement, the Underwriters have agreed, subject to compliance with all necessary legal requirements and to the conditions set forth therein, to purchase 13,461,943 Units. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to $0.575 per Unit. The REIT will also pay the Underwriters' fee in respect of any Units sold by the

REIT pursuant to the exercise of the Over-Allotment Option. The Underwriters will not receive any fee in respect of the 5,160,319 Units to be issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT or the 441,664 Units issued upon subscription by certain investors, including the ACPI Principals, all of which Units are also qualified by this prospectus.

The Offering is being made in each of the provinces and territories of Canada and in the United States in an offering to "qualified institutional buyers" (as such term is defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) that is exempt from the registration requirements of the U.S. Securities Act pursuant to Rule 144A and to a limited number of institutional "accredited investors" that meet one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) ("**Institutional Accredited Investors**") pursuant to Rule 506 of Regulation D ("**Regulation D**") under the U.S. Securities Act. The Units will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, and residency restrictions under the Declaration of Trust, the Underwriters may offer the Units outside of Canada.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. The TSX has conditionally approved the listing of the Units under the symbol ACR.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before March 12, 2013.

The obligations of the Underwriters under the Underwriting Agreement are joint (and not joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

In connection with the completion of the Offering, the REIT has agreed with the Underwriters that it will neither issue nor announce the issuance of any Units or securities convertible or exchangeable into Units for a period of 180 days following Closing without the prior written consent of BMO Nesbitt Burns Inc. on behalf of the Underwriters, which consent will not be unreasonably withheld, other than in connection with the DRIP, the Option Plan, the Deferred Unit Incentive Plan, rights under the rights plan, or units issued as full or partial consideration for direct or indirect arm's-length acquisitions of real estate assets.

The Retained Interest Holders have agreed with the Underwriters that, for a period of 18 months following Closing, they will not, directly or indirectly, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, which consent will not be unreasonably withheld, and the subsequent approval of the Board, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase (other than in connection with existing option or other incentive or compensation plans or plans to be created in connection with the Offering), or otherwise lend, transfer or dispose of any Units or securities convertible or exchangeable into Units, or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, or securities convertible or exchangeable into Units or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; and, for a period of 18 months following the Closing, the Units forming part of the Retained Interest cannot be subject to any prior charge or pledged as security for any obligations, other than those obligations in favour of the REIT described in this prospectus. The ACPI Principals have similarly committed to hold the Units subscribed for in connection with Closing for 18 months following Closing. Certain other indirect beneficial owners of the Vendors, who will subscribe for approximately 14,399 Units in connection with Closing concurrently with the ACPI Principals, have agreed with the Underwriters to hold those Units, on similar terms, for a period of 180 days following Closing. See "Retained Interest" and "The Acquisitions — Purchase Agreements".

The Units have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States except pursuant to an exemption from the registration requirements of the

U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Units may not be offered or sold within the United States. The Underwriting Agreement will provide that the Underwriters may (i) re-offer and resell the Units that they have acquired pursuant to the Underwriting Agreement to "qualified institutional buyers" (as such term is defined in Rule 144A) in the United States in accordance with Rule 144A or (ii) arrange for Institutional Accredited Investors to purchase Units directly from the REIT in accordance with Rule 506 of Regulation D. The Underwriting Agreement will also provide that the Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after Closing, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to an exemption from the registration requirements of the U.S. Securities Act. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the Units in the United States.

BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that has committed to provide to the REIT the Revolving Credit Facility at Closing, which will be available to the REIT up to a maximum amount of $120 million and will be secured by the Canadian Initial Properties other than the Initial Property located at 240 Bank Street, Ottawa, Ontario. See "Debt Strategy and Indebtedness". Consequently, the REIT may be considered a connected issuer of BMO Nesbitt Burns Inc. under applicable securities laws. BMO Nesbitt Burns Inc. will not receive any direct benefit from the Offering other than its portion of the fee payable by the REIT to the Underwriters. The decision to undertake the Offering was made by the REIT. The affiliate of BMO Nesbitt Burns Inc. was not involved in the decision to undertake the Offering.

The Underwriters propose to offer the Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price of the Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the REIT.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transaction.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward

pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time.

The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

NCI System

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI system. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at closing. A subscriber who purchases Units will receive only a customer confirmation from the registered dealer from or through whom Units are purchased and who is a CDS participant.

USE OF PROCEEDS

The net proceeds of this Offering, which is conditional on, among other things, the Underwriters' satisfaction that the Acquisitions are completed prior to or in connection with Closing, are estimated to be approximately $126.9 million ($132.5 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee. The Underwriters' fee of $7,740,617 will be paid out of the proceeds of the Offering. The REIT will directly or indirectly use approximately $120 million of the net proceeds of the Offering to purchase the Initial Properties and approximately $5.9 million of the net proceeds of the Offering to pay for costs associated with the Offering and the Acquisitions. See "The Acquisitions".

The net proceeds to the REIT of the Over-Allotment Option will be used by the REIT either to reduce debt or for general trust purposes. See "Plan of Distribution" and "Retained Interest".

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT and the tenants of the properties. Described below are certain risks that could materially affect the REIT. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations or cash flow of the REIT. Prospective purchasers of the Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the Real Estate Industry and the Business of the REIT

Real Property Ownership and Tenant Risks

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

The Initial Properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restricted covenants. The REIT's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions.

Competition

The REIT will compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the industrial, office and retail properties of the REIT's competitors are newer, better located or better capitalized than the Initial Properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations.

Capital Expenditures and Fixed Costs

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include

expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of the REIT's properties is located or similar properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties; for example, such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing leases. Any such event could have a material adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Financing Risks

The REIT expects to have outstanding indebtedness at Closing of approximately $245.4 million. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent the REIT incurs variable rate indebtedness, this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The REIT's credit facilities are also expected to contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the United States and Canada, the REIT will be subject to various United States and Canadian federal, state, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the Initial Properties contain or might contain asbestos containing materials. The costs of investigation, removal and remediation of

such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and result of operations but is not estimable. The presence of contamination or the failure to remediate contamination may also adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties.

The Initial Properties may contain ground contamination, hazardous substances, and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorphenol or lindane above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any pollution and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessment and Valuation of the Initial Properties — Environmental Site Assessment".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Natural Disasters

Certain of the Initial Properties are located in Texas, where buildings have sustained storm damage in the past. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Regulation

The REIT is subject to laws and regulations governing the ownership and leasing of real property, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or

regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the rights and title to the properties. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such change on its investments.

Acquisitions

The REIT's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial position and results of operation and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

The REIT will rely on ACPI's expertise in identifying acquisition opportunities, underwriting potential transactions, transaction execution and asset management capabilities. ACPI also provides similar services to its other clients, and will concurrently present acquisition opportunities to the REIT and to its other clients. The provision by ACPI of similar services to its other clients may increase the cost of acquiring properties that are of interest to the REIT, increase competition for those acquisitions generally or inhibit their acquisition altogether.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has been in discussions with a financial institution for the provision of the Credit Facility following Closing, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Geographic Concentration

The Initial Properties are located in the United States and Canada, primarily in Texas and Ontario. Currently, Texas contains 50% of the Initial Properties' GLA and 29% of forecast NOI for the 12-month period ended December 31, 2013. Ontario contains 21% of the Initial Properties' GLA and 41% of forecast NOI for the same period. In addition, 20% of forecast NOI for the same period will be derived from the Chicago MSA. As a result, the REIT's performance is particularly sensitive to economic changes in Texas, Ontario and the Chicago MSA. The market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environment of Texas, Ontario and Chicago. Adverse changes in the economic condition or regulatory environment of Texas, Ontario or the Chicago MSA may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. See "The Initial Properties — Composition of Initial Properties — Geographic Composition".

Tenant Concentration

The REIT will derive approximately 58% of its in-place base rental revenue its ten largest tenants. Consequently, revenues will be dependent on the ability of those tenants to meet rent obligations and the REIT's ability to collect rent from them. If such tenants default on or cease to satisfy their payment obligations, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "The Initial Properties — Tenant Mix".

Reliance on the Partnership

The REIT is dependent for a certain portion of NOI on the business of the Partnership. The cash distributions to Unitholders are dependent on the ability of the Partnership to pay distributions in respect of the

units of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances to the REIT may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances is also dependent on the ability of its subsidiaries to pay distributions or make other payments or advances to the Partnership.

Potential Conflicts of Interest

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. See "Governance of the REIT — Conflicts of Interest".

Conflicts may exist due to the fact that certain Trustees of the REIT will be affiliated with ACPI. The REIT and ACPI will enter into certain arrangements. ACPI and its affiliates are engaged in a wide variety of real estate activities. The REIT may become involved in transactions that conflict with the interests of the foregoing. See "Management of the REIT".

Appraisals

The REIT retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties (see "Assessment and Valuation of the Initial Properties — Independent Appraisal"). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of the prospectus or that such valuations actually reflects an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisals will be attainable. In addition, the Appraisals have effective dates ranging between July 1, 2012 to August 22, 2012. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Properties shown on the Appraisal may be an unreliable indication of its current market value.

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

General Insured and Uninsured Risks

The REIT will carry general liability, umbrella liability and/or excess liability insurance with limits which are typically obtained for similar real estate portfolios in the United States and Canada and otherwise acceptable to the Board. For the property risks, the REIT intends to carry "All Risks" property insurance, including but not limited to, flood, earthquake and loss of rental income insurance (with at least a 12 month indemnity period). The REIT also intends to carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. The REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more properties, but it would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Financial Forecast

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most

probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary from the forecast results and those variations may be material. There is no representation by the REIT that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward-Looking Statements".

Current Economic Environment

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the mortgage market in the United States and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT's operators to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel, including ACPI, certain executive officers and the Trustees. The loss of the services of any key personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT does not have key man insurance on any of its key employees.

Risks Associated with External Management Arrangements

The REIT relies on ACPI with respect to certain administrative services and the management of its properties. Consequently, the REIT's ability to achieve its investment objectives depends in large part on ACPI and its ability to advise the REIT. This means that the REIT's investments are dependent upon ACPI's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by ACPI or its key personnel or if ACPI fails to perform its obligations under these agreements, the REIT's investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager. Prospective investors should not purchase any Units unless they are prepared to rely on the Trustees, executive officers and ACPI.

The External Management Agreement may be terminated in certain circumstances and is only renewable on certain conditions. Accordingly, there can be no assurance that the REIT will continue to have the benefit of ACPI's administrative services, including its executive officers, or that ACPI will continue to be the REIT's asset manager. If ACPI should cease for whatever reason to provide administrative services or be the asset manager, the cost of obtaining substitute services may be greater than the fees the REIT pays ACPI under the External Management Agreement, and this may adversely impact the REIT's ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT's cash flows, operating results and financial condition.

Limit on Activities

In order to maintain its status as a "mutual fund trust" under the Tax Act, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Declaration of Trust contains restrictions to this effect.

Lease Renewals and Rental Increases

Expiries of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or

achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Indemnities under the Purchase Agreements

Pursuant to the Purchase Agreements, the Vendors have made certain representations and warranties to the REIT. The Purchase Agreements include indemnities by the Vendors in favour of the purchaser, the REIT and their respective affiliates in respect of, among other things, any claims caused by or arising directly or indirectly by reason of any information or statement provided by the Vendors or their representatives and included in this prospectus containing or being alleged to contain a misrepresentation as well as the Vendors' non-compliance with any requirement of applicable securities laws in connection with the Offering. The Vendors' representations and warranties are guaranteed by the Retained Interest Holders and secured by a pledge of the Units comprising the Retained Interest for 18 months. There can be no assurance that the REIT will be fully protected in the event of a breach of such representations and warranties or that the Vendors or the Retained Interest Holders will be in a position to satisfy a successful claim by the REIT in the event any such breach occurs. The REIT may not be able to successfully enforce an indemnity contained in the Purchase Agreements against the Vendors or the Retained Interest Holders or such indemnity may not be sufficient to fully indemnify the REIT from third party claims.

Foreign Currency Fluctuation

A portion of the REIT's operations are conducted in the United States and the financial position and results for these operations are denominated in U.S. dollars. United States operations currently account for approximately 52% of the total revenue from the Initial Properties and 53% of the AFFO from the Initial Properties. The REIT's functional and reporting currency is the Canadian dollar. Accordingly, the revenues and expenses of the United States operations are translated at average rates of exchange in effect during the period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. As a result, the REIT's consolidated financial position is subject to foreign currency fluctuation risk on the United States operations, which could adversely impact its operating results and its cash flows. In addition, because the distributions to Unitholders will be denominated in Canadian dollars the cash available for distribution could be adversely impacted. Although the REIT expects to enter into currency hedging arrangements in respect of its foreign currency cash flows, there are no assurances that the full amount of the foreign currency exposure will be hedged at any time.

Derivative Risks

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

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the United States that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Risk Factors Related to the Offering

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the Offering price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Certain Canadian Federal Income Tax Considerations".

Tax-Related Risk Factors

Canadian Tax Risks

(a) Non-Resident Ownership — The REIT intends to comply with the requirements under the Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. Accordingly, Non-Residents may not be the beneficial owners of more than 49% of the Units (determined on a basic or a fully diluted basis). The Trustees will also have various powers that can be used for the purpose of monitoring and controlling the extent of Non-Resident ownership of the Units. See "Declaration of Trust — Limitation on Non-Resident Ownership".

    The restrictions on the issuance of Units by the REIT to Non-Residents may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the Non-Resident ownership restrictions could negatively impact the liquidity of the Units and the market price at which Units can be sold.

(b) Taxation of Mutual Fund Trusts — There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects.

(c) REIT Exception — Although, as of the date hereof, management believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2013 and beyond, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT and the Unitholders will not be subject to the SIFT Rules in 2013 or in future years.

    In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in

computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital.

The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

(d) FAPI — FAPI earned by Agellan U.S. must be included in computing Agellan Canada's income for the taxation year of Agellan Canada in which the taxation year of Agellan U.S. ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by Agellan U.S., thereby increasing Agellan Canada's Canadian tax liability and reducing cash available for distribution to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions that are not taxable to Agellan U.S. under the Code may still give rise to FAPI for purposes of the Tax Act and, accordingly, may result in a Canadian tax liability of Agellan Canada, thereby reducing cash available for distribution to Unitholders.

(e) Change of Law — There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the CRA and the Department of Finance (Canada) will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

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

U.S. Tax Risks

(a) IRS Challenge — The IRS may challenge certain tax positions taken by the REIT, Agellan Canada and Agellan U.S., including the position that the interest on the Agellan U.S. Notes is deductible or not subject to withholding tax and that the anti-inversion rules of Section 7874 of the Code do not apply to the REIT.

The REIT and Agellan U.S. will receive an opinion from Krieg DeVault LLP that, for United States federal income tax purposes, the Agellan U.S. Notes should be treated as debt of Agellan U.S. and that the interest on the Agellan U.S. Notes should be deductible subject to any applicable limitations, including Code section 163(j) discussed in more detail below. This opinion is based, in part, upon certain interest rate and debt feasibility studies and other analyses prepared on behalf of the REIT by its advisors and upon certain assumptions and representations as to factual matters that have been or will be provided by the REIT and Agellan U.S., as requested by counsel. If any of these assumptions or representations is inaccurate as of the closing of the Offering, the tax consequences of them could differ materially and adversely from those described in the opinions. Furthermore, there can be no assurance that this position will not be challenged by the IRS. If such challenge were sustained, interest payments on the Agellan U.S. Notes would be recharacterized as non-deductible distributions with respect to Agellan U.S.'s equity and would be subject to U.S. withholding taxes.

Even if the Agellan U.S. Notes were characterized as debt, there is a risk that amounts payable by Agellan U.S. under the Agellan U.S. Notes may be found to be in excess of those payable at arm's length. In such event, the excess over the arm's length amount could be recharacterized as non-deductible distributions on equity. The inability of Agellan U.S. to deduct all or a portion of the interest paid on the Agellan U.S. Notes could materially increase its taxable income and thus its U.S. federal income tax. In addition, the

recharacterization of interest payments as distributions on equity could cause such payments to be subject to U.S. federal withholding tax. These changes would adversely affect the financial position and cash flow of Agellan U.S. and would reduce its after-tax income available for distribution.

The REIT will receive an opinion from Krieg DeVault LLP that the anti-inversion rules of Section 7874 of the Code should not apply to the REIT. There can be no assurance that the IRS will not successfully challenge this conclusion, particularly with respect to the interpretation of temporary regulations recently issued for which no guidance is available. There can also be no assurance that the IRS and the Department of Treasury will not promulgate new or additional regulations that may cause the REIT to be subject to the inversion rules. If the IRS were to successfully assert that the REIT should be treated as a U.S. corporation under the inversion rules, it would increase the REIT's U.S. federal income tax payable and cause certain distributions to be subject to U.S. federal withholding taxes. Such consequences would have a material adverse effect on the financial position and cash flow of the REIT and significantly reduce the after-tax income available for distribution.

(b) Code Section 163(j) — Code section 163(j) imposes an additional limitation on a corporation's U.S. federal income tax deductions for interest paid to related foreign persons exempt from U.S. federal income tax in years in which (i) the debt-to-equity ratio of the United States corporate taxpayer exceeds 1.5 to 1 (based on the tax basis of assets and subject to certain adjustments), and (ii) the corporation's net interest expense (i.e., the excess of interest expense over interest income) exceeds 50% of "adjusted taxable income". Adjusted taxable income is generally defined as the corporation's taxable income before certain deductions, including net interest expense, depreciation, and amortization. For purposes of Code section 163(j), the REIT generally will be "related" to Agellan U.S. provided the REIT owns, directly or by attribution, more than 50% of Agellan U.S. by vote or value.

Code section 163(j) may limit the ability of Agellan U.S. to deduct the interest paid on the Agellan U.S. Notes. In addition, there can be no assurance that future changes to U.S. federal income tax provisions will not otherwise restrict or eliminate the ability of Agellan U.S. to claim a deduction for U.S. federal income tax purposes for interest paid on the Agellan U.S. Notes. An additional restriction on or elimination of the ability of Agellan U.S. to claim deductions for interest payments could increase its U.S. federal income tax liability, which would reduce the amount of the distributions which the REIT would otherwise receive and thereby have an adverse effect on the amount available to pay distributions to Unitholders.

(c) U.S. Taxation (including Change of Law) — The REIT, Agellan Canada and Agellan U.S. are subject to United States tax laws. There can be no assurance (i) that U.S. federal income tax liability of Agellan U.S. or its affiliates will not increase (including as a result of a reduction in the ordinary course of the amortization or depreciation basis of the Partnership's property (without sufficient additional capital expenditures to replace such basis)) or (ii) that the laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative and assessing practices and policies of the IRS and the Department of Treasury will not be changed, possibly on a retroactive basis, in a manner that adversely affects the REIT or Unitholders. Any increase in the amount of U.S. federal income tax payable by Agellan U.S. or its affiliates could adversely affect Unitholders by reducing the amount available to pay distributions.

(d) Dispositions of Real Property — Agellan U.S. will be subject to tax under the Code on the dispositions of real property, whether such properties are sold directly or indirectly through the sale of securities of an underlying entity. In addition, Agellan Canada generally will be subject to tax under the Code on a disposition of stock of Agellan U.S. U.S. taxes paid in connection with such dispositions will reduce the after-tax proceeds received by the REIT on such sales. Furthermore, taxes imposed under the Code may be greater than taxes imposed under the Tax Act, thereby increasing the effective tax rate to the REIT on such dispositions and reducing the cash available for distribution to Unitholders.

Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the

outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date for more than five trading days during the ten day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

Potential Volatility of Unit Prices

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

Nature of Investment

A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency is uncertain.

Availability of Cash Flow

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

Dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Absence of a Prior Public Market

There is currently no public market for the Units. The Offering Price of the Units offered hereunder was determined by negotiation between the REIT, the Vendors and the Underwriters. The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such a market will be sustained at the price level of the Offering.

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

Limited Control

Unitholders will have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The Board may

amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT.

Enforceability of Judgments

Certain Promoters of the Offering are organized under the laws of a foreign jurisdiction and reside outside Canada. All of the managers and officers of such entities and certain of the experts named elsewhere in this prospectus are residents of countries other than Canada. All of the Partnership's assets and the assets of these persons are located outside of Canada. As a result, although such Promoters have appointed ACPI as agent for service of process in Ontario, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for Unitholders to collect from these Promoters or other non-Canadian residents judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the United States, based solely on violations of Canadian securities laws.

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of the TSX, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's management, administrative, operational and accounting resources. In order to meet such requirements, the REIT will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

MATERIAL CONTRACTS

The following are the only material contracts of the REIT or its Subsidiaries that will be in effect on Closing (other than certain contracts entered into in the ordinary course of business):

(a) the Declaration of Trust;

(b) the External Management Agreement;

(c) the Guarantee and Pledge Agreement;

(d) the Non-Competition and Non-Solicit Agreement;

(e) the Property Management Agreements with ACPI and the Property Manager;

(f) the Purchase Agreements;

(g) the Registration Rights Agreement;

(h) the Revolving Credit Facility;

(i) the Term Loan;

(j) the Underwriting Agreement; and

(k) the Vendor Leases.

Particulars regarding the foregoing material contracts are disclosed elsewhere in this prospectus. Copies of the foregoing documents will be available following Closing on SEDAR at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus (including, without limitation, those transactions with ACPI, the Vendors and the Retained Interest Holders described under "The Acquisitions", "Management of the REIT" and "Retained Interest") and in the notes to the unaudited pro forma consolidated financial statements of the REIT and audited financial statements of the REIT, there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the REIT or any of its Subsidiaries.

PROMOTERS

The Retained Interest Holders and the Vendors have taken the initiative in founding and organizing the REIT and are therefore promoters of the REIT for the purposes of applicable securities legislation. The number of Units that will be held by each Retained Interest Holder, each of which is a promoter of the REIT, following Closing is set forth under the heading "Retained Interest".

PRINCIPAL UNITHOLDERS

Following Closing, the CarVal Retained Interest Holders will hold, in the aggregate, Units representing an approximate 26.5% interest in the REIT (an approximate 18.9% interest in the REIT if the Over-Allotment Option is exercised in full). This interest will be held for a minimum period of eighteen months following Closing. See "Retained Interest".

PRIOR SALES

On November 1, 2012, the REIT was formed and one Unit was issued for $10.00 in cash. This Unit will be repurchased by the REIT on Closing.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries is involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Goodmans LLP and Krieg DeVault LLP and on behalf of the Underwriters by Torys LLP.

Certain information relating to the Appraisals has been based upon a report by CBRE Limited.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Torys LLP, Krieg DeVault LLP and the designated professionals of the Appraiser, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

The REIT's auditors, KPMG LLP, Chartered Accountants, has advised that it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are KPMG LLP, located in Toronto, Ontario. The transfer agent and registrar for the Units is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF TERMS

"**ACPI**" means Agellan Capital Partners Inc., a corporation governed by the laws of the Province of Ontario, and the asset manager of the REIT.

"**ACPI Principals**" means certain principals of ACPI or entities controlled by such persons that will subscribe for and acquire 441,664 Units on Closing, as more particularly described under "Retained Interest".

"**ACPI Retained Interest Holders**" means Diversified Cinco Properties, LP, Diversified Valleywood Limited Partnership, Diversified Bank Limited Partnership, Diversified Parkway L.P., Diversified Bellehumeur L.P., Diversified Magnettawan Industrial, LLC, Diversified Magnettawan HDA Non-REIT, LP and Diversified Magnettawan HDA REIT, LP, being certain entities managed by ACPI or an affiliate that in connection with Closing will acquire certain Units originally issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT.

"**Acquiring Person**" means any person who is or becomes the beneficial owner of 20% or more of all Voting Units, as more particularly described under "Unitholders' Rights Plan".

"**Acquisitions**" means, collectively, the acquisitions of the Initial Properties, directly and indirectly, from the Vendors by the REIT, as more particularly described under "The Acquisitions".

"**affiliate**" has the meaning given to it in Section 1.3 of National Instrument 45-106 — *Prospectus and Registration Exemptions*.

"**AFFO**" means adjusted funds from operations as more particularly described under "Presentation of Financial Information".

"**Agellan Canada**" means Agellan Commercial REIT Holdings Inc., a corporation established under the laws of the Province of Ontario, as more particularly described under "Agellan Canada".

"**Agellan Canada Notes**" means the subordinated unsecured promissory notes to be issued on Closing by Agellan Canada to the REIT, as more particularly described under "The Acquisitions".

"**Agellan U.S.**" means Agellan Commercial REIT U.S., Inc., a corporation established under the laws of the State of Delaware, as more particularly described under "Agellan U.S."

"**Agellan U.S. Notes**" means the subordinated unsecured promissory notes to be issued on Closing by Agellan U.S. to the REIT, as more particularly described under "The Acquisitions".

"**Agellan GP**" means a corporation that will be incorporated under the laws of the State of Delaware prior to Closing, as more particularly described under "The Partnership".

"**allowable capital loss**" means one-half of any capital loss realized on the disposition of a Unit, as more particularly described under "Certain Canadian Federal Income Tax Considerations — Taxation of Holders".

"**Appraisals**" means, collectively, the independent estimates of the fair market value of the Initial Properties.

"**Appraiser**" means CBRE Limited.

"**Assumed Mortgages**" means, collectively, the mortgages on certain of the Initial Properties to be directly or indirectly assumed by the REIT, as more particularly described under "Debt Strategy — Assumed Mortgages".

"**Audit Committee**" means the audit committee of the Board.

"**Bank Street Assumed Mortgage**" means the Assumed Mortgage in respect of the Initial Property located at 240 Bank Street, Ottawa, Ontario.

"**BCA Reports**" means, collectively, building condition assessment reports in respect of the Initial Properties, as more particularly described under "Assessment of the Initial Properties — Business Condition Assessments".

"**Board**" means the board of Trustees of the REIT.

"**Canadian GAAP**" means Canadian generally accepted accounting principles applicable to Canadian publically accountable enterprises for financial years ending before January 1, 2011.

“**Canadian Initial Properties**” means the Initial Properties located in Canada.

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

“**Cardinal**” means Cardinal Cabinets LLC, a tenant of the Initial Property located at 5800 West Kiest Boulevard, Dallas, Texas.

“**CarVal**” means CarVal Investors, LLC, a limited liability company governed by the laws of Delaware.

“**CarVal Retained Interest Holders**” means, collectively, NAREP Canadian REIT Holdings I L.P., NAREP Canadian REIT Holdings II L.P., NAREP II Canadian REIT Holdings I L.P., and NAREP II Canadian REIT Holdings II L.P., being those subsidiaries of certain indirect beneficial owners of the Vendors managed by CarVal that in connection with Closing will acquire certain Units originally issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT.

“**CBCA**” means the *Canada Business Corporations Act*, as amended from time to time.

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

“**CEVA**” means CEVA Group Plc, a tenant of the Initial Property located at 2151 Airwest Boulevard, Plainfield, Indiana.

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

“**CH2M Hill**” means CH2M Hill, Inc., a tenant of the Initial Property located at Parkway Place.

“**Chair**” means the chair of the Board, as more particularly described under “Governance of the REIT”.

“**Class A Units**” means Class A limited partnership units of the Partnership, as more particularly described under “The Partnership — Partnership Units”.

“**Class B Units**” means Class B limited partnership units of the Partnership, as more particularly described under “The Partnership — Partnership Units”.

“**Closing**” means the closing of the Offering and the completion of the transactions described under “The Acquisitions”.

“**Closing Date**” means the closing date of the Offering, which is expected to occur on or about January 25, 2013 or such other date as the REIT and the Underwriters may agree, but in any event no later than February 8, 2013.

“**CMA**” means a census metropolitan area.

“**Code**” means the *United States Internal Revenue Code of 1986*, as amended.

“**Code of Conduct**” means the written code of conduct adopted by the REIT, as more particularly described under “Governance of the REIT — Governance and Board of Trustees”.

“**Competing Permitted Bid**” means a competing Permitted Bid made while a Permitted Bid is in existence, as more particularly described under “Unitholders’ Rights Plan — Permitted Bid Requirements”.

“**Corporate Governance and Nominating Committee**” means the corporate governance and nominating committee of the Board.

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

“**Credit Facilities**” means, collectively, the Term Loan and the Revolving Facility.

“**Dallas**” means the City of Dallas, Texas, and includes the Dallas-Fort Worth-Arlington MSA.

“**DBRS**” means DBRS Limited, its successors and assigns.

“**Declaration of Trust**” means the amended and restated declaration of trust of the REIT dated as of the Closing Date, as it may be further amended or amended and restated from time to time.

“**Deferred Trust Units**” means deferred trust units issued pursuant to the Deferred Unit Incentive Plan, as more particularly described under “Executive Compensation — Compensation Discussion and Analysis — Deferred Unit Incentive Plan”.

“**Deferred Unit Incentive Plan**” means the deferred unit incentive plan to be adopted by the REIT on Closing, as more particularly described under “Executive Compensation — Compensation Discussion and Analysis — Deferred Unit Incentive Plan”.

“**Distribution Date**” means the monthly date on which distributions on Units may be made by the REIT.

“**Domino’s**” means Domino’s Pizza, Inc., a tenant of the Initial Property located at 8271 Anderson Court, Odenton, Maryland.

“**DRIP**” means the REIT’s distribution reinvestment plan that is expected to be in place following Closing, as more particularly described under “Distribution Policy — Distribution Reinvestment Plan”.

“**DTU Participants**” means those individuals eligible to participate in the Deferred Unit Incentive Plan, as more particularly described under “Executive Compensation — Compensation Discussion and Analysis — Deferred Unit Incentive Plan”.

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

“**Exchange Agreement**” means the Exchange Agreement between the REIT, the Partnership, Agellan GP and holders of Class B Units to be entered into in connection with an issuance of Class B Units by the Partnership, if any, following the Closing.

“**Exempt Plans**” has the meaning ascribed to it under “Eligibility for Investment”.

“**External Management Agreement**” means the external management agreement to be entered into on Closing between ACPI, the REIT and the Partnership pursuant to which ACPI will become the asset manager of the properties owned by the REIT and provide certain administrative services to the REIT from time to time, as more particularly described under “Management of the REIT — External Management Agreement”.

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

“**FFO**” means funds from operations, as more particularly described under “Presentation of Financial Information”.

“**Fitch**” means Fitch, Inc., its successors and assigns.

“**Flip-in Event**” means the acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the Voting Units, other than by way of a Permitted Bid in certain circumstances, as more particularly described under “Unitholders’ Rights Plan — Rights Exercise Privilege”.

“**Guarantee and Pledge Agreement**” means the guarantee and pledge agreement to be entered into on Closing among the Retained Interest Holders and the REIT, as more particularly described under “The Acquisitions — Purchase Agreements”.

“**GBV**” means, at any time, the greater of (A) the book value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated balance sheet, less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT, and (ii) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties; and (B) the historical cost of the assets of the REIT and its consolidated Subsidiaries.

“**GDP**” means gross domestic product.

“**GLA**” means gross leasable area, excluding any surface or underground parking spaces, where applicable.

“**Grandfathered Person**” means any person who owns, directly or indirectly, 20% or more of the Units on Closing, as more particularly described under “Unitholders’ Rights Plan — Acquiring Person”.

"**Greater Toronto Area**" means the area comprising the municipality of Metropolitan Toronto as well as the regional municipalities of Halton, Peel, York and Durham.

"**Health Care Service**" means Health Care Service Corporation, a tenant of the Initial Property located at 1100 and 1000 Warrenville Road, Naperville, Illinois.

"**IBM**" means IBM Corporation, a tenant of the Initial Property located at Parkway Place.

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

"**Incentive Fee**" means the incentive fee to be payable by the REIT to ACPI under the External Management Agreement, as more particularly described under "Management of the REIT — External Management Agreement".

"**Incentive Fee Target**" means, in calculating the Incentive Fee, 103% of forecast AFFO per Unit as set forth under "Financial Forecast" and, in respect of each year subsequent to 2013, such amount shall increase annually by 50% of the increase in the weighted average Canadian and United States consumer price indices (weighted based on the GBV of the REIT's properties in each jurisdiction).

"**Income Deferred Trust Units**" means income deferred trust units issued pursuant to the Deferred Unit Incentive Plan.

"**Independent Trustee**" means a Trustee who is "independent" pursuant to NI 58-101.

"**Initial Properties**" means, collectively, the portfolio of 23 industrial, commercial and retail properties to be directly or indirectly acquired by the REIT from the Vendors on Closing, as more particularly described under "The Initial Properties", and "Initial Property" means any one of them.

"**Initial Term**" means the initial five year term of the External Management Agreement, as more particularly described under "Management of the REIT — External Management Agreement".

"**Interest Rate Swap Agreements**" has the meaning ascribed to it under "Currency and Interest Rate Hedging Arrangements — Interest Rate Swap Arrangements".

"**IRS**" means the United States Internal Revenue Service.

"**Life Technologies**" means Life Technologies Corporation, a tenant of the Initial Property located at 2130 - 2170 Woodward Street, Austin, Texas.

"**management**" means the persons acting in the capacities of the REIT's Chief Executive Officer, President and Interim Chief Financial Officer, as more particularly described under "Meaning of Certain References".

"**Management Fee**" means the base annual management fee to be payable by the REIT to ACPI under the External Management Agreement, as more particularly described under "Management of the REIT — External Management Agreement".

"**Moody's**" means Moody's Investors Service, Inc., and its successors and assigns.

"**MSA**" means a metropolitan statistical area.

"**named executive officers**" means the REIT's named executive officers for the purposes of National Instrument 51-102 — *Continuous Disclosure Obligations*, as more particularly described under "Executive Compensation".

"**National Capital Region**" means certain territory surrounding the City of Ottawa in the Provinces of Ontario and Québec.

"**NCI**" means the non-certificated inventory system of CDS.

"**NI 52-110**" means National Instrument 52-110 — *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 — *Disclosure of Corporate Governance Practices*.

“**NOI**” means net operating income, as more particularly described under “Presentation of Financial Information”.

“**Non-Competition and Non-Solicit Agreement**” means the non-competition and non-solicit agreement to be entered into on Closing between ACPI and the REIT, Agellan Canada, Agellan U.S. and the Partnership as more particularly described under “Management of the REIT — Non-Competition and Non-Solicit Agreement”.

“**Non-Resident**” means either a “non-resident” of Canada within the meaning of the Tax Act or a partnership that is not a “Canadian partnership” within the meaning of the Tax Act.

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

“**Offering**” means the distribution of Units qualified under this prospectus.

“**Offering Price**” means the price per Unit sold pursuant to this Offering.

“**OMERS**” means the Ontario Municipal Employees Retirement Service.

“**Option Plan**” means the Unit option plan of the REIT, as more particularly described under “Executive Compensation — Compensation Discussion and Analysis — Option Plan”.

“**Option Plan Participants**” means those individuals and entities eligible to participate in the Option Plan, as more particularly described under “Executive Compensation — Compensation Discussion and Analysis — Option Plan”.

“**Over-Allotment Option**” means the option granted by the REIT and the Retained Interest Holders to the Underwriters pursuant to the Underwriting Agreement exercisable for a period of 30 days from the Closing Date to purchase up to an aggregate of 2,019,292 additional Units at the Offering Price solely to cover any over-allotments and for market stabilization purposes.

“**Parkway Place**” means the Initial Property located at 243, 245, 251 and 255 Consumers Road, Toronto, Ontario.

“**Partnership**” means Agellan Commercial REIT U.S. L.P., a limited partnership formed under the laws of the State of Delaware, as more particularly described under “The Partnership”.

“**Paychex**” means Paychex, Inc., a tenant of the Initial Property located at 1100 and 1000 Warrenville Road, Naperville, Illinois.

“**Phase I ESA Report**” means a Phase I environmental site assessment report.

“**Phase II ESA**” means a Phase II environmental site assessment.

“**Plaza Bellehumeur**” means the Initial Property located at 195-215 Bellehumeur Street, Gatineau, Quebec.

“**President’s Incentive Target**” means the forecast AFFO per Unit as set forth under “Financial Forecast” which will be determined annually at the discretion of the Corporate Governance and Nominating Committee, as more particularly described under “Executive Compensation — Compensation of the President”.

“**Promoters**” means, collectively, the Vendors and the Retained Interest Holders in their capacity as promoters of the Offering.

“**Property Management Agreements**” means the property management agreements between the REIT or the Partnership, as applicable, and each of ACPI, the Property Manager and third party providers of property management services, as more particularly described under “Management of the REIT — Property Management Agreements”.

“**Property Manager**” means the affiliate of ACPI which will provide property management services for certain of the Initial Properties on Closing, as more particularly described under “Management of the REIT — Property Management Agreements”.

“**Purchase Agreement**s” means, collectively, the purchase and sale agreements between the REIT and the applicable Vendors pursuant to which the REIT will directly or indirectly purchase the Initial Properties from the Vendors.

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

"**Registration Rights Agreement**" means the registration rights agreement to be entered into on Closing between the CarVal Retained Interest Holders and the REIT, as more particularly described under "Retained Interest — Registration Rights".

"**REIT**" means Agellan Commercial Real Estate Investment Trust, an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario.

"**REIT Exception**" means the exclusion from the definition of SIFT trust in the Tax Act for a trust qualifying as a "real estate investment trust" under the Tax Act, as more particularly described under "Certain Canadian Federal Income Tax Considerations — SIFT Rules and the REIT Exception".

"**Renewal Target**" means the AFFO per Unit for the year ended December 31, 2017, upon the achievement of which the External Management Agreement will be automatically renewed for an additional five year term, as more particularly described under "Management of the REIT — External Management Agreement".

"**Retained Interest**" means, collectively, those Units originally issued to the Vendors as partial consideration for the sale of the Initial Properties to the REIT and acquired by the Retained Interest Holders.

"**Retained Interest Holders**" means, collectively, the CarVal Retained Interest Holders and the ACPI Retained Interest Holders.

"**Revolving Facility**" means the revolving credit facility in the maximum principal amount of $120 million, as more particularly described under "Debt Strategy and Indebtedness — Credit Facilities".

"**Rights**" means rights issued pursuant to the Rights Plan.

"**Rights Plan**" means the Unitholders' rights plan of the REIT, to be established at Closing, as more particularly described under "Unitholders' Rights Plan".

"**RRIF**" means a registered retirement income fund.

"**RRSP**" means a registered retirement savings plan.

"**RSI**" means RSI Home Products, Inc., whose subsidiary, Cardinal, is a tenant of the Initial Property located at 5800 West Kiest Boulevard, Dallas, Texas.

"**Rule 144A**" means Rule 144A under the U.S. Securities Act.

"**Securities Act**" means the *Securities Act* (Ontario), as amended from time to time.

"**SEDAR**" means the System for Electronic Data Analysis and Retrieval.

"**Separation Time**" means the time at which the Rights will separate from the Units to which they are attached, as more particularly described under "Unitholders' Rights Plan — Rights Exercise Privilege".

"**Shoppers**" means Shoppers Drug Mart Corporation, a tenant of Parkway Place.

"**SIFT Rules**" means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

"**Special Voting Units**" means the special voting units of the REIT, as more particularly described under "Declaration of Trust — Units and Special Voting Units — Special Voting Units".

"**Standard & Poor's**" means Standard & Poor's Ratings Services, and its successors and assigns.

"**Subsidiary**" has the meaning ascribed to it in the Securities Act and includes a partnership or other entity.

"**Supervalu**" means Supervalu Inc., the tenant of the Initial Property located at 1201 John Burgess Road, Fort Worth, Texas.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, in each case as amended from time to time.

"**Term Loan**" means the term loan in the principal amount of U.S.$86 million, as more particularly described under "Debt Strategy and Indebtedness — Credit Facilities".

"**TFSA**" means a tax-free savings account.

"**Treaty**" means the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended.

"**triple-net**" means, with respect to a lease, a lease in which the tenant pays not only for the use of the premises but also for the landlord's operating costs, including taxes, utilities and insurance. The tenant is also responsible for all repairs to the leased premises and normal day-to-day maintenance, including snow removal, outdoor maintenance and gardening, pest control, painting and decorating and maintenance of parking lots.

"**Trustees**" means, collectively, the trustees of the REIT, and "**Trustee**" means any one of them.

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

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

"**Underwriting Agreement**" means the underwriting agreement dated as of January 17, 2013 between the REIT, the Promoters and the Underwriters, as more particularly described under "Plan of Distribution".

"**Unitholders**" means the holders of Units from time to time, but "**unitholders**", when used in lower case type, means the holders of Voting Units.

"**Unit Price Performance Fee**" means the fee payable to the REIT based on the trading price of the Units either five years following Closing or upon termination of the External Management Agreement (subject to certain exceptions), as more particularly described under "Management of the REIT — External Management Agreement".

"**Units**" means units of the REIT but, for greater certainty, does not include Special Voting Units.

"**U.S. Initial Properties**" means the Initial Properties located in the United States.

"**Vendor Leases**" means, collectively, the leases to be entered into on Closing between the respective Vendors of each of Parkway Place and Plaza Bellehumeur or entities established by the applicable Vendors and the REIT, pursuant to which such parties will lease certain un-leased portions of those Initial Properties from the REIT, as more particularly described under "The Initial Properties — Leases with Vendor Lease Tenants".

"**Vendor Lease Tenants**" means, collectively, the tenants under the Vendor Leases, being the applicable Vendors or entities established by the applicable Vendors, as more particularly described under "The Initial Properties — Leases with Vendor Lease Tenants", and "**Vendor Lease Tenant**" means any one of them.

"**Vendors**" means, collectively, the vendors of the Initial Properties, being: 20 Valleywood Drive Limited Partnership; NAREP II Canadian Assets Trust, NAREP II Canadian Assets ULC; NAREP II Canadian Corporation; Diversified Bank Limited Partnership; Diversified Parkway L.P.; Diversified Bellehumeur L.P.; Aptus Dallas TX Industrial, L.P.; Aptus Plainfield IN, LLC; Aptus Maryland, LLC; Texas Industrial Non-REIT Portfolio, Limited Partnership; Texas Industrial REIT Portfolio, Limited Partnership; Cinco Properties, LLC; and CMJ/Warrenville, LLC, and "**Vendor**" means any one of them.

"**Voting Units**" means the Units and the Special Voting Units, and "**Voting Unit**" means any one Unit or Special Voting Unit.

"**Warrenville Assumed Mortgage**" means the Assumed Mortgage in respect of the Initial Property located at 1000 and 1100 Warrenville Road, Naperville, Illinois.

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AUDITORS' CONSENT

We have read the prospectus dated January 17, 2013 relating to the qualification for distribution of units of Agellan Commercial Real Estate Investment Trust (the "REIT"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of:

i. Our report to the Board of Trustees of the REIT on the balance sheet of the REIT as at November 1, 2012 and the statements of changes in unitholders' equity and cash flows for the one day period ended November 1, 2012 (date of formation) and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated January 17, 2013.

ii. Our report to the General Partner of Agellan Portfolio I, on the carve-out statements of financial position as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, the carve-out statements of income and comprehensive income, changes in divisional equity and cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated January 17, 2013.

iii. Our report to the General Partner of Agellan Portfolio II, on the carve-out statements of financial position as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, the carve-out statements of income and comprehensive income, changes in divisional equity and cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated January 17, 2013.

iv. Our report to the Board of Trustees of the REIT on the consolidated statements of forecasted net income and comprehensive income for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 and the twelve-month period ending December 31, 2013. Our report is dated January 17, 2013.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

January 17, 2013
Toronto, Canada

Pro Forma Consolidated Financial Statements of

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

Nine months ended September 30, 2012 and
year ended December 31, 2011
(Unaudited)

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED BALANCE SHEET

(In thousands of dollars)
September 30, 2012
(Unaudited)

	Agellan Commercial REIT	Agellan Portfolio (Note 7)	Pro forma adjustments	Notes	Total
Assets					
Investment properties	$—	$442,766	$ (18,156)	3(b)	$424,610
Other assets	—	1,427	(1,427)	3(e)	—
Restricted cash	—	4,505	(3,052)	3(e)	1,453
Accounts receivable	—	1,046	(1,046)	3(e)	—
Cash and cash equivalents	—	11,021	(11,021)	3(d)	—
Total assets	$—	$460,765	$ (34,702)		$426,063
Liabilities and Unitholders' Equity					
Liabilities:					
Mortgages payable	$—	$223,905	$(168,315)	3(c)	$247,398
			1,047	3(c)	
			188,729	3(c)	
			(1,436)	3(c)	
			3,468	3(c)	
Tenant rental deposits	—	1,453	—	3(e)	1,453
Prepaid rent	—	1,715	(1,715)	3(e)	—
Accounts payable and accrued liabilities	—	4,431	(4,431)	3(e)	—
Total liabilities	—	231,504	17,347		248,851
Divisional equity	—	229,261	(229,261)	3(a)	—
Unitholders' equity	—	—	51,603	3(b)	177,212
			4,669	3(a)	
			134,619	3(a)	
			(13,679)	3(a)	
Total liabilities and unitholders' equity	$—	$460,765	$ (34,702)		$426,063

See accompanying notes to pro forma consolidated financial statements.

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(In thousands of dollars)
Nine months ended September 30, 2012
(Unaudited)

	Agellan Commercial REIT	Agellan Portfolio (Note 7)	Pro forma adjustments	Notes	Total
Revenue:					
Minimum rent	$—	$ 21,957	$ 755	3(f)	$22,712
Recoveries	—	15,032	983	3(f)	16,015
Parking and other	—	1,990	—		1,990
	—	38,979	1,738	3(f)	40,717
Expenses:					
Property operating	—	10,640	—		10,640
Property taxes	—	6,076	—		6,076
General and administrative	—	1,647	442	3(g)(i), (ii)	2,119
			30	3(g)(iii)	
Deferred income taxes	—	—	1,605	3(j)	1,605
	—	18,363	2,077		20,440
Income before finance costs and fair value adjustment on investment properties	—	20,616	(339)		20,277
Finance costs	—	10,092	5,053	3(h)	7,115
			(464)	3(h)	
			273	3(h)	
			(7,839)	3(h)	
Fair value adjustment on investment properties	—	(74,045)	74,045	6	—
	—	(63,953)	71,068		7,115
Net income	—	84,569	(71,407)		13,162
Other comprehensive income:					
Unrealized loss on translation of U.S. denominated foreign operations	—	(3,099)	—		(3,099)
Net income and comprehensive income	$—	$ 81,470	$(71,407)		$10,063

See accompanying notes to pro forma consolidated financial statements.

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(In thousands of dollars)
Year ended December 31, 2011
(Unaudited)

	Agellan Commercial REIT	Agellan Portfolio (Note 7)	Pro forma adjustments	Notes	Total
Revenue:					
Minimum rent	$—	$29,298	$ 372	3(f)	$29,670
Recoveries from tenants	—	19,085	484	3(f)	19,569
Parking and other	—	2,420	—		2,420
	—	50,803	856	3(f)	51,659
Expenses:					
Property operating	—	14,599	—		14,599
Property taxes	—	7,933	—		7,933
General and administrative	—	2,445	341	3(g)(i), (ii)	2,826
			40	3(g)(iii)	
Deferred income taxes	—	—	2,065	3(j)	2,065
	—	24,977	2,446		27,423
Income before finance costs and fair value adjustment on investment properties	—	25,826	(1,590)		24,236
Finance costs	—	13,375	6,735	3(h)	9,486
			(619)	3(h)	
			386	3(h)	
			(10,391)	3(h)	
Fair value adjustment on investment properties	—	(8,671)	8,671	6	—
	—	4,704	4,782		9,486
Net income	—	21,122	(6,372)		14,750
Other comprehensive income:					
Unrealized gain on translation of U.S. denominated foreign operations	—	1,875	—		1,875
Net income and comprehensive income	$—	$22,997	$ (6,372)		$16,625

See accompanying notes to pro forma consolidated financial statements.

1. BASIS OF PRESENTATION:

Agellan Commercial Real Estate Investment Trust (the "REIT") was created pursuant to a declaration of trust dated November 1, 2012, when one trust unit was issued for $10 in cash. The REIT will issue trust units for cash pursuant to an initial public offering (the "Offering") and as partial consideration for properties to be acquired. On closing of the transactions contemplated in the prospectus (the "Closing"), the REIT will acquire from the Vendors as defined in the prospectus (the "Vendors"), 23 investment properties (collectively, the "Portfolio").

These pro forma consolidated financial statements have been prepared from the unaudited financial position of the Portfolio as at September 30, 2012, the unaudited statement of income and comprehensive income for the nine months ended September 30, 2012 and the audited statement of income and comprehensive income for the year ended December 31, 2011. These financial statements are included elsewhere in this report.

These pro forma consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and incorporate the principal accounting policies used to prepare the Portfolio's financial statements.

These pro forma consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

The pro forma consolidated balance sheet gives effect to the transactions in note 3 as if they had occurred on September 30, 2012. The pro forma consolidated statement of income and comprehensive income gives effect to the transactions in note 3 as if they had occurred on January 1, 2011.

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

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the items recognized in these pro forma consolidated financial statements:

(i) Accounting for acquisitions:

The REIT assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the REIT obtains control of the business.

(ii) Leases (the REIT as lessor):

The REIT uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The REIT has determined that all its leases are operating leases.

(b) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities reported in these pro forma consolidated financial statements:

Investment property valuations:

Investment properties, which are carried on the pro forma consolidated balance sheets at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Investment properties:

The REIT selected the fair value method to account for real estate classified as an investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the consolidated statements of income and comprehensive income during the periods in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of property only when it is probable that future economic benefits of the expenditure will flow to the REIT and cost can be measured reliably.

(d) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment property.

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the REIT is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Income taxes:

Canadian tax legislation contains rules relating to the federal income taxation of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly listed or traded partnership or trust. Under the SIFT Rules, certain distributions from a SIFT trust will not be deductible in computing the SIFT trust's taxable income and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as returns of capital should generally not be subject to this tax.

The SIFT Rules will not apply to tax distributions from a trust that qualifies as a real estate investment trust. A trust will qualify as a real estate investment trust if it meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions").

If the REIT satisfies the REIT Conditions throughout a taxation year, it will not be subject to tax on certain income distributed to its Unitholders during the year. The REIT's management has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenue. Management intends to ensure that the REIT will meet the REIT Conditions on Closing and in subsequent years. The Trustees intend to distribute all taxable income directly earned by the REIT to Unitholders and to deduct such distributions for income tax purposes. Accordingly, the REIT is considered tax-exempt for financial statement purposes. Therefore, no provision for current or deferred income taxes is required for the REIT and its Canadian flow-through subsidiaries.

The REIT has a taxable Canadian and U.S. subsidiaries. Income tax expense for these taxable subsidiaries is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except when it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax, the REIT takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The REIT believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the REIT to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(h) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

(i) Foreign currency translation:

The REIT accounts for its investments in wholly owned subsidiaries of the REIT in the United States ("foreign operations") as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the pro forma consolidated balance sheet dates and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income until there is a reduction in the REIT's net investment in the foreign operations.

(j) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in currency exchange rates and interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the pro forma consolidated financial statements.

(k) Unit capital:

The REIT is authorized to issue an unlimited number of units (the "REIT Units"). The REIT Units excludes special voting units and each of which represents a Unitholder's proportionate undivided beneficial interest and voting rights in the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard ("IAS") 32, Financial Instruments — Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(l) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in the pro forma consolidated statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments — Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the REIT's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the consolidated financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(m) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the REIT in preparing its pro forma consolidated financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after July 1, 2014

The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT has not yet been determined.

3. PRO FORMA ADJUSTMENTS:

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to account for the impact of the acquisition transaction contemplated in the prospectus as described below:

(a) Initial public offering:

The pro forma consolidated financial statements assume that the REIT will raise gross proceeds of approximately $134,619 (excluding any over-allotment option) through the issuance of 13,461,943 REIT Units at a price of $10 per unit. Costs relating to the Offering including underwriters' fees are expected to be $13,679 and are charged directly to unitholders' equity. In addition, certain investors, including Agellan Capital Partners Inc. ("ACPI") principals, will subscribe for 466,944 REIT Units for $4,669 that will be issued directly by the REIT on Closing.

(b) Acquisition:

On Closing, it is assumed that subsidiaries of the REIT will indirectly acquire 23 investment properties from the Vendors.

The Portfolio will be acquired for a purchase price of $421,142. The purchase price has been negotiated between the REIT and the Vendors and is supported by third party appraisals. The REIT will assume mortgages with an outstanding aggregate principal balance of $56,637 and a mark-to-market adjustment of $3,468. As partial consideration, the REIT will issue $51,603 of REIT Units to the Vendors and will pay the remainder in cash.

The impact of acquiring the net assets of the Portfolio based on preliminary allocations, is as follows:

Investment properties, including mark-to-market adjustment of $3,468	$424,610
Restricted cash	1,453
Assumed mortgages, including mark-to-market adjustment of $3,468	(60,105)
Tenant rental deposits	(1,453)
Net assets acquired	$364,505
Consideration:	
REIT Units to Vendors	$ 51,603
Cash paid out by the REIT	312,902
	$364,505

3. PRO FORMA ADJUSTMENTS: (Continued)

The actual calculation and allocation of the purchase price for the acquisition outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

(c) Debt:

On Closing, the REIT is expected to assume the mortgages on two of the properties with an outstanding principal balance of $56,637 and a mark-to-market adjustment of $3,468, resulting in a weighted average annual interest rate on such debt of 5.33%.

The REIT is also expected to obtain new financing of $86,000 on certain U.S. properties (the "term loan"), which will be secured by a charge on certain properties. The REIT is expected to incur financing costs of $644. The term loan will mature in two tranches, with the first tranche of $38,419 bearing interest at a fixed rate of 3.89%, maturing seven years following Closing, and the second tranche of $47,581 bearing interest at a fixed rate of 3.99%, maturing ten years following Closing. The weighted average interest rate on such debt is expected to be 3.95%.

On Closing, the REIT is also expected to obtain a revolving credit facility secured by charges on three properties. The maximum amount available to the REIT under these facilities will be $120,000. The REIT is expected to draw amounts under these facilities in two tranches for a total draw of $102,729, and will incur financing costs of $792. The first tranche of $60,000 is assumed to bear interest at 3.5% (after giving effect to the interest rate swap to bring the floating rate of interest to a fixed rate). The second tranche of $42,729 is assumed to bear interest at 2.97% (banker's acceptance or LIBOR plus a spread of 1.75%). The weighted average interest rate on the amounts expected to be drawn is 3.28%.

Mortgages of $168,315 will be discharged on Closing and the related unamortized financing costs and discounts of $1,047 will be written off.

(d) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$134,619
Units issued to certain investors and ACPI principals	4,669
New financing obtained	86,000
Proceeds from revolving credit facilities	102,729
	$328,017
Uses:	
Purchase of net assets	$312,902
Offering costs	13,679
Financing costs	1,436
	$328,017

(e) Working capital:

Accounts receivable, other assets, prepaid rent and accounts payable and accrued liabilities will not be transferred on Closing. Tenant rental deposits and the related cash balances will be transferred on Closing. Restricted cash related to escrows on mortgages being assumed will be transferred on Closing.

(f) Revenue:

Revenue has been increased by $1,738 for the nine months ended September 30, 2012 and $856 for the year ended December 31, 2011 to reflect the impact of lease arrangements entered into on Closing between the REIT and the Vendors for certain spaces.

(g) General and administrative expenses:

(i) General and administrative expenses have been increased by $442 for the nine months ended September 30, 2012 and $341 for the year ended December 31, 2011 to reflect management's best estimates of general and administrative expenses for the REIT, including fees expected to be payable under the External Management Agreement as described in 3(g)(ii).

General and administrative expenses include salary and benefits, legal fees, audit fees, trustee fees, annual report costs, transfer agent fees, insurance, and other miscellaneous costs of $1,096 per annum.

3. PRO FORMA ADJUSTMENTS: (Continued)

(ii) Pursuant to an External Management Agreement to be entered into on Closing, the REIT will retain ACPI as an advisor to provide advisory, transaction and support services consisting of accounting and human resources services, office space and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of the REIT. The asset management fee for the nine months ended September 30, 2012 and for the year ended December 31, 2011 is assumed to be $1,267 and $1,690, respectively.

(iii) In addition, five years following the Closing, or upon termination of the External Management Agreement, ACPI will be entitled to a Unit Price Performance Fee, which shall be equal to the product of: (a) the unit price on the date that is five years following the Closing based on the 20-day volume weighted average price of the units on the stock exchange on which the units are then listed, less $13 and (b) one million. The Unit Price Performance Fee shall not be payable to ACPI in the event the REIT terminates ACPI for cause, or ACPI terminates the External Management Agreement.

The Unit Price Performance Fee is accounted for as a cash settlement share-based payment transaction. The related expense is amortized over a five-year period and is remeasured to fair value at each reporting period.

The expense of $30 for the Unit Price Performance Fee for the nine months ended September 30, 2012 and $40 for the year ended December 31, 2011 was determined and recorded using the Black-Scholes option pricing model with the following assumptions:

Expected term	5 years
Risk-free interest rate	1.61%
Expected volatility	17.50%
Dividend yield	6.75%

(h) Finance costs:

Finance costs have been adjusted to remove $7,839 of interest for the nine months ended September 30, 2012 and $10,391 for the year ended December 31, 2011 on mortgages expected to be discharged on Closing. Finance costs have been adjusted to reflect the impact of interest on new mortgages and the revolving credit facilities by $5,053 and $6,735 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively. For the same periods, finance costs have been adjusted for amortization of mark-to-market premium and deferred financing costs by $464 and $619 and $273 and $386, respectively.

(i) Foreign currency translation:

The pro forma consolidated financial statements assume the exchange rate between the Canadian dollar and the U.S. dollar to be at par.

(j) Deferred income taxes:

The REIT assumes that on Closing and beyond it will meet the REIT Conditions as described in note 2(f). The REIT also assumes that it will distribute all of its taxable income to Unitholders. Therefore, the REIT has not provided for current or deferred income taxes with respect to its Canadian properties.

Current and deferred income taxes have been adjusted to account for these taxes as they relate to the U.S. assets held by the REIT's taxable U.S. subsidiary based on the expected capitalization. No current or deferred income taxes are expected for the taxable Canadian subsidiary of the REIT.

4. UNITHOLDERS' EQUITY:

On Closing, the REIT anticipates issuing 13,461,943 REIT Units at a price of $10 per unit, net of issue costs of $13,679. The REIT will also issue 5,160,319 REIT Units to the Vendors at a price of $10 per unit as partial consideration of the purchase price in the amount of $51,603 and will issue 466,944 REIT Units to ACPI in the amount of $4,669.

5. COMMITMENT AND CONTINGENCIES:

Excess lands:

(a) Certain parcels of land located at one of the properties in the Portfolio are subject to a purchase and sale agreement that is expected to close concurrently or soon after Closing. No purchase price amounts are allocated to these parcels of land.

5. COMMITMENT AND CONTINGENCIES: (Continued)

(b) Certain Vendors have an option to repurchase certain parcels of land at one of the properties in the Portfolio, subject to certain conditions being met, for $12,000, with notice to be provided within one year following Closing.

6. FAIR VALUE ADJUSTMENTS:

Subsequent to initial recognition, investment properties will be adjusted to their fair values at each reporting period with changes in fair value recorded in net income and comprehensive income. For the purposes of the pro forma consolidated statements of income and comprehensive income no changes in fair value of the investment properties have been assumed.

7. AGELLAN PORTFOLIO TOTALS:

The Agellan Portfolio column reflects the total of Agellan Portfolio I and Agellan Portfolio II, as reflected in the individual carve-out financial statements included elsewhere in the prospectus and shown below:

Consolidated balance sheet as at September 30, 2012:

	Agellan Portfolio I	Agellan Portfolio II	Agellan Portfolio
Assets			
Investment properties	$137,406	$305,360	$442,766
Other assets	175	1,252	1,427
Restricted cash	1,434	3,071	4,505
Accounts receivable	52	994	1,046
Cash and cash equivalents	4,864	6,157	11,021
Total assets	143,931	316,834	460,765
Liabilities and Unitholders' Equity			
Liabilities:			
Mortgages payable	$ 76,737	$147,168	$223,905
Tenant rental deposits	97	1,356	1,453
Prepaid rent	676	1,039	1,715
Accounts payable and accrued liabilities	1,295	3,136	4,431
Total liabilities	78,805	152,699	231,504
Divisional equity:			
Unitholders' equity	65,126	164,135	229,261
Total liabilities and unitholders' equity	$143,931	$316,834	$460,765

7. AGELLAN PORTFOLIO TOTALS: (Continued)

Consolidated statement of income and comprehensive income for the period from January 1, 2012 to September 30, 2012:

	Agellan Portfolio I	Agellan Portfolio II	Agellan Portfolio
Revenue:			
Minimum rent	$ 8,117	$ 13,840	$ 21,957
Recoveries	3,678	11,354	15,032
Parking and other	578	1,412	1,990
	12,373	26,606	38,979
Expenses:			
Property operating	3,196	7,444	10,640
Property taxes	1,236	4,840	6,076
General and administrative	262	1,385	1,647
	4,694	13,669	18,363
Income before finance costs and fair value adjustment on investment properties	7,679	12,937	20,616
Finance costs	3,029	7,063	10,092
Fair value adjustment on investment properties	(22,379)	(51,666)	(74,045)
	(19,350)	(44,603)	(63,953)
Net income	27,029	57,540	84,569
Other comprehensive loss:			
Unrealized loss on translation of U.S. dollar denominated foreign operations	(1,816)	(1,283)	(3,099)
Net income and comprehensive income	$ 25,213	$ 56,257	$ 81,470

Consolidated statement of income and comprehensive income for the year ended January 1, 2011 to December 31, 2011:

	Agellan Portfolio I	Agellan Portfolio II	Agellan Portfolio
Revenue:			
Minimum rent	$10,844	$18,454	$29,298
Recoveries	4,667	14,418	19,085
Parking and other	662	1,758	2,420
	16,173	34,630	50,803
Expenses:			
Property operating	4,284	10,315	14,599
Property taxes	1,609	6,324	7,933
General and administrative	338	2,107	2,445
	6,231	18,746	24,977
Income before finance costs and fair value adjustment on investment properties	9,942	15,884	25,826
Finance costs	3,799	9,576	13,375
Fair value adjustment on investment properties	(5,723)	(2,948)	(8,671)
	(1,924)	6,628	4,704
Net income	11,866	9,256	21,122
Other comprehensive income:			
Unrealized gain on translation of U.S. dollar denominated foreign operations	994	881	1,875
Net income and comprehensive income	$12,860	$10,137	$22,997

Financial Statements of

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

One day period ended November 1, 2012
(date of formation)

Independent Auditors' Report

To the Trustees of Agellan Commercial Real Estate Investment Trust

We have audited the accompanying financial statements of Agellan Commercial Real Estate Investment Trust, which comprise the balance sheet as at November 1, 2012 (date of formation), the statements of changes in unitholders' equity and cash flows for the one day period ended November 1, 2012 (date of formation), and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Agellan Commercial Real Estate Investment Trust as at November 1, 2012 (date of formation), and its financial performance and its cash flows for the one day period ended November 1, 2012 (date of formation) in accordance with International Financial Reporting Standards.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

January 17, 2013
Toronto, Canada

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

BALANCE SHEET

November 1, 2012 (date of formation)

Assets	
Cash	$10
Unitholders' Equity	$10

See accompanying notes to financial statements.

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

One day period ended November 1, 2012 (date of formation)

Unitholders' equity, beginning of period	$—
Issuance of unit on formation	10
Unitholders' equity, end of period	$ 10

See accompanying notes to financial statements.

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOWS

One day period ended November 1, 2012 (date of formation)

Financing activities:	
Issuance of unit	$10
Increase in cash, being cash, end of period	$10

See accompanying notes to financial statements.

Agellan Commercial Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a declaration of trust dated November 1, 2012, when one Trust Unit was issued for cash consideration of $10. The REIT is governed by the laws of the Province of Ontario. To date, there has been no operations. The registered office of the REIT is located at 156 Front Street West, Suite 303, Toronto, Ontario, Canada. The principal business of the REIT is to acquire and own industrial, office and retail properties in select target markets in the United States and Canada.

1. STATEMENT OF COMPLIANCE:

The financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the functional currency of the REIT. The financial statements were authorized for issue by the Board of Trustees of the REIT on January 17, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at November 1, 2012, there were no cash equivalents.

(b) Unitholders' equity:

The Trust Unit is redeemable at the option of the holder and, therefore, is considered a puttable instrument in accordance with International Accounting Standard ("IAS") 32, Financial Instruments — Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The Trust Unit meets the conditions of IAS 32 and is, therefore, classified and accounted for as equity.

The REIT is authorized to issue an unlimited number of Trust Units.

On November 1, 2012, the REIT issued one Trust Unit for cash proceeds of $10.

3. SUBSEQUENT EVENTS:

Subsequent to November 1, 2012, the REIT entered into an underwriting agreement, whereby the REIT will raise gross proceeds of $134,619,430, pursuant to an initial public offering (the "Offering") through the issuance of 13,461,943 Trust Units at a price of $10 per unit. Costs relating to the Offering, including underwriters' fees, are expected to be $13,679,000 and will be charged directly to unitholders' equity. In addition, certain investors, including Agellan Capital Partners Inc. ("ACPI") principals, will subscribe for 466,944 REIT Units for $4,669,440 that will be issued directly by the REIT on Closing.

The closing (the "Closing") of the transactions contemplated by this prospectus will occur no later than January 25, 2013. On Closing, the REIT will indirectly acquire from the Vendors, as defined in the prospectus (the "Vendors"), 23 commercial properties ("Initial Properties") for a gross purchase price of $421,142,000. The purchase price is supported by third party appraisals.

As partial consideration, the REIT will issue $51,603,190 of Trust Units to the Vendors and will pay the remainder in cash.

(a) The impact of acquiring the net assets of the Initial Properties, using the purchase method of accounting based on preliminary allocations, is as follows:

Investment properties, including mark-to-market adjustment of $3,468,000	$424,610,000
Restricted cash	1,453,000
Assumed mortgages, including mark-to-market adjustment of $3,468,000	(60,105,000)
Tenant rental deposits	(1,453,000)
Net assets acquired	$364,505,000
Consideration:	
Trust Units to Vendors	$ 51,603,190
Cash paid out by the REIT	312,901,810
	$364,505,000

3. SUBSEQUENT EVENTS: (Continued)

The actual calculation and allocation of the purchase price for the acquisition outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

(b) Debt:

On Closing, the REIT is expected to assume the mortgages on two of the Initial Properties with an outstanding principal balance of $56,637,000 and mark-to-market adjustment of $3,468,000, resulting in a weighted average interest rate on such debt of 5.33%.

The REIT is expected to obtain new financing of $86,000,000 (the "term loan") on certain U.S. properties, which will be secured by a charge on certain properties. The REIT is expected to incur financing costs of $644,000. The term loan will mature in two tranches and is expected to bear interest at fixed rates, with a weighted average interest rate of 3.95%.

On Closing, the REIT is also expected to obtain a revolving credit facility secured by charges on three properties. The maximum amount available to the REIT under these facilities will be $120,000,000. The REIT is expected to draw amounts under these facilities in two tranches for a total draw of $102,729,000 and will incur financing costs of $792,000. The first tranche of $60,000,000 is assumed to bear interest at 3.5% (after giving effect to the interest rate swap to bring the floating rate of interest to a fixed rate). The second tranche of $42,729,000 is assumed to bear interest at 2.97% (banker's acceptance or LIBOR plus a spread of 1.75%). The weighted average interest rate on the amounts expected to be drawn is 3.28%.

Mortgages of $168,315,000 will be discharged on Closing and the related unamortized financing costs and discounts of $1,047,000 will be written off.

(c) Sources and uses of cash:

The REIT's sources and uses of cash, after the completion of the transactions contemplated in the Offering, will be as follows:

Sources:	
Proceeds from the Offering	$134,619,430
Units issued to certain investors including ACPI principals	4,669,440
New financing obtained	86,000,000
Proceeds from revolving credit facilities	102,729,000
	$328,017,870
Uses:	
Purchase of net assets	$312,901,810
Offering costs	13,679,300
Financing costs	1,436,760
	$328,017,870

Carve-out Financial Statements of

AGELLAN PORTFOLIO I

Years ended December 31, 2011, 2010 and 2009

Independent Auditors' Report

To the General Partner of Agellan Portfolio I

We have audited the accompanying carve-out financial statements of Agellan Portfolio I, which comprise the carve-out statements of financial position as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, the carve-out statements of income and comprehensive income (loss), changes in divisional equity and cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of Agellan Portfolio I as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, and its carve-out financial performance and its carve-out cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the carve-out financial statements which describes the basis of presentation.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

January 17, 2013
Toronto, Canada

AGELLAN PORTFOLIO I

CARVE-OUT STATEMENTS OF FINANCIAL POSITION

December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Assets				
Non-current assets:				
Investment properties (note 3)	$117,086,729	$108,076,143	$102,553,113	$106,728,631
Current assets:				
Other assets (note 4)	280,387	135,815	166,288	119,822
Restricted cash	1,792,121	—	—	1,547
Accounts receivable	86,674	64,351	275,817	166,681
Cash and cash equivalents	2,705,567	2,821,008	1,511,246	797,156
Total current assets	4,864,749	3,021,174	1,953,351	1,085,206
Total assets	$121,951,478	$111,097,317	$104,506,464	$107,813,837
Liabilities and Divisional Equity				
Non-current liabilities:				
Mortgages payable (note 5)	$ 78,881,028	$ 23,844,609	$ 49,161,245	$ 84,200,922
Current liabilities:				
Current portion of mortgages payable (note 5)	839,746	46,883,880	30,862,390	1,910,311
Tenant rental deposits	85,747	40,189	38,846	46,969
Prepaid rent	2,280	688,060	626,158	597,411
Accounts payable and accrued liabilities	1,569,832	3,215,048	3,151,857	2,267,439
Total current liabilities	2,497,605	50,827,177	34,679,251	4,822,130
Total liabilities	81,378,633	74,671,786	83,840,496	89,023,052
Divisional equity	40,572,845	36,425,531	20,665,968	18,790,785
Total liabilities and divisional equity	$121,951,478	$111,097,317	$104,506,464	$107,813,837

The carve-out financial statements were approved by the General Partner of Agellan Portfolio I on January 17, 2013.

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO I

CARVE-OUT STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Revenue:			
Minimum rent	$10,844,425	$ 10,913,046	$11,790,775
Recoveries from tenants	4,667,358	4,894,437	4,560,092
Other	661,553	729,055	624,778
	16,173,336	16,536,538	16,975,645
Expenses:			
Property operating	4,283,582	4,250,987	4,946,048
Property taxes	1,608,894	1,798,716	1,959,367
General and administrative	337,925	295,911	230,015
	6,230,401	6,345,614	7,135,430
Income before finance costs and fair value adjustment on investment properties	9,942,935	10,190,924	9,840,215
Finance costs (note 8)	3,799,167	4,908,590	5,046,374
Fair value adjustment on investment properties (note 3)	(5,722,866)	(10,461,853)	2,686,779
Net income	11,866,634	15,744,187	2,107,062
Other comprehensive income (loss):			
Unrealized gain (loss) on translation of U.S. dollar denominated foreign operations	993,692	(1,878,648)	(2,442,282)
Comprehensive income (loss)	$12,860,326	$ 13,865,539	$ (335,220)

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO I

CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

Years ended December 31, 2011, 2010 and 2009

Divisional equity, January 1, 2009	$18,790,785
Net income	2,107,062
Other comprehensive loss	(2,442,282)
Net divisional contributions	2,210,403
Divisional equity, December 31, 2009	20,665,968
Net income	15,744,187
Other comprehensive loss	(1,878,648)
Net divisional contributions	1,894,024
Divisional equity, December 31, 2010	36,425,531
Net income	11,866,634
Other comprehensive income	993,692
Net divisional distributions	(8,713,012)
Divisional equity, December 31, 2011	$40,572,845

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO I

CARVE-OUT STATEMENTS OF CASH FLOWS

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Cash flows from (used in) operating activities:			
Net income	$ 11,866,634	$ 15,744,187	$ 2,107,062
Adjustments for items not involving cash:			
Straight-line adjustment of rental revenue	(543,045)	(804,621)	(2,409,182)
Fair value adjustment on investment properties (note 3)	(5,722,866)	(10,461,853)	2,686,779
Finance costs (note 8)	3,799,167	4,908,590	5,046,374
Change in non-cash operating working capital:			
Other assets	(144,572)	30,473	(46,466)
Accounts receivable	(22,323)	211,466	(109,136)
Tenant rental deposits	45,558	1,343	(8,123)
Prepaid rent	(685,780)	61,902	28,747
Accounts payable and accrued liabilities	(1,645,216)	63,191	884,418
	6,947,557	9,754,678	8,180,473
Cash flows from (used in) financing activities:			
Mortgages payable:			
Proceeds	53,421,225	—	8,045,964
Principal payments	(459,010)	(4,930,730)	(2,081,895)
Discharge of mortgages	(45,541,943)	—	—
Financing costs	(655,282)	(208,222)	(363,484)
Interest paid	(3,670,164)	(4,600,768)	(4,489,211)
Divisional contributions	8,638	3,956,765	2,488,690
Divisional distributions	(8,721,650)	(2,062,741)	(278,287)
Other	582,788	(449,217)	136,513
	(5,035,398)	(8,294,913)	3,458,290
Cash flows from (used in) investing activities:			
Additions to investment properties	(235,479)	(150,003)	(10,926,220)
Change in restricted cash	(1,792,121)	—	1,547
	(2,027,600)	(150,003)	(10,924,673)
Increase (decrease) in cash and cash equivalents	(115,441)	1,309,762	714,090
Cash and cash equivalents, beginning of year	2,821,008	1,511,246	797,156
Cash and cash equivalents, end of year	$ 2,705,567	$ 2,821,008	$ 1,511,246

See accompanying notes to carve-out financial statements.

1. BASIS OF PRESENTATION:

Agellan Portfolio I, as presented in these carve-out financial statements, is not a legal entity. It represents the combination of five retail, industrial and office investment properties (the "Portfolio"), located in Canada and the United States. This Portfolio and its related assets and liabilities were controlled by CarVal Investors Management, Inc. (the "General Partner").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the entities which owned the properties, to account solely for the properties which Agellan Commercial Real Estate Investment Trust (the "REIT") anticipates purchasing. In particular, these carve-out financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses and divisional equity in the net assets of Agellan Portfolio included in, and for inclusion in, the prospectus relating to the initial public offering of the units of the REIT. These carve-out financial statements present the carve-out financial position, financial performance and cash flows of the Portfolio for the years presented, as if the Portfolio has been accounted for on a stand-alone basis.

Because these properties were part of a corporate group, these carve-out financial statements depict the divisional equity in net assets, representing the amount associated specifically with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the years presented.

These carve-out financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These are the Portfolio's first carve-out financial statements prepared in accordance with IFRS and the Portfolio adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of how the transition to IFRS has affected the Portfolio's carve-out financial position, performance and cash flows has not been presented as the Portfolio has not presented carve-out financial statements in previous years. The date of transition to IFRS was January 1, 2009.

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio.

The Portfolio holds its interest in the investment properties and other assets and liabilities related to these properties in limited partnership entities and limited liability companies. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Critical judgements:

The preparation of carve-out financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements.

(i) Accounting for acquisitions:

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Portfolio obtains control of the business.

(ii) Leases (the Portfolio as lessor):

The Portfolio uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Portfolio has determined that all its leases are operating leases.

(b) Key sources of estimation uncertainty:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affect. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The following is a key assumption concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment properties valuations:

Investment properties, which are carried on the carve-out statements of financial position at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Portfolio. Refer to note 3 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

(c) Investment properties:

The Portfolio selected the fair value method to account for real estate classified as investment properties. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the carve-out statements of income and comprehensive income (loss) during the year in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits of the expenditure will flow to the Portfolio and cost can be measured reliably.

(d) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment properties.

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the properties, or lease inducements. When the obligation is determined to be a tenant improvement, the Portfolio is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(g) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity. Income taxes, if any, are liabilities of the owners of the investment properties contained within the Portfolio.

(h) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Foreign currency translation:

The Portfolio accounts for its investments in wholly owned subsidiaries of the Portfolio in the United States ("foreign operations") as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the carve-out statements of financial position dates, and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of other comprehensive income (loss).

(j) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income (loss).

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards ("IAS") 39, Financial Instruments — Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the Portfolio's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

(k) Derivative financial instruments and hedging activities:

The Portfolio may use derivative financial instruments to manage risks from fluctuations in interest rates.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Portfolio has not designated any derivative financial instrument as a hedging instrument. However, the Portfolio has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on a variable rate mortgage. Gains or losses arising from the change in fair values of the interest rate swap contract are recognized in the carve-out statements of income and comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Portfolio in preparing its carve-out financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after July 1, 2014

The Portfolio intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Portfolio has not yet been determined.

3. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the years:

Balance, January 1, 2009	$106,728,631
Additions — capital expenditures	10,926,220
Increase in straight-line costs	2,409,182
Fair value adjustment	(2,686,779)
Exchange differences on translation of United States operations	(14,824,141)
Balance, December 31, 2009	102,553,113
Additions — capital expenditures	150,003
Increase in straight-line costs	804,621
Fair value adjustment	10,461,853
Exchange differences on translation of United States operations	(5,893,447)
Balance, December 31, 2010	108,076,143
Additions — capital expenditures	235,479
Increase in straight-line costs	543,045
Fair value adjustment	5,722,866
Exchange differences on translation of United States operations	2,509,196
Balance, December 31, 2011	$117,086,729

The Portfolio determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

3. INVESTMENT PROPERTIES: (Continued)

The key valuation assumptions for the Portfolio's investment properties are set out in the following table:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Discount rates — range	8.00 – 9.50%	8.50 – 10.00%	9.00 – 11.00%	9.25 – 11.00%
Discount rate — weighted average	9.28%	9.93%	10.72%	10.73%
Terminal capitalization rate — range	7.00 – 9.00%	7.75 – 9.50%	8.25 – 10.50%	8.50 – 10.50%
Terminal capitalization rate — weighted average	8.76%	9.29%	9.94%	9.96%

The fair values of investment properties are most sensitive to changes in discount rates and terminal capitalization rates. As at December 31, 2011, a 25-basis-point movement in the weighted average portfolio discount rate and terminal capitalization rate, would change the value of investment properties by $113,710 for Canadian assets and $3,473,224 for U.S. assets in the Portfolio.

4. OTHER ASSETS:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Prepaid expenses	$250,482	$106,569	$104,904	$ 83,952
Other receivables	29,905	29,246	61,384	35,870
	$280,387	$135,815	$166,288	$119,822

The Portfolio holds no collateral in respect of tenant and other receivables.

5. MORTGAGES PAYABLE:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Current:				
Mortgages payable	$ 847,787	$46,602,827	$30,895,198	$ 1,912,055
Unamortized financing fees	(8,041)	(118,853)	(32,808)	(1,744)
Fair value of interest rate swaps	—	399,906	—	—
	839,746	46,883,880	30,862,390	1,910,311
Non-current:				
Mortgages payable	79,711,673	24,222,200	49,135,918	84,324,968
Unamortized financing fees	(830,645)	(377,591)	(278,412)	(124,046)
Fair value of interest rate swaps	—	—	303,739	—
	78,881,028	23,844,609	49,161,245	84,200,922
	$79,720,774	$70,728,489	$80,023,635	$86,111,233

The investment properties are pledged as security for certain loan facilities. Management has allocated the amount of indebtedness owing by the Portfolio in respect of these loan facilities based upon the estimated fair value of the investment properties in relation to the total fair value of the security held. The mortgages on the investment properties are cross collateralized with indebtedness owed by the owners of the Portfolio on other properties under their ownership.

The mortgages are secured by a first charge on the investment properties. As at December 31, 2011, the mortgages carried a weighted average interest rate of 4.63% (December 31, 2010 — 6.46%; December 31, 2009 — 5.69%; January 1, 2009 — 5.15%). Included in mortgages payable at December 31, 2011 are U.S. dollar denominated mortgages of U.S. $77,371,612 (December 31, 2010 — U.S. $69,222,598; December 31, 2009 — U.S. $74,180,099; January 1, 2009 — U.S. $69,034,960). The Canadian equivalents of these amounts are $78,686,928 (December 31, 2010 — $68,848,796; December 31, 2009 — $77,963,285; January 1, 2009 — $84,084,582).

The Portfolio entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its variable rate mortgages payable on one of its properties from September 16, 2009 to May 5, 2011. Gains or losses arising from the change in fair

5. MORTGAGES PAYABLE: (Continued)

values of the interest rate swap contracts are recognized in the carve-out statements of income and comprehensive income (loss). The Portfolio recorded a liability relating to the fair value of swap contacts of nil (2010 — $399,906; 2009 — $303,739).

Future principal repayments at December 31, 2011 are as follows:

2012	$ 847,787
2013	25,408,992
2014	835,046
2015	881,858
2016	923,110
Thereafter	51,662,667
Face value	80,559,460
Mortgage discount and deferred financing (December 31, 2010 — $496,444; December 31, 2009 — $311,220; January 1, 2009 — $125,790)	(838,686)
Carrying amount	$79,720,774

6. SEGMENTED DISCLOSURE:

Segmented information on identifiable non-current assets by geographic region and rentals from investment properties is outlined below.

Investment properties are attributable to countries based on the location of the properties.

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Canada	$ 4,874,000	$ 5,143,000	$ 4,849,000	$ 4,729,000
United States	112,212,729	102,933,143	97,704,113	101,999,631
	$117,086,729	$108,076,143	$102,553,113	$106,728,631

	2011	2010	2009
Rental revenue from investment properties:			
Canada	$ 527,633	$ 594,741	$ 648,744
United States	14,984,150	15,212,742	15,702,123
	$15,511,783	$15,807,483	$16,350,867

The Portfolio has one tenant that accounts for 39% of the Portfolio's rental revenue whose lease will expire in 2023.

7. TRANSACTIONS WITH RELATED PARTIES:

The related party transactions include the following:

(a) Related parties include Agellan Capital Partners Inc. ("ACPI") and directors and entities related to ACPI. The Portfolio engaged ACPI or its related parties to perform property management services for a fee of 2% of gross revenue plus $0.45 per square foot of total area of the buildings, as defined in the property management agreement. The costs of these services, aggregating $16,378 (2010 — $16,378; 2009 — $16,378), were charged to property operating expenses.

(b) The Portfolio engaged ACPI or its related parties to perform asset management services for a fee ranging from 0.30% to 0.75% of the gross purchase price, as defined in asset management agreements between the owners of the properties included in the Portfolio and ACPI. The costs of these services, aggregating $147,413 (2010 — $152,349; 2009 — $153,967), were charged to general and administrative expenses.

(c) The Portfolio also engaged M&J Wilkow, Ltd., an affiliate of one of the vendors, to perform property management and asset management services. The costs of these services, aggregating $414,570 (2010 — $437,060; 2009 — $435,700), were charged to property operating expenses.

7. TRANSACTIONS WITH RELATED PARTIES: (Continued)

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCE COSTS:

	2011	2010	2009
Mortgage interest	$3,732,892	$4,576,122	$4,551,555
Amortization of financing fees	466,181	236,301	191,080
Fair value adjustments on interest rate swaps	(399,906)	96,167	303,739
	$3,799,167	$4,908,590	$5,046,374

9. PROPERTY OPERATIONS:

The Portfolio generally leases investment properties under operating leases with lease terms between 1 and 10 years, with options to extend up to a further 10 years.

Future minimum base rent lease payments on non-cancellable tenant operating leases are as follows:

2012	$ 9,766,613
2013 – 2016	36,991,023
2017 and thereafter	39,003,642
	$85,761,278

10. COMMITMENTS AND CONTINGENCIES:

At the carve-out statements of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable operating leases.

The Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Portfolio.

11. CAPITAL MANAGEMENT:

The Portfolio is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Portfolio will make adjustments to its capital based on its investment strategies and changes to economic conditions.

Management's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets and the acquisition of additional investment properties, which are leased to creditworthy tenants, as opportunities arise. The capital management strategy is also driven by requirements from certain lenders.

The Portfolio was in compliance with all financial covenants as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009.

12. RISK MANAGEMENT:

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Portfolio's financial instruments.

The Portfolio is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable will not be able to be refinanced on terms similar to those of the existing indebtedness.

12. RISK MANAGEMENT: (Continued)

The Portfolio's objective of managing interest rate risk is to minimize the volatility of earnings. The Portfolio staggers the maturities of its fixed rate mortgages in order to minimize the exposure to future interest rate fluctuations. The Portfolio has $22,853,019 of floating rate debt at December 31, 2011. A 1% change in interest rates will change the annual finance cost by $228,530.

The Portfolio is not exposed to any other form of market risk.

(b) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Portfolio by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Portfolio is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Portfolio monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

The Portfolio attempts to mitigate the risk of credit loss with respect to tenants by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Through credit assessments are conducted in respect of new leasing and tenant deposits are obtained when warranted.

The Portfolio monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 90 days are provided for as bad debt expense in the carve-out statements of income and comprehensive income (loss).

(c) Liquidity risk:

Liquidity risk is the risk that the Portfolio may encounter difficulty in meeting its financial obligations when they come due. Management's strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the Portfolio staggers the maturity dates of its portfolio over a number of years.

13. FAIR VALUE MEASUREMENT:

The fair value of the Portfolio's mortgages payable at December 31, 2011 was $80,202,401 (December 31, 2010 — $70,816,201; December 31, 2009 — $80,047,366; January 1, 2009 — $86,232,719).

The Portfolio uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 — quoted prices in active markets;
- Level 2 — inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 — valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The spread rates used ranged from 1.70% to 2.25% on Canadian mortgages depending on the nature and terms of the respective mortgages. The spread rate was 3.35% on the U.S. mortgage.

(b) Other financial assets and financial liabilities:

The fair values of the Portfolio's financial assets, which include accounts receivable, cash and cash equivalents and restricted cash, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

14. SUBSEQUENT EVENT:

Subsequent to year end, the Portfolio refinanced $85,500,000 of its mortgages upon maturity.

Carve-out Financial Statements of

AGELLAN PORTFOLIO II

Years ended December 31, 2011, 2010 and 2009

Independent Auditors' Report

To the General Partner of Agellan Portfolio II

We have audited the accompanying carve-out financial statements of Agellan Portfolio II, which comprise the carve-out statements of financial position as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, the carve-out statements of income and comprehensive income, changes in divisional equity and cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the carve-out financial position of Agellan Portfolio II as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009, and its carve-out financial performance and its carve-out cash flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 to the carve-out financial statements which describes the basis of presentation.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

January 17, 2013
Toronto, Canada

AGELLAN PORTFOLIO II

CARVE-OUT STATEMENTS OF FINANCIAL POSITION

December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Assets				
Non-current assets:				
Investment properties (note 3)	$254,960,900	$244,883,165	$250,454,434	$262,141,735
Current assets:				
Other assets (note 4)	462,310	413,110	426,662	444,594
Restricted cash	3,219,788	1,583,734	1,876,659	1,069,310
Accounts receivable	1,914,558	1,101,570	1,101,260	932,868
Cash and cash equivalents	6,849,621	5,132,642	5,693,819	3,276,774
Total current assets	12,446,277	8,231,056	9,098,400	5,723,546
Total assets	$267,407,177	$253,114,221	$259,552,834	$267,865,281
Liabilities and Divisional Equity				
Non-current liabilities:				
Mortgages payable (note 5)	$ 60,065,887	$145,556,338	$107,171,562	$142,262,637
Current liabilities:				
Current portion of mortgages payable (note 5)	90,854,113	5,280,944	48,048,751	25,505,957
Tenant rental deposits	1,109,751	1,123,136	1,045,749	1,076,381
Prepaid rent	1,195,373	1,046,223	777,351	792,708
Accounts payable and accrued liabilities	5,821,679	4,012,624	5,037,832	5,024,212
Total current liabilities	98,980,916	11,462,927	54,909,683	32,399,258
Total liabilities	159,046,803	157,019,265	162,081,245	174,661,895
Divisional equity	108,360,374	96,094,956	97,471,589	93,203,386
Total liabilities and divisional equity	$267,407,177	$253,114,221	$259,552,834	$267,865,281

The carve-out financial statements were approved by the General Partner of Agellan Portfolio II on January 17, 2013.

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO II

CARVE-OUT STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Revenue:			
Minimum rent	$18,453,921	$19,441,533	$21,021,477
Recoveries from tenants	14,417,694	15,372,190	16,518,650
Parking	1,130,229	1,186,844	1,100,443
Other	628,326	827,992	788,150
	34,630,170	36,828,559	39,428,720
Expenses:			
Property operating	10,315,219	10,574,768	11,286,612
Property taxes	6,324,007	6,449,488	6,785,175
General and administrative	2,107,272	1,891,803	2,005,232
	18,746,498	18,916,059	20,077,019
Income before finance costs and fair value adjustment on investment properties	15,883,672	17,912,500	19,351,701
Finance costs (note 8)	9,576,197	9,189,868	9,562,556
Fair value adjustment on investment properties (note 3)	(2,948,229)	5,353,079	2,081,924
Net income	9,255,704	3,369,553	7,707,221
Other comprehensive income (loss):			
Unrealized gain (loss) on translation of U.S. dollar denominated foreign operations	881,348	(1,350,102)	(4,857,663)
Comprehensive income	$10,137,052	$ 2,019,451	$ 2,849,558

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO II

CARVE-OUT STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

Years ended December 31, 2011, 2010 and 2009

Divisional equity, January 1, 2009	$ 93,203,386
Net income	7,707,221
Other comprehensive loss	(4,857,663)
Net divisional contributions	1,418,645
Divisional equity, December 31, 2009	97,471,589
Net income	3,369,553
Other comprehensive loss	(1,350,102)
Net divisional distributions	(3,396,084)
Divisional equity, December 31, 2010	96,094,956
Net income	9,255,704
Other comprehensive income	881,348
Net divisional contributions	2,128,366
Divisional equity, December 31, 2011	$108,360,374

See accompanying notes to carve-out financial statements.

AGELLAN PORTFOLIO II

CARVE-OUT STATEMENTS OF CASH FLOWS

Years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
Cash flows from (used in) operating activities:			
Net income	$ 9,255,704	$ 3,369,553	$ 7,707,221
Adjustments for items not involving cash:			
Straight-line adjustment of rental revenue	(409,549)	(558,556)	(1,290,340)
Fair value adjustment on investment properties (note 3)	(2,948,229)	5,353,079	2,081,924
Finance costs (note 8)	9,576,197	9,189,868	9,562,556
Change in non-cash operating working capital:			
Other assets	(49,200)	13,552	17,932
Accounts receivable	(812,988)	(310)	(168,392)
Tenant rental deposits	(13,385)	77,387	(30,632)
Prepaid rent	149,150	268,872	(15,357)
Accounts payable and accrued liabilities	1,809,055	(1,025,208)	13,620
	16,556,755	16,688,237	17,878,532
Cash flows from (used in) financing activities:			
Mortgages payable:			
Proceeds	416,550	—	—
Principal payments	(1,343,139)	(1,359,596)	(2,558,828)
Financing costs	—	(117,488)	(13,704)
Interest paid	(9,524,166)	(9,035,195)	(9,372,306)
Divisional contributions	3,089,199	720,618	3,707,385
Divisional distributions	(960,833)	(4,116,702)	(2,288,740)
Other	(517,614)	664,285	(44,116)
	(8,840,003)	(13,244,078)	(10,570,309)
Cash flows from (used in) investing activities:			
Additions to investment properties	(4,363,719)	(4,298,261)	(4,083,829)
Change in restricted cash	(1,636,054)	292,925	(807,349)
	(5,999,773)	(4,005,336)	(4,891,178)
Increase (decrease) in cash and cash equivalents	1,716,979	(561,177)	2,417,045
Cash and cash equivalents, beginning of year	5,132,642	5,693,819	3,276,774
Cash and cash equivalents, end of year	$ 6,849,621	$ 5,132,642	$ 5,693,819

See accompanying notes to carve-out financial statements.

1. BASIS OF PRESENTATION:

Agellan Portfolio II, as presented in these carve-out financial statements, is not a legal entity. It represents the combination of 18 retail, industrial and office investment properties (the "Portfolio"), located in Canada and the United States. This Portfolio and its related assets and liabilities were controlled by North American Real Estate Partners II GP, LLC. (the "General Partner").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the entities which owned the properties, to account solely for the properties which Agellan Commercial Real Estate Investment Trust (the "REIT") anticipates purchasing. In particular, these carve-out financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses and divisional equity in the net assets of the Portfolio included in, and for inclusion in, the prospectus relating to the initial public offering of the units of the REIT. These carve-out financial statements present the carve-out financial position, financial performance and cash flows of the Portfolio for the years presented, as if the Portfolio has been accounted for on a stand-alone basis.

Because these properties were part of a corporate group, these carve-out financial statements depict the divisional equity in net assets, representing the amount associated specifically with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the years presented.

These carve-out financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These are the Portfolio's first carve-out financial statements prepared in accordance with IFRS and the Portfolio adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of how the transition to IFRS has affected the Portfolio's carve-out financial position, performance and cash flows has not been presented as the Portfolio has not presented carve-out financial statements in previous years. The date of transition to IFRS was January 1, 2009.

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio.

The Portfolio holds its interest in the investment properties and other assets and liabilities related to these properties in limited partnership entities and limited liability companies. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Critical judgements:

The preparation of carve-out financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements.

(i) Accounting for acquisitions:

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Portfolio obtains control of the business.

(ii) Leases (the Portfolio as lessor):

The Portfolio uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Portfolio has determined that all its leases are operating leases.

(b) Key sources of estimation uncertainty:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The following is a key assumption concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment properties valuations:

Investment properties, which are carried on the carve-out statements of financial position at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Portfolio. Refer to note 3 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

(c) Investment properties:

The Portfolio selected the fair value method to account for real estate classified as investment properties. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the carve-out statements of income and comprehensive income during the year in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits of the expenditure will flow to the Portfolio and cost can be measured reliably.

(d) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment properties.

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the properties, or lease inducements. When the obligation is determined to be a tenant improvement, the Portfolio is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(g) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity. Income taxes, if any, are liabilities of the owners of the investment properties contained within the Portfolio.

(h) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Foreign currency translation:

The Portfolio accounts for its investments in wholly owned subsidiaries of the Portfolio in the United States (“foreign operations”) as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the carve-out statements of financial position dates, and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of other comprehensive income (loss).

(j) Financial instruments:

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

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards (“IAS”) 39, Financial Instruments — Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the Portfolio’s classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

(k) Derivative financial instruments and hedging activities:

The Portfolio may use derivative financial instruments to manage risks from fluctuations in interest rates.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Portfolio has not designated any derivative financial instrument as a hedging instrument. However, the Portfolio has entered into an interest rate swap contract to limit its exposure to fluctuations in the interest rates on a variable rate mortgage. Gains or losses arising from the change in fair values of the interest rate swap contract are recognized in the carve-out statements of income and comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Portfolio in preparing its carve-out financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after July 1, 2014

The Portfolio intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Portfolio has not yet been determined.

3. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the years:

Balance, January 1, 2009	$262,141,735
Additions — capital expenditures	4,083,829
Increase in straight-line costs	1,290,339
Fair value adjustment	(2,081,923)
Exchange differences on translation of United States operations	(14,979,546)
Balance, December 31, 2009	250,454,434
Additions — capital expenditures	4,298,261
Increase in straight-line costs	558,555
Fair value adjustment	(5,288,361)
Exchange differences on translation of United States operations	(5,139,724)
Balance, December 31, 2010	244,883,165
Additions — capital expenditures	4,363,719
Increase in straight-line costs	409,549
Fair value adjustment	2,948,229
Exchange differences on translation of United States operations	2,356,238
Balance, December 31, 2011	$254,960,900

The Portfolio determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The key valuation assumptions for the Portfolio's investment properties are set out in the following table:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Discount rates — range	7.50 – 9.50%	8.00 – 10.00%	8.50 – 10.50%	8.25 – 10.50%
Discount rate — weighted average	8.28%	8.90%	9.37%	9.42%
Terminal capitalization rate — range	7.00 – 8.75%	7.75 – 9.50%	8.00 – 10.00%	8.00 – 10.00%
Terminal capitalization rate — weighted average	7.76%	8.33%	8.58%	8.86%

3. INVESTMENT PROPERTIES: (Continued)

The fair values of investment properties are most sensitive to changes in discount rates and terminal capitalization rates. As at December 31, 2011, a 25-basis-point movement in the weighted average portfolio discount rate and terminal capitalization rate, would change the value of investment properties by $5,922,055 for Canadian assets and $3,515,400 for U.S. assets in the Portfolio.

4. OTHER ASSETS:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Prepaid expenses	$401,376	$355,090	$366,601	$379,663
Other receivables	60,934	58,020	60,061	64,931
	$462,310	$413,110	$426,662	$444,594

The Portfolio holds no collateral in respect of tenant and other receivables.

5. MORTGAGES PAYABLE:

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Current:				
Mortgages payable	$ 90,874,389	$ 5,285,382	$ 48,147,576	$ 25,576,528
Unamortized financing fees	(20,276)	(4,438)	(98,825)	(70,571)
	90,854,113	5,280,944	48,048,751	25,505,957
Non-current:				
Mortgages payable	60,085,583	145,621,257	107,275,893	142,594,354
Unamortized financing fees	(19,696)	(64,919)	(104,331)	(331,717)
	60,065,887	145,556,338	107,171,562	142,262,637
	$150,920,000	$150,837,282	$155,220,313	$167,768,594

The investment properties are pledged as security for certain loan facilities. Management has allocated the amount of indebtedness owing by the Portfolio in respect of these loan facilities based upon the estimated fair value of the investment properties in relation to the total fair value of the security held. The mortgages on the investment properties are cross collateralized with indebtedness owed by the owners of the Portfolio on other properties under their ownership.

The mortgages are secured by a first charge on the investment properties. As at December 31, 2011, the mortgages carried a weighted average interest rate of 6.31% (December 31, 2010 — 5.99%; December 31, 2009 — 6.02%; January 1, 2009 — 5.34%). Included in mortgages payable at December 31, 2011 are U.S. dollar denominated mortgages of U.S. $59,764,085 (December 31, 2010 — U.S. $60,397,771; December 31, 2009 — U.S. $61,222,490; January 1, 2009 — U.S. $63,030,005). The Canadian equivalents of these amounts are $60,780,074 (December 31, 2010 — $60,071,623; December 31, 2009 — $64,344,837; January 1, 2009 — $76,770,545).

Future principal repayments at December 31, 2011 are as follows:

2012	$ 90,874,389
2013	21,145,982
2014	38,939,602
Face value	150,959,973
Mortgage discount and deferred financing (December 31, 2010 — $69,357; December 31, 2009 — $203,156; January 1, 2009 — $402,288)	(39,973)
Carrying amount	$150,920,000

6. SEGMENTED DISCLOSURE:

Segmented information on identifiable non-current assets by geographic region and rentals from investment properties is outlined below.

Investment properties are attributable to countries based on the location of the properties.

	December 31, 2011	December 31, 2010	December 31, 2009	January 1, 2009
Canada	$150,515,000	$152,821,000	$157,195,000	$151,484,000
United States	104,445,900	92,062,165	93,259,434	110,657,735
	$254,960,900	$244,883,165	$250,454,434	$262,141,735

	2011	2010	2009
Rental revenue from investment properties:			
Canada	$22,526,188	$23,996,859	$25,362,291
United States	11,475,656	12,003,708	13,278,279
	$34,001,844	$36,000,567	$38,640,570

The Portfolio has two major tenants that account for approximately 40% of the Portfolio's rental revenue whose leases expire in 2015 and 2020.

7. TRANSACTIONS WITH RELATED PARTIES:

The related party transactions include the following:

(a) Related parties include Agellan Capital Partners Inc. ("ACPI") and directors and entities related to ACPI. The Portfolio engaged ACPI or its related parties to perform property management services for a fee of 2.00% of gross revenue, as defined in the property management agreement. The costs of these services, aggregating $406,603 (2010 — $450,344; 2009 — $462,474), were charged to property operating expenses.

(b) The Portfolio engaged ACPI or its related parties to perform asset management services for a fee ranging from 0.50% to 0.75% of the gross purchase price, as defined in asset management agreements between the owners of the properties included in the Portfolio and ACPI. The costs of these services, aggregating $1,399,196 (2010 — $1,427,657; 2009 — $1,505,855), were charged to general and administrative expenses.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCE COSTS:

	2011	2010	2009
Mortgage interest	$9,520,808	$9,043,770	$9,354,715
Amortization of financing fees	55,389	146,098	207,841
	$9,576,197	$9,189,868	$9,562,556

9. PROPERTY OPERATIONS:

The Portfolio generally leases investment properties under operating leases with lease terms between 1 and 10 years, with options to extend up to a further 10 years.

9. PROPERTY OPERATIONS: (Continued)

Future minimum base rent lease payments on non-cancellable tenant operating leases are as follows:

2012	$17,629,672
2013 — 2016	53,838,943
2017 and thereafter	23,700,905
	$95,169,520

10. COMMITMENTS AND CONTINGENCIES:

At the carve-out statements of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable operating leases.

The Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Portfolio.

11. CAPITAL MANAGEMENT:

The Portfolio is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Portfolio will make adjustments to its capital based on its investment strategies and changes to economic conditions.

Management's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets and the acquisition of additional investment properties, which are leased to creditworthy tenants, as opportunities arise.

The capital management strategy is also driven by requirements from certain lenders.

The Portfolio was in compliance with all financial covenants as at December 31, 2011, December 31, 2010, December 31, 2009 and January 1, 2009.

12. RISK MANAGEMENT:

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Portfolio's financial instruments.

The Portfolio is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable will not be able to be refinanced on terms similar to those of the existing indebtedness.

The Portfolio's objective of managing interest rate risk is to minimize the volatility of earnings. The Portfolio staggers the maturities of its fixed rate mortgages in order to minimize the exposure to future interest rate fluctuations. The Portfolio has no floating rate debt at December 31, 2011.

The Portfolio is not exposed to any other form of market risk.

(b) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Portfolio by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Portfolio is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Portfolio monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

12. RISK MANAGEMENT: (Continued)

The Portfolio attempts to mitigate the risk of credit loss with respect to tenants by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of new leasing and tenant deposits are obtained when warranted.

The Portfolio monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 90 days are provided for as bad debt expense in the carve-out statements of income and comprehensive income.

(c) Liquidity risk:

Liquidity risk is the risk that the Portfolio may encounter difficulty in meeting its financial obligations when they come due. Management's strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the Portfolio staggers the maturity dates of its portfolio over a number of years.

13. FAIR VALUE MEASUREMENT:

The fair value of the Portfolio's mortgages payable at December 31, 2011 was $153,670,200 (December 31, 2010 — $152,085,121; December 31, 2009 — $155,216,038; January 1, 2009 — $161,202,705).

The Portfolio uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 — quoted prices in active markets;
- Level 2 — inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 — valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The spread rates used ranged from 1.70% to 2.25% on Canadian mortgages and were 3.35% on U.S. mortgages depending on the nature and terms of the respective mortgages.

(b) Other financial assets and financial liabilities:

The fair values of the Portfolio's financial assets, which include accounts receivable, cash and cash equivalents and restricted cash, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

14. SUBSEQUENT EVENT:

Subsequent to year end, the Portfolio refinanced $85,500,000 of its mortgages upon maturity.

Condensed Carve-out Interim Financial Statements of

AGELLAN PORTFOLIO I

Nine months ended September 30, 2012 and 2011
(Unaudited)

AGELLAN PORTFOLIO I

CONDENSED CARVE-OUT INTERIM STATEMENTS OF FINANCIAL POSITION

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Non-current assets:		
Investment properties (note 3)	$137,405,652	$117,086,729
Current assets:		
Other assets (note 4)	175,328	280,387
Restricted cash	1,434,106	1,792,121
Accounts receivable	52,498	86,674
Cash and cash equivalents	4,864,165	2,705,567
Total current assets	6,526,097	4,864,749
Total assets	$143,931,749	$121,951,478
Liabilities and Divisional Equity		
Non-current liabilities:		
Mortgages payable (note 5)	$ 52,721,688	$ 78,881,028
Current liabilities:		
Current portion of mortgages payable (note 5)	24,015,454	839,746
Tenant rental deposits	97,274	85,747
Prepaid rent	676,396	2,280
Accounts payable and accrued liabilities	1,294,577	1,569,832
Total current liabilities	26,083,701	2,497,605
Total liabilities	78,805,389	81,378,633
Divisional equity	65,126,360	40,572,845
Total liabilities and divisional equity	$143,931,749	$121,951,478

The condensed carve-out interim financial statements were approved by the General Partner of Agellan Portfolio I on January 17, 2013.

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

AGELLAN PORTFOLIO I

CONDENSED CARVE-OUT INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Nine months ended September 30,	
	2012	**2011**
Revenue:		
Minimum rent	$ 8,116,943	$ 8,650,074
Recoveries from tenants	3,677,594	3,813,486
Other	577,913	513,190
	12,372,450	12,976,750
Expenses:		
Property operating	3,196,200	3,055,245
Property taxes	1,236,273	1,367,836
General and administrative	262,365	211,218
	4,694,838	4,634,299
Income before finance costs and fair value adjustment on investment properties	7,677,612	8,342,451
Finance costs (note 8)	3,029,357	3,013,912
Fair value adjustment on investment properties (note 3)	(22,378,649)	(1,962,448)
Net income	27,026,904	7,290,987
Other comprehensive income (loss):		
Unrealized gain (loss) on translation of U.S. dollar denominated foreign operations	(1,816,186)	1,284,178
Comprehensive income	$ 25,210,718	$ 8,575,165

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

AGELLAN PORTFOLIO I

CONDENSED CARVE-OUT INTERIM STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

Nine months ended September 30, 2012 and 2011
(Unaudited)

Divisional equity, January 1, 2011	$36,425,531
Net income	7,290,987
Other comprehensive income	1,284,178
Net divisional distributions	(8,583,775)
Divisional equity, September 30, 2011	$36,416,921
Divisional equity, January 1, 2012	$40,572,845
Net income	27,026,904
Other comprehensive loss	(1,816,186)
Net divisional distributions	(657,203)
Divisional equity, September 30, 2012	$65,126,360

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

AGELLAN PORTFOLIO I

CONDENSED CARVE-OUT INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30,	
	2012	**2011**
Cash flows from (used in) operating activities:		
Net income	$ 27,026,904	$ 7,290,987
Adjustments for items not involving cash:		
Straight-line adjustment of revenue	(212,503)	(422,596)
Fair value adjustment on investment properties (note 3)	(22,378,649)	(1,962,448)
Finance costs (note 8)	3,029,357	3,013,912
Change in non-cash operating working capital:		
Other assets	105,059	(15,766)
Accounts receivable	34,176	(34,254)
Tenant rental deposits	11,527	10,402
Prepaid rent	674,116	(11,815)
Accounts payable and accrued liabilities	(275,255)	(2,055,120)
	8,014,732	5,813,302
Cash flows from (used in) financing activities:		
Mortgages payable:		
Proceeds	—	53,669,850
Principal payments	(619,556)	(195,293)
Discharge of mortgages	—	(45,414,492)
Financing costs paid	—	(629,222)
Interest paid	(2,831,708)	(2,753,506)
Divisional contributions	121,520	1,794,284
Divisional distributions	(778,724)	(10,378,059)
Other	(291,458)	(688,595)
	(4,399,926)	(4,595,033)
Cash flows from (used in) investing activities:		
Improvements to investment properties (note 3)	(1,814,223)	(169,410)
Change in restricted cash	358,015	(1,487,887)
	(1,456,208)	(1,657,297)
Increase (decrease) in cash and cash equivalents	2,158,598	(439,028)
Cash and cash equivalents, beginning of period	2,705,567	2,821,008
Cash and cash equivalents, end of period	$ 4,864,165	$ 2,381,980

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

1. BASIS OF PRESENTATION:

Agellan Portfolio I, as presented in these condensed carve-out interim financial statements, is not a legal entity. It represents the combination of five industrial and office investment properties (the "Portfolio") located in Canada and the United States. This Portfolio and its related assets and liabilities were controlled by CarVal Investors Management, Inc. (the "General Partner").

These condensed carve-out interim financial statements have been prepared on a carve-out basis from the financial statements of the entities which owned the properties, to account solely for the properties which Agellan Commercial Real Estate Investment Trust (the "REIT") anticipates purchasing. In particular, these condensed carve-out interim financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses and divisional equity in the net assets of the Portfolio included in, and for inclusion in, the prospectus relating to the initial public offering of the units of the REIT. These condensed carve-out interim financial statements present the carve-out financial position, financial performance and cash flows of the Portfolio for the periods presented, as if the Portfolio has been accounted for on a stand-alone basis.

Because these properties were part of a corporate group, these condensed carve-out interim financial statements depict the divisional equity in net assets, representing the amount associated specifically with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These condensed carve-out interim financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

These condensed carve-out interim financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34, Interim Financial Reporting. The Portfolio adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of how the transition to IFRS has affected the Portfolio's financial position, performance and cash flows has not been presented as the Portfolio has not presented financial statements in previous years. The date of transition to IFRS was January 1, 2009.

These condensed carve-out interim financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio.

These condensed carve-out interim financial statements do not include all the information required for full annual financial statements.

The Portfolio holds its interest in the investment properties and other assets and liabilities related to these properties in limited partnership entities and limited liability companies. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Critical judgements:

The preparation of condensed carve-out interim financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the condensed carve-out interim financial statements.

(i) Accounting for acquisitions:

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Portfolio obtains control of the business.

(ii) Leases (the Portfolio as lessor):

The Portfolio uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Portfolio has determined that all its leases are operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Key sources of estimation uncertainty:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Actual results may differ from these estimates.

The following is a key assumption concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment properties valuations:

Investment properties, which are carried on the condensed carve-out interim statements of financial position at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Portfolio. Refer to note 3 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

(c) Investment properties:

The Portfolio selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the condensed carve-out interim statements of income and comprehensive income during the periods in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of property only when it is probable that future economic benefits of the expenditure will flow to the Portfolio and cost can be measured reliably.

(d) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment property.

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Portfolio is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(g) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity. Income taxes, if any, are liabilities of the owners of the properties contained within the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

(i) Foreign currency translation:

The Portfolio accounts for its investments in wholly owned subsidiaries of the Portfolio in the United States ("foreign operations") as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the condensed carve-out interim statement of financial position dates and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of other comprehensive income (loss).

(j) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in the condensed carve-out interim statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income (loss).

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments — Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the Portfolio's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed carve-out interim financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(k) Derivative financial instruments and hedging activities:

The Portfolio may use derivative financial instruments to manage risks from fluctuations in interest rates.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

(l) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Portfolio in preparing its condensed carve-out interim financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after July 1, 2014

The Portfolio intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Portfolio has not yet been determined.

3. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the periods:

Balance, January 1, 2011	$108,076,143
Additions — capital expenditures	235,479
Increase in straight-line costs	543,045
Fair value adjustment	5,722,866
Exchange differences on translation of United States operations	2,509,196
Balance, December 31, 2011	$117,086,729
Balance, January 1, 2012	$117,086,729
Additions — capital expenditures	1,814,223
Increase in straight-line costs	212,503
Fair value adjustment	22,378,649
Exchange differences on translation of United States operations	(4,086,452)
Balance, September 30, 2012	$137,405,652

The Portfolio determined the fair value of each investment property using a combination of the discounted cash flow method and direct capitalization method as at September 30, 2012 and discounted cash flow method only for December 31, 2011. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. The direct capitalization method applies a market capitalization rate to stabilized net operating income, adjusting for cash inflows and outflows required to achieve stabilized net operating income.

3. INVESTMENT PROPERTIES: (Continued)

The key valuation assumptions for the Portfolio's investment properties are set out in the following table:

	September 30, 2012	December 31, 2011
Capitalization rate — range	—	—
Capitalization rate — weighted average	7.35%	—
Discount rate — range	6.85 – 8.60%	8.00 – 9.50%
Discount rate — weighted average	8.45%	9.28%
Terminal capitalization rate — range	6.35 – 7.60%	7.00 – 9.00%
Terminal capitalization rate — weighted average	7.44%	8.76%

4. OTHER ASSETS:

	September 30, 2012	December 31, 2011
Prepaid expenses	$166,122	$250,482
Other receivables	9,206	29,905
	$175,328	$280,387

The Portfolio holds no collateral in respect of tenant and other receivables.

5. MORTGAGES PAYABLE:

	September 30, 2012	December 31, 2011
Current:		
Mortgages payable	$24,651,753	$ 847,787
Unamortized financing fees	(636,299)	(8,041)
	24,015,454	839,746
Non-current:		
Mortgages payable	52,721,688	79,711,673
Unamortized financing fees	—	(830,645)
	52,721,688	78,881,028
	$76,737,142	$79,720,774

The investment properties are pledged as security for certain loan facilities. Management has allocated the amount of indebtedness owing by the Portfolio in respect of these loan facilities based upon the estimated fair value of the investment properties in relation to the total fair value of the security held. The mortgages on the investment properties are cross collateralized with indebtedness owed by the owners of the Portfolio, on other properties under their ownership.

The mortgages are secured by a first charge on the investment properties. As at September 30, 2012, the mortgages carried a weighted average interest rate of 3.68% (December 31, 2011 — 4.63%). Included in mortgages payable at September 30, 2012 are U.S. dollar denominated mortgages of U.S. $76,833,304 (December 31, 2011 — U.S. $77,371,612). The Canadian equivalents of these amounts are $75,580,921 (December 31, 2011 — $78,696,929).

5. MORTGAGES PAYABLE: (Continued)

Future principal repayments at September 30, 2012 are as follows:

2012 — remainder of period	$ 213,998
2013	24,634,817
2014	807,704
2015	852,984
2016	892,885
Thereafter	49,971,053
Face value	77,373,441
Mortgage discount and deferred financing (2011 — $838,686)	(636,299)
Carrying amount	$76,737,142

6. SEGMENTED DISCLOSURE:

Segmented information on identifiable non-current assets by geographic region and rentals from investment properties is outlined below:

Investment properties and properties under development are attributable to countries based on the location of the properties.

	September 30, 2012	December 31, 2011
Canada	$ 7,065,443	$ 4,874,000
United States	130,340,209	112,212,729
	$137,405,652	$117,086,729

	September 30, 2012	September 30, 2011
Rental revenue from investment properties:		
Canada	$ 534,464	$ 386,393
United States	11,260,074	12,077,167
	$11,794,538	$12,463,560

The Portfolio has one tenant that accounts for 39% of the Portfolio's rental revenue whose lease will expire in 2023.

7. TRANSACTIONS WITH RELATED PARTIES:

The related party transactions include the following:

(a) Related parties include Agellan Capital Partners Inc, ("ACPI") and directors and entities related to ACPI. The Portfolio engaged ACPI or its related parties to perform property management services for a fee of 2% of gross revenue, as defined in the property management agreement. The costs of these services, aggregating $12,283 (nine months ended September 30, 2011 — $12,283), were charged to property operating expenses.

(b) The Portfolio engaged ACPI or its related parties to perform asset management services for a fee ranging from 0.30% to 0.75% of the gross purchase price, as defined in asset management agreements between the owners of the properties included in the Portfolio and ACPI. The costs of these services, aggregating $111,757 (nine months ended September 30, 2011 — $109,561), were charged to general and administrative expenses.

(c) The Portfolio also engaged M&J Wilkow, Ltd., an affiliate of one of the vendors, to perform property management and asset management services. The costs of these services, aggregating $346,494 (nine months ended September 30, 2011 — $336,007), were charged to property operating expenses.

7. TRANSACTIONS WITH RELATED PARTIES: (Continued)

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCE COSTS:

	2012	2011
Mortgage interest	$2,851,083	$2,753,506
Amortization of financing fees	178,274	260,406
	$3,029,357	$3,013,912

9. COMMITMENTS AND CONTINGENCIES:

At the condensed carve-out interim statements of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable operating leases.

The Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Portfolio.

10. CAPITAL MANAGEMENT:

The Portfolio is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Portfolio will make adjustments to its capital based on its investment strategies and changes to economic conditions.

Management's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets and the acquisition of additional investment properties, which are leased to creditworthy tenants, as opportunities arise. The capital management's strategy is also driven by requirements from certain lenders.

The Portfolio was in compliance with all financial covenants as at September 30, 2012 and December 31, 2011.

11. RISK MANAGEMENT:

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the carve-out financial statements as at and for the year ended December 31, 2011.

12. FAIR VALUE MEASUREMENT:

The fair values of the Portfolio's financial assets, which include accounts receivable, cash and cash equivalents, restricted cash, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

The fair value of the Portfolio's mortgages payable at September 30, 2012 was $81,168,485 (December 31, 2011 — $80,566,567). The fair value has been estimated based on the current market rates for mortgages with similar terms and conditions.

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2).

Condensed Carve-out Interim Financial Statements of

AGELLAN PORTFOLIO II

Nine months ended September 30, 2012 and 2011
(Unaudited)

AGELLAN PORTFOLIO II

CONDENSED CARVE-OUT INTERIM STATEMENTS OF FINANCIAL POSITION

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Non-current assets:		
Investment properties (note 3)	$305,359,575	$254,960,900
Current assets:		
Other assets (note 4)	1,251,522	462,310
Restricted cash	3,070,573	3,219,788
Accounts receivable	994,362	1,914,558
Cash and cash equivalents	6,157,089	6,849,621
Total current assets	11,473,546	12,446,277
Total assets	$316,833,121	$267,407,177
Liabilities and Divisional Equity		
Non-current liabilities:		
Mortgages payable (note 5)	$ 40,226,121	$ 60,065,887
Current liabilities:		
Current portion of mortgages payable (note 5)	106,941,858	90,854,113
Tenant rental deposits	1,355,963	1,109,751
Prepaid rent	1,038,556	1,195,373
Accounts payable and accrued liabilities	3,135,998	5,821,679
Total current liabilities	112,472,375	98,980,916
Total liabilities	152,698,496	159,046,803
Divisional equity	164,134,625	108,360,374
Total liabilities and divisional equity	$316,833,121	$267,407,177

The condensed carve-out interim financial statements were approved by the General Partner of Agellan Portfolio II on January 17, 2013.

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

AGELLAN PORTFOLIO II

CONDENSED CARVE-OUT INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Nine months ended September 30,	
	2012	**2011**
Revenue:		
Minimum rent	$ 13,839,720	$13,701,589
Recoveries from tenants	11,354,173	10,564,871
Parking	829,521	878,065
Other	582,716	821,500
	26,606,130	25,966,025
Expenses:		
Property operating	7,443,668	7,404,955
Property taxes	4,840,415	4,820,695
General and administrative	1,384,674	1,512,731
	13,668,757	13,738,381
Income before finance costs and fair value adjustment on investment properties	12,937,373	12,227,644
Finance costs (note 8)	7,062,784	7,152,725
Fair value adjustment on investment properties (note 3)	(51,665,707)	(5,860,304)
Net income	57,540,296	10,935,223
Other comprehensive income (loss):		
Unrealized gain (loss) on translation of U.S. dollar denominated foreign operations	(1,282,708)	1,754,657
Comprehensive income	$ 56,257,588	$12,689,880

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

AGELLAN PORTFOLIO II

CONDENSED CARVE-OUT INTERIM STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

Nine months ended September 30, 2012 and 2011
(Unaudited)

Divisional equity, January 1, 2011	$ 96,094,956
Net income	10,935,223
Other comprehensive income	1,754,657
Net divisional contributions	1,084,423
Divisional equity, September 30, 2011	$109,869,259
Divisional equity, January 1, 2012	$108,360,374
Net income	57,540,296
Other comprehensive loss	(1,282,708)
Net divisional distributions	(483,337)
Divisional equity, September 30, 2012	$164,134,625

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

AGELLAN PORTFOLIO II

CONDENSED CARVE-OUT INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30,	
	2012	**2011**
Cash flows from (used in) operating activities:		
Net income	$ 57,540,296	$10,935,223
Adjustments for items not involving cash:		
Straight-line adjustment of revenue	171,451	(243,163)
Fair value adjustment on investment properties (note 3)	(51,665,707)	(5,860,304)
Finance costs (note 8)	7,062,784	7,152,725
Change in non-cash operating working capital:		
Other assets	(789,212)	(837,547)
Accounts receivable	920,196	(82,124)
Tenant rental deposits	246,212	35,707
Prepaid rent	(156,817)	292,218
Accounts payable and accrued liabilities	(2,685,681)	(392,312)
	10,643,522	11,000,423
Cash flows from (used in) financing activities:		
Mortgages payable:		
Proceeds	85,500,000	(248,625)
Principal payments	(1,561,725)	(1,103,056)
Discharge of mortgages	(85,319,763)	(127,451)
Financing costs paid	(459,560)	(8,212)
Interest paid	(6,933,950)	(7,055,434)
Divisional contributions	396,526	1,108,423
Divisional distributions	(879,863)	(24,000)
Other	317,432	257,496
	(8,940,903)	(7,200,859)
Cash flows from (used in) investing activities:		
Improvements to investment properties (note 3)	(2,544,366)	(2,280,043)
Change in restricted cash	149,215	(1,284,447)
	(2,395,151)	(3,564,490)
Increase (decrease) in cash and cash equivalents	(692,532)	235,074
Cash and cash equivalents, beginning of period	6,849,621	5,132,642
Cash and cash equivalents, end of period	$ 6,157,089	$ 5,367,716

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

1. BASIS OF PRESENTATION:

Agellan Portfolio II, as presented in these condensed carve-out interim financial statements, is not a legal entity. It represents the combination of 18 industrial and office investment properties (the "Portfolio") located in Canada and the United States. This Portfolio and its related assets and liabilities were controlled by North American Real Estate Partners II GP, LLC (the "General Partner").

These condensed carve-out interim financial statements have been prepared on a carve-out basis from the financial statements of the entities which owned the properties, to account solely for the properties which Agellan Commercial Real Estate Investment Trust (the "REIT") anticipates purchasing. In particular, these condensed carve-out interim financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses and divisional equity in the net assets of the Portfolio included in, and for inclusion in, the prospectus relating to the initial public offering of the units of the REIT. These condensed carve-out interim financial statements present the carve-out financial position, financial performance and cash flows of the Portfolio for the periods presented, as if the Portfolio has been accounted for on a stand-alone basis.

Because these properties were part of a corporate group, these condensed carve-out interim financial statements depict the divisional equity in net assets, representing the amount associated specifically with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These condensed carve-out interim financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

These condensed carve-out interim financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") 34, Interim Financial Reporting. The Portfolio adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. A reconciliation of how the transition to IFRS has affected the Portfolio's financial position, performance and cash flows has not been presented as the Portfolio has not presented financial statements in previous years. The date of transition to IFRS was January 1, 2009.

These condensed carve-out interim financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio.

These condensed carve-out interim financial statements do not include all the information required for full annual financial statements.

The Portfolio holds its interest in the investment properties and other assets and liabilities related to these properties in limited partnership entities and limited liability companies. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Critical judgements:

The preparation of condensed carve-out interim financial statements requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the condensed carve-out interim financial statements.

(i) Accounting for acquisitions:

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Portfolio obtains control of the business.

(ii) Leases (the Portfolio as lessor):

The Portfolio uses judgement in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Portfolio has determined that all its leases are operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Key sources of estimation uncertainty:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Actual results may differ from these estimates.

The following is a key assumption concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment properties valuations:

Investment properties, which are carried on the condensed carve-out interim statements of financial position at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the Portfolio. Refer to note 3 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

(c) Investment properties:

The Portfolio selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the condensed carve-out interim statements of income and comprehensive income during the periods in which they arise. Fair values are primarily determined by using the discounted cash flow.

Subsequent capital expenditures are added to the carrying value of property only when it is probable that future economic benefits of the expenditure will flow to the Portfolio and cost can be measured reliably.

(d) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recognized on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are presented as accrued rent receivable and form a component of investment property.

(e) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Portfolio is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment properties. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment properties and is amortized over the term of the lease as a reduction of revenue.

(f) Restricted cash:

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

(g) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity. Income taxes, if any, are liabilities of the owners of the properties contained within the Portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments, which approximate fair value.

(i) Foreign currency translation:

The Portfolio accounts for its investments in wholly owned subsidiaries of the Portfolio in the United States ("foreign operations") as U.S. dollar denominated foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the condensed carve-out interim statement of financial position dates and revenue and expenses are translated at the average exchange rates for the reporting periods.

The foreign currency translation adjustment is recorded as a separate component of other comprehensive income (loss).

(j) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in the condensed carve-out interim statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income (loss).

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments — Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the Portfolio's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the year incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed carve-out interim financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(k) Derivative financial instruments and hedging activities:

The Portfolio may use derivative financial instruments to manage risks from fluctuations in interest rates.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

(l) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Portfolio in preparing its condensed carve-out interim financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after July 1, 2014

The Portfolio intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Portfolio has not yet been determined.

3. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the periods:

Balance, January 1, 2011	$244,883,165
Additions — capital expenditures	4,363,719
Increase in straight-line costs	409,549
Fair value adjustment	2,948,229
Exchange differences on translation of United States operations	2,356,238
Balance, December 31, 2011	$254,960,900
Balance, January 1, 2012	$254,960,900
Additions — capital expenditures	2,544,366
Increase in straight-line costs	(171,451)
Fair value adjustment	51,665,707
Exchange differences on translation of United States operations	(3,639,947)
Balance, September 30, 2012	$305,359,575

The Portfolio determined the fair value of each investment property using a combination of the discounted cash flow method and direct capitalization method as at September 30, 2012 and discounted cash flow method only for December 31, 2011. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. The direct capitalization method applies a market capitalization rate to stabilized net operating income, adjusting for cash inflows and outflows required to achieve stabilized net operating income.

3. INVESTMENT PROPERTIES: (Continued)

The key valuation assumptions for the Portfolio's investment properties are set out in the following table:

	September 30, 2012	December 31, 2011
Capitalization rate — range	6.85 – 7.85%	—
Capitalization rate — weighted average	7.16%	—
Discount rate — range	6.85 – 9.85%	7.50 – 9.50%
Discount rate — weighted average	7.64%	8.28%
Terminal capitalization rate — range	6.60 – 8.60%	7.00 – 8.75%
Terminal capitalization rate — weighted average	7.20%	7.76%

4. OTHER ASSETS:

	September 30, 2012	December 31, 2011
Prepaid expenses	$1,201,532	$401,376
Other receivables	49,990	60,934
	$1,251,522	$462,310

The Portfolio holds no collateral in respect of tenant and other receivables.

5. MORTGAGES PAYABLE:

	September 30, 2012	December 31, 2011
Current:		
Mortgages payable	$107,327,580	$ 90,874,389
Unamortized financing fees	(385,722)	(20,276)
	106,941,858	90,854,113
Non-current:		
Mortgages payable	40,250,749	60,085,583
Unamortized financing fees	(24,628)	(19,696)
	40,226,121	60,065,887
	$147,167,979	$150,920,000

The investment properties are pledged as security for certain loan facilities. Management has allocated the amount of indebtedness owing by the Portfolio in respect of these loan facilities based upon the estimated fair value of the investment properties in relation to the total fair value of the security held. The mortgages on the investment properties are cross collateralized with indebtedness owed by the owners of the Portfolio, on other properties under their ownership.

The mortgages are secured by a first charge on the investment properties. As at September 30, 2012, the mortgages carried a weighted average interest rate of 4.73% (December 31, 2011 — 6.31%). Included in mortgages payable at September 30, 2012 are U.S. dollar denominated mortgages of U.S. $59,711,647 (December 31, 2011 — U.S. $59,764,085). The Canadian equivalents of these amounts are $58,290,855 (December 31, 2011 — $60,780,075).

5. MORTGAGES PAYABLE: (Continued)

Future principal repayments at September 30, 2012 are as follows:

2012 — remainder of period	$ 4,026,718
2013	103,483,312
2014	37,728,547
2015	2,339,752
Face value	147,578,329
Mortgage discount and deferred financing (2011 — $39,973)	(410,350)
Carrying amount	$147,167,979

6. SEGMENTED DISCLOSURE:

Segmented information on identifiable non-current assets by geographic region and rentals from investment properties is outlined below:

Investment properties and properties under development are attributable to countries based on the location of the properties.

	September 30, 2012	December 31, 2011
Canada	$192,696,528	$150,515,000
United States	112,663,047	104,445,900
	$305,359,575	$254,960,900

	September 30,	
	2012	2011
Rental revenue from investment properties:		
Canada	$17,107,661	$16,575,894
United States	8,915,753	8,568,631
	$26,023,414	$25,144,525

The Portfolio has two major tenants that account for 39% of the Portfolio's rental revenue whose leases expire in 2015 and 2020.

7. TRANSACTIONS WITH RELATED PARTIES:

The related party transactions include the following:

(a) Related parties include Agellan Capital Partners Inc, ("ACPI") and directors and entities related to ACPI. The Portfolio engaged ACPI or its related parties to perform property management services for a fee of 2% of gross revenue, as defined in the property management agreement. The costs of these services, aggregating $316,961 (nine months ended September 30, 2011 — $308,702), were charged to property operating expenses.

(b) The Portfolio engaged ACPI or its related parties to perform asset management services for a fee ranging from 0.30% to 0.75% of the gross purchase price, as defined in asset management agreements between the owners of the properties included in the Portfolio and ACPI. The costs of these services, aggregating $1,056,303 (nine months ended September 30, 2011 — $1,043,642), were charged to general and administrative expenses.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. FINANCE COSTS:

	September 30,	
	2012	**2011**
Mortgage interest	$6,973,945	$7,114,326
Amortization of financing fees	88,839	38,399
	$7,062,784	$7,152,725

9. COMMITMENTS AND CONTINGENCIES:

At the condensed carve-out interim statements of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable operating leases.

The Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Portfolio.

10. CAPITAL MANAGEMENT:

The Portfolio is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Portfolio will make adjustments to its capital based on its investment strategies and changes to economic conditions.

Management's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets and the acquisition of additional investment properties, which are leased to creditworthy tenants, as opportunities arise. The capital management's strategy is also driven by requirements from certain lenders.

The Portfolio was in compliance with all financial covenants as at September 30, 2012 and December 31, 2011.

11. RISK MANAGEMENT:

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the carve-out financial statements as at and for the year ended December 31, 2011.

12. FAIR VALUE MEASUREMENT:

The fair values of the Portfolio's financial assets, which include accounts receivable, cash and cash equivalents, restricted cash, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

The fair value of the Portfolio's mortgages payable at September 30, 2012 was $149,475,318 (December 31, 2011 — $153,670,200). The fair value has been estimated based on the current market rates for mortgages with similar terms and conditions.

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2).

APPENDIX A

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST
CHARTER OF THE AUDIT COMMITTEE
(the "Charter")

1. General

A. Purpose

The Audit Committee (the "**Committee**") is a committee of the Board of Trustees (the "**Board**") of Agellan Commercial Real Estate Investment Trust (the "**REIT**"). The members of the Committee and the chair of the Committee (the "**Chair**") are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the REIT's financial controls and reporting and monitoring whether the REIT complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

2. Composition

The Committee should be comprised of a minimum of three trustees and a maximum of five trustees.

(1) The Committee must be constituted as required under National Instrument 52-110 — *Audit Committees*, as it may be amended or replaced from time to time ("**NI 52-110**").

(2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

(3) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the REIT or any of its related parties or subsidiaries.

(4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT's financial statements).

(5) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

3. Limitations on Committee's Duties

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the REIT ("**Management**") as to the non-audit services provided to the REIT by the external auditor, (iv) financial statements of the REIT represented to them by a member of Management or in a written report of the external auditors to present fairly the financial position of the REIT in accordance with applicable generally accepted accounting

principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Meetings

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the REIT and shall meet within 90 days following the end of the fiscal year of the REIT. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine. The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the REIT (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the REIT (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the REIT with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the REIT's interim financial statements.

The Committee shall determine any desired agenda items.

5. Committee Activities

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

A. Financial Disclosure

(1) Review, approve and recommend for Board approval the REIT's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related management's discussion & analysis and press release.

(2) Review, approve and recommend for Board approval the REIT's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related management's discussion & analysis and press release.

(3) Review and approve any other press releases that contain financial information and such other financial information of the REIT provided to the public or any governmental body as the Committee requires.

(4) Satisfy itself that adequate procedures have been put in place by Management for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and the related management's discussion & analysis.

(5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the REIT and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

(6) Receive periodically Management reports assessing the adequacy and effectiveness of the REIT's disclosure controls and procedures.

B. Internal Control

(1) Review Management's process to identify and manage the significant risks associated with the activities of the REIT.

(2) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.

(3) Have the authority to communicate directly with the internal auditor.

(4) Receive periodical Management reports assessing the adequacy and effectiveness of the REIT's internal control systems.

(5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

C. Relationship with the External Auditor

(1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.

(2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.

(3) Advise the external auditor that it is required to report to the Committee, and not to Management.

(4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.

(5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the REIT, Management or employees that might interfere with the independence of the external auditor.

(7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

(8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

(9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the REIT, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the REIT, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the REIT.

D. Audit Process

(1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit

report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.

(4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

(5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

(6) Review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

E. Financial Reporting Processes

(1) Review the integrity of the REIT's financial reporting processes, both internal and external, in consultation with the external auditor.

(2) Periodically consider the need for an internal audit function, if not present.

(3) Review all material balance sheet issues, material contingent obligations and material related party transactions.

(4) Review with Management and the external auditor the REIT's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

F. General

(1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.

(2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.

(3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.

(4) Review the public disclosure regarding the Committee required from time to time by NI 52-110.

(5) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT) the compensation for any such advisors.

(6) Review in advance, and approve, the hiring and appointment of the REIT's senior financial executives.

(7) Perform any other activities as the Committee or the Board deems necessary or appropriate.

6. Complaint Procedures

(1) Anyone may submit a complaint regarding conduct by the REIT or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair will have the power and authority to oversee treatment of such complaints.

(2) Complaints are to be directed to the attention of the Chair.

(3) The Committee should endeavour to keep the identity of the complainant confidential.

(4) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

CERTIFICATE OF THE REIT AND THE PROMOTERS

Dated: January 17, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

AGELLAN COMMERCIAL REAL ESTATE INVESTMENT TRUST

(Signed) Frank Camenzuli
Chief Executive Officer

(Signed) Rosalia Lau
Interim Chief Financial Officer

On behalf of the Board of Trustees

(Signed) Paul J. Massicotte
Trustee

(Signed) Richard Dansereau
Trustee

Diversified Cinco Properties, LP; Diversified Valleywood Limited Partnership; Diversified Magnettawan Industrial, LLC; Diversified Magnettawan HDA Non-REIT, LP; Diversified Magnettawan HDA REIT, LP; 20 Valleywood Drive Limited Partnership; Diversified Bank Limited Partnership; Diversified Parkway L.P.; Diversified Bellehumeur L.P.; Aptus Dallas TX Industrial, L.P.; Aptus Plainfield IN, LLC; Aptus Maryland, LLC; Texas Industrial Non-REIT Portfolio, Limited Partnership; Texas Industrial REIT Portfolio, Limited Partnership; Cinco Properties, LLC

(as Promoters)

(Signed) Frank Camenzuli

NAREP Canadian REIT Holdings I L.P.; NAREP Canadian REIT Holdings II L.P.; NAREP II Canadian REIT Holdings I L.P.; NAREP II Canadian REIT Holdings II L.P.; NAREP II Canadian Assets Trust; NAREP II Canadian Corporation; NAREP II Canadian Assets ULC

(as Promoters)

(Signed) Robert P. Perry

CMJ/Warrenville, LLC

(as Promoter)

by its manager, Warrenville Manager Corporation

(Signed) Marc R. Wilkow
President

CERTIFICATE OF THE UNDERWRITERS

Dated: January 17, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

BMO NESBITT BURNS INC.

By: (Signed) JONATHAN LI

CIBC WORLD MARKETS INC.

By: (Signed) MARK G. JOHNSON

RBC DOMINION SECURITIES INC.

By: (Signed) WILLIAM WONG

TD SECURITIES INC.

By: (Signed) ANDREW PHILLIPS

GMP SECURITIES L.P.

By: (Signed) ANDREW KIGUEL

NATIONAL BANK FINANCIAL INC.

By: (Signed) ANDREW WALLACE

RAYMOND JAMES LTD.

By: (Signed) LUCAS ATKINS

SCOTIA CAPITAL INC.

By: (Signed) BRYCE STEWART

CANACCORD GENUITY CORP.

By: (Signed) JUSTIN BOSA

Initial Portfolio

- Geographically diverse
- Diversified by asset class
- Strong and growing occupancy

Compelling and unique opportunity for Canadian investors

- Large number of U.S. markets
- Strong Canadian dollar and attractive relative valuations
- U.S. fundamentals expected to recover

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